

Intergas Central Asia JSC

Financial statements

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

CONTENTS

Independent auditor's report

Financial statements

Statement of financial position	1
Statement of comprehensive income	2
Statement of cash flows	3
Statement of changes in equity	4
Notes to the financial statements	5-40

Independent auditor's report

To the Shareholder, Board of Directors and Management of Intergas Central Asia JSC

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Company's 2022 Annual Report

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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 skepticism 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.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

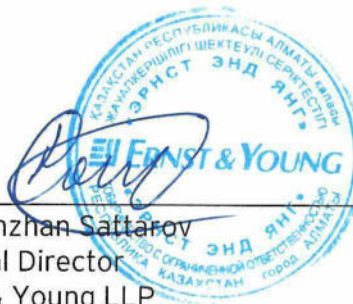


Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ-0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

17 February 2023



Rustamzhan Sattarov
General Director
Ernst & Young LLP

State audit license for audit activities on the
territory of the Republic of Kazakhstan: series
МФЮ-2 No. 0000003 issued by the Ministry
of finance of the Republic of Kazakhstan
on 15 July 2005

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

<i>In thousands of Tenge</i>	Notes	December 31, 2022	December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment	4	829,123,858	715,958,111
Intangible assets	6	3,537,107	3,886,652
Right-of-use assets	5	89,547,228	1,661,635
Advances paid		644,287	62,515,420
Long-term bank deposits	10	1,368,613	1,510,163
Other non-current assets		-	411,204
		924,221,093	785,943,185
Current assets			
Inventories	7	4,795,907	2,304,511
Trade and other receivables	8	47,337,860	34,446,625
Advances paid		182,476	142,256
Prepaid taxes other than income tax	9	10,763,616	2,654,228
Corporate income tax prepaid	27	11,145,722	2,906,846
Short-term bank deposits	10	9,663,779	5,817
Cash and cash equivalents	11	16,925,209	55,758,285
		100,814,569	98,218,568
Assets held for sale		-	40,377,593
		100,814,569	138,596,161
Total assets		1,025,035,662	924,539,346
Equity and liabilities			
Equity			
Share capital	12	392,985,220	392,985,220
Additional paid-in capital	12	23,082,956	21,352,216
Retained earnings		272,303,508	245,096,991
		688,371,684	659,434,427
Non-current liabilities			
Long-term portion of bank loans	13	21,386,025	29,184,030
Long-term portion of loans from related party	14	45,751,096	44,068,360
Financial guarantee obligation	15	6,117,811	7,408,575
Employee benefit obligations		577,165	454,433
Gas pipeline abandonment and site restoration provision	16	60,467,775	86,229,418
Lease liabilities	17	77,018,795	40,596
Deferred income tax liabilities	27	57,634,453	59,601,753
		268,953,120	226,987,165
Current liabilities			
Current portion of bank loans	13	8,887,049	8,794,447
Current portion of loans from related party	14	5,588,976	777,156
Employee benefit obligations		45,069	59,021
Trade and other payables	18	19,942,430	7,887,194
Taxes payable other than income tax	19	2,319,136	1,714,064
Contract liabilities		313,768	2,536,281
Lease liabilities	17	18,770,666	5,013,843
Other current financial liabilities	21	4,206,524	2,440,376
Other current liabilities	20	7,637,240	8,895,372
		67,710,858	38,117,754
Total liabilities		336,663,978	265,104,919
Total equity and liabilities		1,025,035,662	924,539,346

Deputy General Director

Chief Accountant



 Narymbetova U.I.


 Kadirbayeva A.A.

The accompanying notes on pages 39 to 40 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME**For the year ended December 31, 2022**

<i>In thousands of Tenge</i>	Notes	For the year ended December 31	
		2022	2021
Revenue from contracts with customers	22	206,066,841	244,629,697
Cost of sales	23	(147,549,826)	(147,624,638)
Gross profit		58,517,015	97,005,059
General and administrative expenses	24	(13,374,438)	(11,407,269)
Other operating income	25	3,517,379	1,230,056
Other operating expenses		(1,510,128)	(4,378,079)
Operating profit		47,149,828	82,449,767
Foreign exchange gain, net		3,847,961	911,783
Finance income		2,759,642	2,453,829
Finance costs	26	(26,749,109)	(12,518,988)
Profit before income tax		27,008,322	73,296,391
(Benefit)/income tax expenses	27	205,203	(17,233,249)
Net profit for the year		27,213,525	56,063,142
Other comprehensive income			
<i>Other comprehensive income not to be classified to profit or loss in subsequent periods</i>			
Re-measurement of defined benefit plans – actuarial loss		(4,867)	7,275
Impact of income tax	27	973	(1,455)
Other comprehensive income/(loss) for the year, net of tax		(3,894)	5,820
Total comprehensive income for the year, net of tax		27,209,631	56,068,962

Deputy General Director



Narymbetova U.I.

Chief Accountant

Kadirbayeva A.A.

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

In thousands of Tenge	Notes	For the year ended December 31	
		2022	2021
Cash flows from operating activities			
Receipts from customers		213,711,476	275,977,990
Payments to suppliers		(67,292,433)	(73,561,754)
Payments to employees		(45,352,630)	(33,643,202)
Taxes paid other than income tax		(23,665,691)	(18,151,582)
VAT refund from the state		–	3,000,000
Other receipts		2,138,830	2,639,435
Other payments		(5,555,354)	(5,126,388)
Corporate income tax paid		(10,000,000)	(5,500,000)
Interest paid	30	(26,170,689)	(6,823,857)
Interest received		1,347,946	1,164,994
Net cash flows received from operating activities		39,161,455	139,975,636
Cash flows from investing activities			
Withdrawal of bank deposits		21,432,884	800,824
Acquisition of debt securities		(11,862,457)	–
Proceeds from redemption of debt securities		11,862,457	–
Placement of bank deposits		(29,847,440)	(281,300)
Purchase of property, plant and equipment		(88,109,718)	(120,293,158)
Purchase of intangible assets		–	(1,021)
Proceeds from sale of property, plant and equipment and assets held for sale		40,757,125	41,271,075
Net cash flows used in investing activities		(55,767,149)	(78,503,580)
Cash flows from financing activities			
Proceeds from bank loans	13, 30	29,700,000	–
Proceeds from loans from related party	14, 30	4,776,103	64,909,463
Repayment of bank loans	13, 30	(37,665,786)	(8,474,619)
Repayment of principal of lease liabilities		(20,161,128)	(28,960,431)
Dividends paid	12	(3,114)	(91,685,171)
Other payments		(298,000)	–
Net cash flows used in financing activities		(23,651,925)	(64,210,758)
Net decrease in cash and cash equivalents		(40,257,619)	(2,738,702)
Effects of exchange rate on cash and cash equivalents		1,424,543	896,445
Cash and cash equivalents, at the beginning of the year		55,758,285	57,600,542
Cash and cash equivalents, at the end of the year	11	16,925,209	55,758,285

Deputy General Director



Chief Accountant

Narymbetova U.I.

Kadirbayeva A.A.

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

<i>In thousands of Tenge</i>	Share capital	Additional paid-in capital	Retained earnings	Total
As at January 1, 2021	392,985,220	-	280,713,200	673,698,420
Net profit for the year	-	-	56,063,142	56,063,142
Other comprehensive income, net of tax	-	-	5,820	5,820
Total comprehensive income for the year	-	-	56,068,962	56,068,962
Dividends on common shares (Note 12)	-	-	(83,526,405)	(83,526,405)
Dividends on preferred shares (Note 12)	-	-	(8,158,766)	(8,158,766)
Other transactions with a shareholder (Note 12)	-	21,352,216	-	21,352,216
As at December 31, 2021	392,985,220	21,352,216	245,096,991	659,434,427
Net profit for the year	-	-	27,213,525	27,213,525
Other comprehensive loss, net of tax	-	-	(3,894)	(3,894)
Total comprehensive income for the year	-	-	27,209,631	27,209,631
Dividends on preferred shares (Note 12)	-	-	(3,114)	(3,114)
Other transactions with a shareholder (Note 12)	-	1,730,740	-	1,730,740
As at December 31, 2022	392,985,220	23,082,956	272,303,508	688,371,684

Deputy General Director



Narymbetova U.I.

Chief Accountant

Kadirbayeva A.A.

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL INFORMATION

Intergas Central Asia JSC (the “Company”) was established in accordance with the laws of the Republic of Kazakhstan. The Company was registered on July 1, 1997, as a closed joint stock company. On January 28, 2005, the Company was re-registered as a joint stock company in accordance with the requirements of the legislation.

The Company is 100% owned by NC QazaqGaz JSC (the “Shareholder” and “QazaqGaz”), a joint stock company established under the laws of the Republic of Kazakhstan. Sovereign Wealth Fund Samruk-Kazyna JSC (“Samruk-Kazyna”) is the sole shareholder of QazaqGaz. By the Decree of the Government of the Republic of Kazakhstan dated November 30, 2021 No. 852, QazaqGaz was given the status of a National Company. All subsidiaries of Samruk-Kazyna are considered as related parties of the Company (*Note 28*).

The principal activities of the Company are transportation, sale and storage of natural gas and provision of services on technical maintenance of gas pipelines. The Company’s operating activities are regulated by the Law of the Republic of Kazakhstan dated December 27, 2018 No. 204-VI *On Natural Monopolies* (the “Law”) as the Company is a natural monopolist in transportation of gas within the Republic of Kazakhstan and storage of natural gas. According to the Law, the Company’s gas transportation tariff within the Republic of Kazakhstan and storage tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies (hereinafter – the “CRNM”) and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated June 15, 2018 No. 353, the Company obtained the status of a national operator of main gas pipelines. The main tasks of the national operator are to ensure the interest of the state and transport commodity gas through trunk gas pipelines to the domestic and foreign markets. In addition, the Company will ensure the innovative development of the main gas pipeline system and its integration into the world energy system, enhancement the state’s energy potential through diversification of commodity gas flows.

As at December 31, 2022, the Company fulfilled has commitments under the investment program amounted 165,879,068 thousand Tenge for 2022-2026 approved by the common order of Vice-Minister of Energy dated October 4, 2021, No. 311 and Chairman of the Committee on Regulation of Natural Monopolies under the Ministry of National economy of the Republic of Kazakhstan dated September 15, 2021 No. 97-OD. The order comes into force on January 1, 2022.

The Company’s head office is located at BC “Bolashak”, 12 Alikhan Bokeikhan avenue, Astana, Republic of Kazakhstan.

The accompanying financial statements were authorized for issue by the Deputy General Director and Chief Accountant of the Company on February 17, 2023.

2. BASIS OF PREPARATION

The accompanying financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board. In preparing the financial statements, the management of the Company took into account the current economic situation in the world, with regard the presence of a number of uncertainties. The Company continues to consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements have been prepared on a historical cost basis, except for assets and liabilities stated at fair value as disclosed further in the accompanying accounting policies and notes to these financial statements.

All values in these financial statements are rounded to the nearest thousands Tenge, except when otherwise indicated.

Foreign currency translation

The financial statements are presented in Tenge, which is the Company’s functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate ruling at the reporting date. All differences are taken to the statement of comprehensive income as gain or loss for the period. Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as at December 31, 2022 was 462.65 Tenge to 1 US Dollar. This rate was used to translate monetary assets and liabilities denominated in US Dollars as at December 31, 2022 (as at December 31, 2021: 431.8 Tenge to 1 US Dollar).

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Operating environment**

In general, the economy of the Republic of Kazakhstan continues to display some characteristics of emerging markets. It is particularly sensitive to fluctuations in the prices of oil and gas and other minerals, which make up the bulk of the country's exports. These features also include, but are not limited to the existence of a national currency that is not freely convertible outside the country, and the low level of liquidity in the securities market. The ongoing political tensions in the region and exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including a decrease in liquidity and the emergence of difficulties in attracting international financing.

The war in Ukraine

The war in Ukraine, started in 2022, triggers a number of IFRS accounting considerations affecting the financial statements.

Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in CIS.

Due to the above factors, the demand for Russian gas has decreased. In this connection, during 2022, the Company has a decrease in revenue from Central Asian gas (transit) by 60.5% compared to 2021.

Management is unable to foresee either the extent or duration of changes in the Kazakhstani economy or their likely impact on the Company's financial position in the future. Management believes that it is taking all necessary measures to maintain the sustainability and growth of the Company's operations in the current circumstances.

Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

The Company has estimated the recoverable amount of its long-term assets as of December 31, 2022.

The recoverable amount of the cash-generating unit is calculated using the discounted cash flow model. The discount rate was derived from the weighted average cost of capital before taxation. The weighted average cost of capital takes into account both borrowed and equity capital. The cost of equity is derived from the expected return on the Company's investments. The cost of borrowed capital is based on interest-bearing loans that the Company is required to serve. The inherent risk was included by applying an individual beta factor. The beta factor was evaluated based on publicly available market data. The business plan, approved on an annual basis, is the main source of information for the estimated cash flows. It contains forecasts for gas transportation volumes, revenue, expenses and capital expenditures. Various assumptions, such as transportation tariffs, as well as the level of cost inflation, take into account existing prices, other macroeconomic factors and historical trends, and fluctuations. The estimated cash flows through 2027 (inclusive) were based on the Company's five-year business plan, taking into account management's current estimates of potential changes in operating and capital expenditures.

As the recoverable value of fixed assets, the value of discounted free cash flows from continuing use was accepted.

Cash flows were discounted using the weighted average cost of capital before taxation, which is 16.60%. As of December 31, 2022, the recoverable value of fixed assets amounted to 1,154,259,076 thousand Tenge, which exceeds their book value. In case of reduction/increase of the discount rate by 1%, the recoverable amount will increase/decrease by 133,042,643 / 109,151,115 thousand Tenge, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Significant accounting judgments, estimates and assumptions (continued)***Lease of MGP "Saryarka"*

On December 31, 2021, the Company concluded a lease agreement for the "Saryarka" gas pipeline with AstanaGas KMG JSC for a period of 5 years from 2022-2026, which entered into force from the date of approval of CRNM tariffs for gas transportation in the domestic market, that is, from January 1, 2022. This lease agreement was entered into on terms of variable payments, the variability of which will depend on the volume of gas transported through the MGP "Saryarka". However, the Company's management believes that due to the inevitability and absence of real volatility of these payments, this agreement is a long-term lease agreement. Thus, as of the date of entry into force of the agreement, the present value of the lease of MGP "Saryarka" amounted to 111,326,816 thousand Tenge (Notes 5 and 17).

Taxation

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

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful implementation of tax planning strategies. The Company has legally enforceable right to set off its current tax asset against current tax liability. Deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. In the statements of financial position, deferred tax assets are netted against deferred tax liabilities as they are related to income taxes levied by the same taxation authority. As of December 31, 2022 and 2021 the Company recognized net deferred tax liability. Further details of tax risks are contained in Note 27.

Fair value of financial instruments

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

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in estimates and judgements about these factors could affect the reported fair value of financial instruments. Further details are contained in Note 30.

Estimation of expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Useful life of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, changes are accounted for prospectively as changes in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Significant accounting judgments, estimates and assumptions (continued)***Gas pipeline abandonment and site restoration*

According to the law, the Company has legal obligations to dismantle and liquidate gas pipelines and restore land.

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

The long-term inflation and discount rates used to determine the liability in the statement of financial position at December 31, 2022 were 4.90% and 9.26%, respectively (2021: 5.50% and 6.97%, respectively). The carrying amount of the pipeline abandonment and site restoration provision as at December 31, 2022 was 60,467,775 thousand Tenge (2021: 86,229,418 thousand Tenge), for more details see *Note 16*.

The following is a sensitivity analysis for significant assumptions as at December 31, 2022:

<i>In thousands of Tenge</i>	Impact on gas pipeline abandonment and site restoration provision	
	2022	2021
Assumptions for gas pipeline abandonment and site restoration		
Liquidation cost of 1 km:		
- Increase by 10%	5,988,015	8,622,942
- Decrease by 10%	(5,988,015)	(8,622,942)
Inflation rate:		
- Increase by 1%	20,493,062	29,318,635
- Decrease by 1%	(15,393,472)	(22,058,587)
Discount rate:		
- Increase by 1%	(14,743,384)	(21,620,393)
- Decrease by 1%	19,765,862	29,167,757

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Current versus non-current classification (continued)**

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Fair value of financial instruments

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

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Intangible assets

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets. The amortization expense on intangible assets is accrued using straight line method over their useful economic lives, which are presented as follows:

	Years
Software	3-20
Other	20

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

Property, plant and equipment

Property, plant and equipment are classified as Buildings and constructions, Gas transportation system, Equipment, Construction in progress, Land, Vehicles and other as appropriate.

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of replacing part of the property, plant and equipment, its purchase price, including import duties and non-refundable taxes, borrowing costs for long-term construction projects, if the recognition criteria are met and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The expenditures that have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as additional costs of fixed assets. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

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

	Years
Buildings and constructions	8-100
Gas transportation system	40-70
Equipment	3-40
Vehicles	10-30
Other	3-20

Land is not depreciated.

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

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Construction-in-progress represents tangible fixed assets under construction and is recorded at cost. This includes cost of construction and equipment, long-term inventories and other direct costs. Construction-in-progress is not depreciated until such time as respective assets are completed and placed into operational use.

Leases

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

Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)***Company as a lessee (continued)**Lease liabilities (continued)*

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets**Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in IFRS 15 *Revenue from Contracts with Customers*.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)***Financial assets (continued)**Subsequent measurement*

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost includes bank deposits and trade and other receivables.

Derecognition

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

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

Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Financial assets (continued)**Impairment (continued)*

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Financial liabilities**Initial recognition and measurement*

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at amortised cost

This is the category most relevant to the Company. After initial recognition, bank loans and financial guarantee obligation are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to bank loans, loans from related party and financial guarantee obligations (Notes 13, 14 and 15).

Trade payables

Liabilities for trade payables are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition

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

Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

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

Inventories

Inventories of natural gas, materials and supplies are valued at the lower of cost or net realizable value.

The cost of inventory is accounted for on the first-in first-out basis.

Cash and cash equivalents

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

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Share capital

Share capital is recognized at cost and is comprised of common and preferred shares. Dividends on common and preferred shares are recognized in the shareholder's equity as a reduction in the period in which they are declared. Dividends that are declared after the year end reporting date are treated as a subsequent event under IAS 10 *Events After the Reporting Period* and disclosed accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Share capital (continued)**

Dividends on the Company's shares are paid in cash. The Shareholder approves the distribution of dividends. Minimum annual dividend on preferred shares is 1% of total par value of preferred shares. The Company pays additional dividends on preferred shares to equate the dividend on preferred shares to the dividend on common shares for the same period. Dividends are not paid if (a) the equity becomes negative; (b) the Company becomes insolvent; or (c) the court or the Shareholder decided to liquidate the Company. The Shareholder has the right to decide not to pay dividends on the Company's shares with obligatory publication in mass media within 10 (ten) days from the date of such decision.

Revenue from contracts with customers and expense recognition

The Company recognizes revenue from contracts with customers in order to reflect the transfer to customers of the promised goods or services in the amount of compensation that the Company is expected to receive in exchange for the specified goods or services. Revenue from contracts with customers was recognized net of indirect taxes.

Rendering of services

Revenue from gas transportation services was recognized over time on the basis of actual volumes of gas transported during the reporting period. The Company concluded that services were provided over time, because the customer simultaneously receives and consumes the benefits provided by the Company.

Interest income

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

Interest income is included in finance income in the statement of comprehensive income.

Expenses

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying long-term asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Employee benefits

The Company provides long-term employee benefits to employees in accordance with the Collective labor agreement on social support of its employees approved by the conference of representatives of the Company's employees. The collective labor agreement provides the payment of compensation payments upon retirement of employees and material assistance for his burial in the event of the death of an employee.

The expected costs of the benefits associated with payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognized in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

Deferred income tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in the equity.

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

Value added tax (VAT)

The tax authorities permit the settlement of sales and purchases value added tax (VAT) on a net basis. Thus, value added tax receivable represents VAT on purchases net of VAT on sales.

Value added tax payable

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

In addition, VAT related to sales which have not been collected at the reporting date is also included in the balance of VAT payable.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Value added tax (VAT) (continued)***Value added tax recoverable*

VAT recoverable is recorded on accounts related to purchased goods, work and services, which were purchased with VAT and if they were used in order to derive income.

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

Contingent assets and contingent liabilities

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

Contingent liabilities are not recognized in the financial statements, they are disclosed unless the possibility of an outflow of resources embodying economic benefits is not remote, and the amount of liabilities is material.

Subsequent events

Post-year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events), are recorded in the financial statements.

Post-year-end events that are not adjusting events are disclosed in the notes when material.

New and amended standards and interpretations applied by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022, but do not have an impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The list of new and amended standards and interpretations presented below:

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The amendments add an exception to the recognition principle of IFRS 3 **Business Combinations** to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately.

The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations applied by the Company (continued)***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

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

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

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

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

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company. The Company intends to apply practical simplifications in future periods, if necessary.

Standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 *Presentation of Financial Statements* named *Classification of Liabilities as Current or Non-current*;
- *Definition of Accounting Estimates* - Amendments to IAS 8;
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* named *Disclosure of Accounting Policies*;
- Amendments to IAS 12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IFRS 16 - *New Lease Liability for Sale with Leaseback*;
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and his Associate or Joint Venture*.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

<i>In thousands of Tenge</i>	Land	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in progress	Total
Cost								
At January 1, 2021	331,221	94,229,344	384,772,034	372,208,810	45,587	6,796,292	24,519,028	882,902,316
Additions	–	1,444,791	6,611,273	3,102,497	–	73,208	63,143,827	74,375,596
Additions in estimates on asset retirement obligation (Note 16)	–	–	1,661,292	–	–	–	–	1,661,292
Change in estimate (Note 16)	–	–	3,192,220	–	–	–	–	3,192,220
Transfer from inventories	–	–	1,620,965	–	–	–	1,868,183	3,489,148
Transfer to intangible assets	–	–	–	–	–	–	(6,871)	(6,871)
Transfer to assets classified as held for sale	–	(7,637,266)	–	(36,272,948)	–	(133,629)	–	(44,043,843)
Internal transfers	–	4,217,212	19,439,494	25,190,834	–	494,491	(49,342,031)	–
Disposals	–	(1,227,845)	(606,027)	(7,361,095)	(28,950)	(350,024)	(152,261)	(9,726,202)
At December 31, 2021	331,221	91,026,236	416,691,251	356,868,098	16,637	6,880,338	40,029,875	911,843,656
Additions	1,785	130,087	87,615	665,952	–	161,445	163,934,748	164,981,632
Additions in estimates on asset retirement obligation (Note 16)	–	4,453,476	76,786	9,175,312	–	–	–	13,705,574
Transfer from inventories	–	–	–	11,977	–	47	2,546,905	2,558,929
Internal transfers	–	7,761,757	22,134,611	8,829,063	–	1,135,779	(39,861,210)	–
Change in estimate (Note 16)	–	(736,956)	(43,075,147)	(1,510,224)	–	–	–	(45,322,327)
Disposals	–	(3,742)	(84,227)	(133,019)	–	(166,580)	–	(387,568)
At December 31, 2022	333,006	102,630,858	395,830,889	373,907,159	16,637	8,011,029	166,650,318	1,047,379,896
Accumulated depreciation and impairment								
At January 1, 2021	–	16,217,310	68,206,550	90,877,249	31,739	4,416,865	148,109	179,897,822
Charge for the year	–	2,663,398	7,846,642	13,995,307	1,643	370,808	–	24,877,798
Internal transfers	–	28,796	13	(40,029)	–	11,220	–	–
Reversal of impairment, net	–	–	–	–	–	–	(75,862)	(75,862)
Transfer to assets classified as held for sale	–	(443,323)	–	(3,192,795)	–	(30,132)	–	(3,666,250)
Disposals	–	(638,438)	(83,533)	(4,056,306)	(23,609)	(346,077)	–	(5,147,963)
At December 31, 2021	–	17,827,743	75,969,672	97,583,426	9,773	4,422,684	72,247	195,885,545
Charge for the year	–	2,302,097	6,354,337	12,598,709	1,073	484,699	–	21,740,915
Internal transfers	–	183,062	2,597	(284,253)	–	98,594	–	–
Impairment of CIP	–	–	–	–	–	–	934,467	934,467
Disposals	–	(3,037)	(8,282)	(127,248)	–	(166,322)	–	(304,889)
At December 31, 2022	–	20,309,865	82,318,324	109,770,634	10,846	4,839,655	1,006,714	218,256,038
Net book value								
At December 31, 2021	331,221	73,198,493	340,721,579	259,284,672	6,864	2,457,654	39,957,628	715,958,111
At December 31, 2022	333,006	82,320,993	313,512,565	264,136,525	5,791	3,171,374	165,643,604	829,123,858

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

As at December 31, 2022, additions to construction in progress mainly include the following production facilities:

- Construction of the main gas pipeline (hereinafter – the “MGP”) from the “Kashagan” gas processing unit to the MGP “Makat-North Caucasus” with a compressor station amounted 117,455,721 thousand Tenge;
- Construction of the MGP “Zhetybay-Kuryk” branch from the MGP “Zhanaozen-Aktau” with the installation of automated gas distribution stations (hereinafter – the “AGDS”) in the amount of 22,442,181 thousand Tenge;
- Overhaul of 3 strands of the MGP “Zhanaozen-Zhetybay-Aktau”, the MGP “KazGPZ-KS Zhanaozen” and of the MGP “Zhanaozen-Zhetybay-Aktau” for the amount of 9,083,060 thousand Tenge;
- Overhaul of main gas pipelines, hot work, in-pipe diagnostics, replacement of defective pipes, emergency recovery work, disconnection/connection of gas pipelines, expert and diagnostic support in the amount of 7,318,462 thousand Tenge.

Internal transfers

As at December 31, 2022, the following main facilities were put into operation:

- Construction of the MGP “Zhetybay-Kuryk” branch from the MGP “Zhanaozen-Aktau” with the installation of the AGDS in “Kuryk” village in the amount of 22,450,875 thousand Tenge;
- Landscaping compression station CS-12 of Shalkar Linear Administration in the amount of 3,651,608 thousand Tenge;
- Overhaul of the MGP “BGR-TBA” 1st line in the amount of 1,888,696 thousand Tenge;
- Overhaul of the gas pipeline branch to the gas distribution station “Karatau” in the amount of 1,329,498 thousand Tenge.

Other

As at December 31, 2022, the historical cost of fully depreciated property, plant and equipment in operation was 12,123,146 thousand Tenge (December 31, 2021: 12,391,828 thousand Tenge).

As at December 31, 2022, the Company has capital commitments of approximately 51,448,956 thousand Tenge (December 31, 2021: 143,649,669 thousand Tenge) associated with the acquisition and construction of property, plant and equipment. These capital commitments are partly related to the investment program, which is described in *Note 1*.

5. RIGHT-OF-USE ASSETS

As at December 31, 2022, the Right-of-use assets are as follows:

<i>In thousands of Tenge</i>	Gas transportation assets	Buildings and constructions	Total
Net book value as at January 1, 2021	32,498,293	2,473,541	34,971,834
Lease agreement modification (<i>Note 17</i>)	(635,986)	–	(635,986)
Amortization charge	(31,862,307)	(811,906)	(32,674,213)
Net book value as at December 31, 2021	–	1,661,635	1,661,635
Additions	111,326,816	556,618	111,883,434
Modification (<i>Note 17</i>)	–	(335,852)	(335,852)
Disposals (<i>Note 17</i>)	–	(1,068,926)	(1,068,926)
Amortization charge	(22,265,363)	(327,700)	(22,593,063)
Net book value as at December 31, 2022	89,061,453	485,775	89,547,228

On December 31, 2021, the Company signed a lease agreement for the MGP “Saryarka” with AstanaGas KMG JSC for a period of 5 years from 2022-2026. The lease agreement comes into force from the date of approval by the CRNM of tariffs for gas transportation on the domestic market, that is, from January 1, 2022. At the date of recognition of the asset in the form of the right of use and lease obligations, the Company estimated the rate of borrowing by the lessee at 17.3% per annum. As of the date of entry into force of the agreement, the present value of the lease of MGP “Saryarka” amounted to 111,326,816 thousand Tenge (*Notes 17*).

NOTES TO THE FINANCIAL STATEMENTS (continued)**6. INTANGIBLE ASSETS**

<i>In thousands of Tenge</i>	Software	Other	Total
Cost			
At January 1, 2021	6,674,308	418,782	7,093,090
Additions	215,549	–	215,549
Disposals	(2,767)	–	(2,767)
At December 31, 2021	6,887,090	418,782	7,305,872
Additions	252,791	–	252,791
Disposals	(32,352)	–	(32,352)
At December 31, 2022	7,107,529	418,782	7,526,311
Accumulated depreciation			
At January 1, 2021	2,572,480	168,877	2,741,357
Charge for the year	639,984	40,646	680,630
Disposals	(2,767)	–	(2,767)
At December 31, 2021	3,209,697	209,523	3,419,220
Charge for the year	559,971	42,365	602,336
Disposals	(32,352)	–	(32,352)
At December 31, 2022	3,737,316	251,888	3,989,204
Net book value			
At December 31, 2021	3,677,393	209,259	3,886,652
At December 31, 2022	3,370,213	166,894	3,537,107

7. INVENTORIES

<i>In thousands of Tenge</i>	December 31	
	2022	2021
Materials and supplies (at lower of cost and net realisable value)	2,932,199	958,642
Gas (at lower of cost and net realisable value)	1,863,708	1,345,869
	4,795,907	2,304,511

Materials and supplies mainly consist of pipes, spare parts for servicing gas transmission systems, methanol and lubricants for use in gas transportation, and equipment and materials for domestic consumption. Gas includes fuel gas for own needs.

8. TRADE AND OTHER RECEIVABLES

<i>In thousands of Tenge</i>	December 31	
	2022	2021
Related parties (Note 28)	42,297,143	26,410,668
Gas transit non-resident customers	3,797,842	4,644,905
Local customers	2,121,206	3,129,178
Other	615,165	647,172
	48,831,356	34,831,923
Allowance for expected credit losses	(1,493,496)	(385,298)
	47,337,860	34,446,625

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. TRADE AND OTHER RECEIVABLES (continued)**

As at December 31, 2022, accounts receivable from related parties are mainly represented by receivables due from QazaqGaz of 17,531,674 thousand Tenge for storage and domestic gas transportation (December 31, 2021: 14,697,990 thousand Tenge); Beineu-Shymkent Gas Pipeline LLP of 11,173,437 thousand Tenge for technical maintenance of gas pipeline and 9,070,628 thousand Tenge for warranty retention (December 31, 2021: 1,249,000 thousand Tenge for technical maintenance and 6,677,946 for warranty retention), Asia Gas Pipeline LLP in the amount of 2,389,414 thousand Tenge for technical maintenance of gas pipelines (December 31, 2021: 1,727,016 thousand Tenge); KazTransGas Aimak JSC in the amount of 1,727,444 thousand Tenge for technical maintenance of gas pipelines (December 31, 2021: 1,779,088 thousand Tenge).

As at December 31, 2022, trade receivables from gas transit non-resident customers included the amount of 941,246 thousand Tenge due from Gazprom PJSC (as at December 31, 2021: 2,624,934 thousand Tenge), the amount of 2,856,596 thousand Tenge due from UzTransGaz JSC (as at December 31, 2021: 2,019,971 thousand Tenge), and were denominated in US Dollars.

Movements in the allowance for expected credit losses of trade and other receivables were as follows:

<i>In thousands of Tenge</i>	Individually impaired
At January 31, 2021	(375,800)
Effect of foreign exchange difference	(9,498)
At December 31, 2021	(385,298)
Accrual for the period	(1,081,291)
Effect of foreign exchange difference	(26,907)
At December 31, 2022	(1,493,496)

The Company recognises allowances for expected credit losses for trade and other receivables individually in each case, taking into account the situation of a specific legal entity or population in the aggregate. As of December 31, 2022, the Company has receivables from QazaqGaz in the total amount of 17,531,674 thousand Tenge. Based on the history of payments and the results of a detailed analysis of the financial position of QazaqGaz and the market in which it operates, management determined that QazaqGaz has sufficient capabilities to fulfil its contractual obligations. Accordingly, no allowance was made in the financial statements for expected credit losses in respect of trade receivables from QazaqGaz.

Set out below is the information about the credit risk exposure on the Company's trade and other receivables using a provision matrix.

<i>In thousands of Tenge</i>	Total	Current	Days past due			
			<30 days	31-60 days	61-90 days	>91 days
December 31, 2022						
Expected credit loss rate	3.06%	0.01%	0.03%	0.30%	2.70%	15.16%
Estimated total gross carrying amount at default	48,831,356	31,082,600	2,683,820	4,926,783	487,090	9,651,063
Expected credit loss	1,493,496	1,779	688	14,920	13,140	1,462,969
December 31, 2021						
Expected credit loss rate	1.11%	0.04%	0.23%	6.30%	1.44%	34.81%
Estimated total gross carrying amount at default	34,831,923	29,707,553	1,490,592	3,048,771	73,806	511,201
Expected credit loss	385,298	10,857	3,466	191,971	1,064	177,940

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. PREPAID TAXES OTHER THAN INCOME TAX**

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
VAT recoverable	10,556,920	2,195,088
Other	206,696	459,140
Current portion	10,763,616	2,654,228

As of December 31, 2022, there was no provision for VAT recoverable.

10. BANK DEPOSITS

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Long-term bank deposits		
Tenge bank deposits with maturity more than one year	1,368,613	1,510,163
	1,368,613	1,510,163
Short-term bank deposits		
Tenge bank deposits with maturity more than three months and less than one year	9,663,779	5,817
	9,663,779	5,817

As at December 31, 2022, restricted long-term deposits of 1,368,613 thousand Tenge were placed as guarantee on housing loans issued by Halyk Bank of Kazakhstan JSC to the Company's employees (December 31, 2021: 1,510,163 thousand Tenge) at the rate of 1% per annum (2021: 1% per annum).

As at December 31, 2022, short-term bank deposits included interest receivable with Halyk Bank of Kazakhstan JSC of 5,189 thousand Tenge (December 31, 2021: 5,817 thousand Tenge).

As of December 31, 2022, a deposit with a maturity of three months to a year includes a deposit in foreign currency at a rate of 0.7% per annum in Halyk Bank of Kazakhstan JSC in the amount of 9,544,227 thousand Tenge and interest in the amount of 114,363 thousand Tenge.

11. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Tenge deposits with maturity less than three months	11,428,085	12,499,214
Receivables under reverse repurchase agreements with original maturities of less than three months	4,920,711	–
Rouble bank accounts	313,526	45
US Dollar bank accounts	231,344	43,028,825
Euro bank accounts	27,526	–
Tenge bank accounts	4,005	230,201
US Dollar other accounts	12	–
	16,925,209	55,758,285

As at December 31, 2022, the weighted average interest rate on current bank accounts was 0% in US Dollars, in Rouble, in Euro and 2.95% in Tenge, respectively (December 31, 2021: 0% in US Dollars and 0.08% in Tenge, respectively).

As at December 31, 2022, deposits with maturity less than three months included deposits denominated in Tenge in Halyk Bank of Kazakhstan JSC of 11,428,085 thousand Tenge (December 31, 2021: deposits denominated in Tenge of 36,457 thousand Tenge in Halyk Bank of Kazakhstan JSC and First Heartland Jysan Bank JSC of 12,462,757 thousand Tenge). Deposits with maturity less than three months earn interest at the rate of 15.25% per annum (2021: 7.5% per annum and 8.3% per annum, respectively).

As of December 31, 2022, the Company entered into reverse repurchase agreements on the Kazakhstan Stock Exchange in the amount of 10,635,926 US Dollars (equivalent to 4,904,225 thousand Tenge). The subject of these agreements were corporate bonds of the Ministry of Finance of the Republic of Kazakhstan.

Subsequently, under reverse repo transactions, the Company will continue to place funds on a regular basis with an interval of 7 (seven) days.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. EQUITY****Share capital**

	Number of shares		In thousands of Tenge	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Common voting shares	246,886,387	246,886,387	185,546,933	185,546,933
Preferred non-voting shares	41,522,720	41,522,720	207,438,287	207,438,287
	288,409,107	288,409,107	392,985,220	392,985,220

Dividends

On June 23, 2022, based on the results of operations for the year ended December 31, 2021, the Company paid dividends on preferred shares in the amount of 3,114 thousand Tenge (2021: 83,526,405 thousand Tenge on common shares and 8,158,766 thousand Tenge on preferred shares) in accordance with the decision of the Board of Directors of the Shareholder.

Additional paid-in capital

During 2022, the Company received several tranches of a loan from QazaqGaz for the total amount 4,776,103 thousand Tenge to finance the investment project "Construction of the MGP from the "Kashagan" complex gas treatment unit to the MGP "Makat-North Caucasus" with a compressor station" at 5% interest rate per annum. The initial discount in the amount 1,730,740 thousand Tenge was recognized as additional paid-in capital (2021: 21,352,216 thousand Tenge) (Note 14).

13. BANK LOANS

As at December 31, 2022 and 2021 bank loans comprised the following:

In thousands of Tenge	Date of issue	Maturity	Interest rate	2022	2021
Halyk Savings Bank JSC	December 5, 2022	June 5, 2026	17.85%	29,795,837	–
European Bank for Reconstruction and Development	July 26, 2016	June 5, 2026	3m CPI + margin (2.15%)		
			+ 50 bp cost	–	27,699,840
	June 18, 2018, September 18, 2019 and February 13, 2020	June 5, 2026	6m CPI + margin (2.15%) + 100 bp cost	477,237	10,278,637
				30,273,074	37,978,477
Less: amount due for settlement within 12 months				(8,887,049)	(8,794,447)
Amounts due for settlement after 12 months				21,386,025	29,184,030

European Bank for Reconstruction and Development

In accordance with the loan agreement dated May 26, 2016, on July 26, 2016, the Company received a loan from the European Bank for Reconstruction and Development (hereinafter – the "EBRD") of 140,000,000 US Dollars (equivalent to 48,143,200 thousand Tenge) for the purpose of restructuring existing obligations. In May 2017, the Company received second tranche of 80,000,000 US Dollars (equivalent to 25,254,400 thousand Tenge) under the loan agreement.

Under the terms of the loan agreement, all payments related to the loan are made in US Dollars. On October 23, 2017, according to the letter received from the EBRD, the principal on the loan was converted from 203,077 thousand US Dollars to 68,213,539 thousand Tenge.

On December 2022, the Company made an early full repayment of the loan received in May- July 2016 and second tranche received from the EBRD in May 2017 respectively for the restructuring of short-term liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13. BANK LOANS (continued)****European Bank for Reconstruction and Development (continued)**

On June 18, 2018, in accordance with the loan agreement dated May 26, 2016, the Company received another loan from the EBRD of 4,621,477 thousand Tenge for the modernization of the Bozoi UGS facility, which was repaid by 32 (thirty-two) equal quarterly instalments starting from September 2018.

On September 18, 2019, in accordance with the loan agreement dated May 26, 2016, the Company received the second tranche of a loan from the EBRD of 7,255,785 thousand Tenge for the modernization of the Bozoi UGS facility, which was repaid by 27 (twenty-seven) equal quarterly instalments starting from December 2019.

On February 13, 2020, in accordance with the loan agreement dated May 26, 2016, the Company received the third tranche of a loan from the EBRD of 4,314,938 thousand Tenge for the modernization of the Bozoi UGS facility, which was repaid by 26 (twenty-six) equal quarterly instalments starting from March 2020.

As of December 31, 2022, the Company made an early full repayment of the loan on first and second tranches of the EBRD loan.

During 2022, the Company repaid principal under the third tranche for a total amount of 2,517,265 thousand Tenge, including partial early repayment in the amount of 2,019,387 thousand Tenge.

As of December 31, 2022, interest payable on the third tranche of the loan is 7,237 thousand Tenge (as of December 31, 2021: 319,828 thousand Tenge).

Halyk Saving Bank of Kazakhstan JSC

On December 2022, in order to refinance the loan from the EBRD, the Company received a long-term loan from Halyk Saving Bank of Kazakhstan JSC for the total amount 29,700,000 thousand Tenge at the rate 17.85%. The loan will be repaid by equal quarterly instalments starting from March 2023.

As at December 31, 2022, interest payable on the loan is equal to 382,882 thousand Tenge.

Capitalization of borrowing costs

In 2022, the Company capitalized interest expense of 3,411,824 thousand Tenge and 237,283 thousand Tenge on loans received from the EBRD and Halyk Saving Bank of Kazakhstan JSC to property, plant and equipment (2021: EBRD in amount 338,805 thousand Tenge).

Covenants

According to the terms of bank loans, in which the Company is a borrower or guarantor, the Company must ensure that certain financial ratios are met, such as (a) the ratio of Net Financial Debt to Net Capitalization of the Company, no more than 0.5; and (b) the ratio of Net Financial Debt to EBITDA, not more than 4.0 and not more than 3.0 for the EBRD and Halyk Saving Bank of Kazakhstan JSC respectively. The Company reports on financial ratios on a semi-annual basis. Failure to comply with financial ratios gives lenders the right to demand early repayment of loans. As of December 31, 2022, the Company complies with all financial ratios.

14. LOANS FROM RELATED PARTY

As at December 31, 2022 and 2021 loans from related party comprised the following:

<i>In thousands of Tenge</i>	Date of issue	Maturity	Interest rate	December 31, 2022	December 31, 2021
QazaqGaz	July 13, 2021, October 1, 2021, December 23, 2021, March 31, 2022, June 14, 2022, July 07, 2022	July 13, 2032	5% per annum	51,340,072	44,845,516
				51,340,072	44,845,516
Less: amount due for settlement within 12 months				(5,588,976)	(777,156)
Amounts due for settlement after 12 months				45,751,096	44,068,360

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. LOANS FROM RELATED PARTY (continued)****QazaqGaz**

In accordance with the loan agreement dated July 12, 2021 with QazaqGaz, during 2021, the Company received several tranches in the total amount of 64,909,463 thousand Tenge at 5% per annum interest rate to finance the investment project "Construction of the MGP from the "Kashagan" complex gas treatment unit to the MGP "Makat-North Caucasus" with a compressor station". The loan is repayable in 10 (ten) equal annual instalments starting from December 25, 2023 by July 13, 2032. The difference between the received amount and the fair value of the loan, calculated using the market rates of 12.85%, 13.6%, and 13.2%, in the amount of 21,352,216 thousand Tenge was recognized as additional paid-in capital (Notes 12).

On March 31, 2022, June 14, 2022, and July 7, 2022, the Company received the fourth, fifth and sixth tranches in the amount of 434,018 thousand Tenge, 666,057 thousand Tenge and 3,676,028 thousand Tenge, respectively. The difference between the received amount and the fair value of the loan, calculated using the market rates of 14.1%, 14.9%, and 15.70% in the amount of 1,730,740 thousand Tenge was recognized as additional paid-in capital (Note 12).

During 2022, the Company accrued interest on the loan in the amount of 3,415,997 thousand Tenge and amortization of discount in the amount of 2,571,317 thousand Tenge. As at December 31, 2022, interest payable on the loan is equal to 1,655,032 thousand Tenge (December 31, 2021: 777,156 thousand Tenge).

Capitalization of borrowing costs

In 2022, the Company capitalized interest expense and amortization of discount for the total amount of 5,987,314 thousand Tenge on loan received from QazaqGaz to property, plant and equipment (2021: 414,340 thousand Tenge).

15. FINANCIAL GUARANTEE OBLIGATIONS

<i>In thousands of Tenge</i>	As at December 31,	
	2022	2021
Guarantees provided for Shareholder (Note 28)	6,117,811	7,408,575
	6,117,811	7,408,575

Movements in financial obligations comprised the following:

<i>In thousands of Tenge</i>	2022	2021
As at January 1	7,408,575	8,700,500
Amortization of obligations on guarantees issued, net (Note 28)	(1,290,764)	(1,291,925)
As at December 31	6,117,811	7,408,575
Current portion	—	—
Non-current portion	6,117,811	7,408,575

Guarantees provided for Shareholder

In accordance with the agreement dated September 26, 2017, the Company issued a guarantee with respect to Eurobonds issued by Shareholder on the Irish Stock Exchange. The amount of the guarantee is 750,000,000 US Dollars. The guarantee is initially recognized at fair value of 12,921,997 thousand Tenge within statement of changes in equity as Other transactions with the Shareholder. The guarantee is issued for 10 years until 2027.

NOTES TO THE FINANCIAL STATEMENTS (continued)**16. GAS PIPELINE ABANDONMENT AND SITE RESTORATION PROVISION**

Movements in the gas pipeline abandonment and site restoration provision for the year ended December 31, 2022 and 2021 were as follows:

	For twelve months ended 31 December					
	2022			2021		
<i>In thousands of Tenge</i>	Provision for main gas pipelines	Provision for compressor stations	Total	Provision for main gas pipeline	Provision for compressor stations	Total
As at January 1	86,229,418	–	86,229,418	75,816,180	–	75,816,180
Charge for the period through assets (Notes 4)	76,786	13,628,788	13,705,574	1,661,292	–	1,661,292
Revision of estimates through asset (Notes 4)	(43,075,147)	(2,247,180)	(45,322,327)	3,192,220	–	3,192,220
Unwinding of discount (Notes 26)	4,984,719	282,761	5,267,480	5,569,784	–	5,569,784
Charge for the period through profit and loss	–	587,630	587,630	–	–	–
Write-back of unused provisions	–	–	–	(10,058)	–	(10,058)
As at December 31	48,215,776	12,251,999	60,467,775	86,229,418	–	86,229,418

In accordance with the amendments in the Environmental Code of the Republic of Kazakhstan, during the year ended December 31, 2022, the Company recognized an obligation to decommission compressor stations (hereinafter – the “CS”) in the amount of 13,628,788 thousand Tenge.

As at December 31, 2022, the long-term inflation and discount rates used to determine the provision were 4.90% and 9.26%, respectively (as at December 31, 2021: 5.50% and 6.97% respectively) (Note 2).

As of December 31, 2022, the Company recognized reserves for liabilities for liquidation of off-balance sheet assets and restoration of land plots in the amount of 587,630 thousand Tenge.

When installing main gas pipelines, the Company fully created a reserve for future costs of decommissioning these gas pipelines. The provision for pipeline abandonment and site restoration of 60,467,775 thousand Tenge represents the present value of the pipeline abandonment and site restoration costs related to property, plant and equipment, which are expected to be incurred in the period from 2031 to 2101.

NOTES TO THE FINANCIAL STATEMENTS (continued)**17. LEASE LIABILITIES**

<i>In thousand Tenge</i>	December 31	
	2022	2021
Long-term portion of obligation	77,018,795	40,596
Current portion of obligation	18,770,666	5,013,843
	95,789,461	5,054,439

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

<i>In thousand Tenge</i>	For the year ended December 31					
	2022			2021		
	Gas transportaion system	Buildings and construction	Total	Gas transportaion system	Buildings and construction	Total
As at January 1	4,056,603	997,836	5,054,439	32,498,293	1,717,927	34,216,220
Lease agreement modification (Note 5)	-	(335,852)	(335,852)	(635,986)	-	(635,986)
Additions for the period (Note 5)	111,326,816	556,618	111,883,434	-	-	-
Interest expense (Notes 26)	17,721,431	100,909	17,822,340	1,942,714	140,667	2,083,381
Payments for the period	(37,795,622)	(125,395)	(37,921,017)	(30,183,054)	(860,758)	(31,043,812)
Disposals (Note 5)	-	(1,068,926)	(1,068,926)	-	-	-
Other changes	-	355,043	355,043	434,636	-	434,636
As at December 31	95,309,228	480,233	95,789,461	4,056,603	997,836	5,054,439

18. TRADE AND OTHER PAYABLES

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Payables for purchased gas		
Payables to related parties (Note 28)	2,527,029	1,181,096
	2,527,029	1,181,096
Payables for assets and services received		
Payables to third parties	15,136,829	5,032,778
Payables to related parties (Note 28)	2,278,572	1,673,320
	17,415,401	6,706,098
	19,942,430	7,887,194

Payables are non-interest bearing and normally settled on 30 (thirty) day terms.

As at December 31, 2022 and 2021, the trade payables are denominated in the following currencies:

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Trade payables in Tenge	19,602,733	7,663,418
Trade payables in US Dollars	325,117	209,837
Trade payables in Euro	14,573	13,789
Trade payables in Roubles	7	150
	19,942,430	7,887,194

19. TAXES PAYABLE OTHER THAN INCOME TAX

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Social tax	1,383,447	1,214,789
Personal Income tax	902,048	446,678
Environmental payments	31,427	52,243
Other	2,214	354
	2,319,136	1,714,064

NOTES TO THE FINANCIAL STATEMENTS (continued)**20. OTHER CURRENT LIABILITIES**

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Provision for annual bonuses	5,907,000	7,946,693
Pension contributions payable	1,073,741	617,840
Other	656,499	330,839
	7,637,240	8,895,372

21. OTHER CURRENT FINANCIAL LIABILITIES

<i>In thousands of Tenge</i>	As at December 31	
	2022	2021
Unused vacation reserves	1,786,561	1,415,057
Due to employees	1,487,546	–
Guarantee liabilities	814,297	896,232
Short-term lease liabilities	46,651	48,321
Other	71,469	80,766
	4,206,524	2,440,376

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Transportation services		
Transportation of gas within Kazakhstan	87,273,042	71,952,842
Transportation of Central Asian gas (transit)	25,320,378	64,162,434
Transportation of gas for export	35,681,849	59,119,489
Transportation of Russian gas (transit)	21,755,735	19,447,360
	170,031,004	214,682,125
Storage and maintenance services		
Revenue from technical maintenance of gas pipelines	28,500,647	26,029,309
Storage of gas	7,535,190	3,918,263
	206,066,841	244,629,697

Transportation of gas for export

In 2022, the volume of gas transported for export was 4,942 million cubic meters (2021: 8,517 million cubic meters). In 2022 the decrease in revenue is due to an increase in volume consumption for the domestic market. The entire volume of gas from the Karachaganak field was redistributed to the domestic market. The Company recognizes revenue from gas transportation for export services over time.

Transportation of Central Asian and Russian gas (transit)

In 2022, 18.24% of total revenues were attributable to GazProm Group (2021: 32.11%). The Company recognizes revenue from transportation services for Central Asian and Russian gas over time.

Revenue from technical maintenance of gas pipelines

In 2022, the Company recognized revenues from maintenance of gas pipelines from Beineu-Shymkent Gas Pipeline LLP for services to support the operation of the Beineu-Bozoy-Shymkent for a total amount of 10,117,494 thousand Tenge (2021: 9,907,418 thousand Tenge).

NOTES TO THE FINANCIAL STATEMENTS (continued)**23. COST OF SALES**

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Salaries and social contributions	54,558,068	42,796,586
Depreciation of right-of-use assets (Note 5)	22,265,363	31,862,307
Depreciation and amortization of property, plant and equipment, and intangible assets	21,753,642	24,961,204
Transportation expenses	15,528,534	14,186,618
Fuel gas and gas losses	8,343,847	11,350,232
Taxes other than income tax	6,226,983	6,251,186
Security expenses	3,775,770	2,949,141
Repair and maintenance	3,033,204	2,766,602
Third party services	2,338,260	2,824,682
Electricity	1,378,972	1,588,834
Materials and supplies	1,286,304	1,277,456
Business trip expenses	1,163,058	987,378
Diagnostical expenses	1,106,097	945,621
Accrual / (reversal) of impairment of non-current assets (Note 4)	934,467	(75,862)
Insurance	868,436	770,974
Communication expenses	841,099	1,025,235
Medical insurance	544,675	–
Air service expenses	414,979	293,333
Provision for unused vacation	299,684	189,372
Expense related to short-term leases	115,966	91,399
Other	772,418	582,340
Total	147,549,826	147,624,638

24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Salaries and social contributions	7,420,187	5,990,118
Depreciation and amortization of property, plant and equipment, and intangible assets	909,577	1,402,931
Repair and maintenance	762,939	761,697
Payments to labour union	516,542	378,412
Fines and penalties	419,687	22,784
Expenses related to short-term leases and leases of low-value assets	380,653	361,119
Utilities	356,093	295,547
Third party services	273,570	267,933
Professional services	171,485	348,053
Holidays and sports activities	160,460	102,956
Medical insurance	127,509	635,376
Stationery and printing expenses	101,165	94,255
Business and representation expenses	90,963	87,465
Communication	86,432	110,199
Taxes other than income tax	62,295	62,655
Professional education expenses	33,798	23,416
Education of students	28,090	62,631
Security expenses	20,944	67,452
Accrual of ECL for trade receivables (Note 8)	1,081,291	2,156
Charge of provision for obsolete inventories	–	124,558
Other	370,758	205,556
	13,374,438	11,407,269

NOTES TO THE FINANCIAL STATEMENTS (continued)**25. OTHER OPERATING INCOME**

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Gain from disposal of property, plant and equipment, net	2,348,867	645,225
Income from fines and penalties	249,512	86,181
Income from gratuitously received intangible assets	139,281	—
Income from disposal of inventories	115,808	366,725
Income from rent	43,922	50,169
Other	619,989	81,756
	3,517,379	1,230,056

26. FINANCE COSTS

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Interest expense on lease liabilities	17,822,340	2,083,381
Amortization of discount on gas pipeline abandonment and site restoration provision (Note 16)	5,267,480	5,569,784
Interest expenses on bank loans	2,674,581	4,429,323
Amortization of discount on bank loans	487,092	113,057
Amortization of discount on employee benefit obligations	33,731	35,149
Other	463,885	288,294
	26,749,109	12,518,988

27. (BENEFIT)/INCOME TAX EXPENSES

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

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Current income tax expense	6,034,824	15,638,420
Adjustment of prior year income tax	(4,273,700)	—
Deferred income tax (benefit)/expense	(1,966,327)	1,594,829
	(205,203)	17,233,249

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate to income tax expenses recognized in the financial statements is as follows for the years ended December 31:

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Profit before income tax	27,008,322	73,296,391
Statutory tax rate	20%	20%
At the statutory income tax rate	5,401,664	14,659,278
Tax effect of permanent differences		
Adjustment of prior years' income tax	(4,273,700)	—
Adjustment of prior year deferred income tax	(1,583,316)	—
Unwinding of discount on gas pipeline abandonment and site restoration provision	—	1,113,957
Loss/ from disposal of assets	24,254	1,031,743
Amortization of financial guarantee obligation	(258,153)	(258,385)
Other non-taxable expenses	484,048	686,656
	(205,203)	17,233,249
Effective tax rate	(1%)	24%

NOTES TO THE FINANCIAL STATEMENTS (continued)**27. INCOME TAX EXPENSES (continued)**

During 2022, the Company revised the depreciation rates of fixed assets in tax accounting for 2021, changing them from the minimum to the maximum marginal rates. This change led to an increase in deductions for depreciation of fixed assets for 2021 by 24,178,830 thousand Tenge, which is why the Company reduced the current income tax adjusting it by 4,835,766 thousand Tenge for 2021. In addition, during 2022 the Company adjusted income tax for 2015-2016 for 562,066 thousand Tenge by submitting additional declarations.

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

<i>In thousands of Tenge</i>	December 31, 2022	Charged to profit and loss	Charged to other comprehensive income	December 31, 2021	Charged to profit and loss	Charged to other comprehensive income	January 1, 2021
Deferred tax assets							
Provision for assets retirement and land recultivation	12,093,555	12,093,555	-	-	-	-	-
Provision for unused vacation and other liabilities	1,548,058	(324,293)	-	1,872,351	707,173	-	1,165,178
Allowance for trade and other receivables, advances paid and taxes receivable	298,699	221,639	-	77,060	1,900	-	75,160
Lease liabilities	19,157,892	19,157,892	-	-	-	-	-
Inventories	294,382	-	-	294,382	(9,852)	-	304,234
	33,392,586	31,148,793	-	2,243,793	699,221	-	1,544,572
Deferred tax liabilities							
Property, plant and equipment	(73,287,599)	(11,459,913)	-	(61,827,686)	(2,113,671)	-	(59,714,015)
Right-of-use assets	(17,909,446)	(17,909,446)	-	-	-	-	-
Other	170,006	186,893	973	(17,860)	(180,379)	(1,455)	163,974
	(91,027,039)	(29,182,466)	973	(61,845,546)	(2,294,050)	(1,455)	(59,550,041)
Net deferred income tax liabilities	(57,634,453)	1,966,327	973	(59,601,753)	(1,594,829)	(1,455)	(58,005,469)

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

As at December 31, 2022, the Company had corporate income tax prepaid of 11,145,722 thousand Tenge (as at December 31, 2021: 2,906,846 thousand Tenge).

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RELATED PARTIES**

Related parties include key management personnel of the Company, companies included in QazaqGaz Group and Samruk Kazyna Group.

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for gas transportation services, which are provided, based on the tariffs available to related and third parties. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash, except as discussed below.

For the year ended December 31, 2022, the Company had no allowance for receivables relating to amounts owed by related parties (December 31, 2021: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The major transactions with related parties for the years ended December 31, 2022 and 2021 were as follows:

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Revenue		
Gas transportation services		
QazaqGaz and companies under its control	115,051,721	109,936,226
Companies under joint control of Samruk-Kazyna	4,173,038	15,055,283
	119,224,759	124,991,509
Gas storage		
QazaqGaz and companies under its control	7,535,190	3,918,263
	7,535,190	3,918,263
Technical maintenance of gas pipelines		
QazaqGaz and companies under its control	14,141,934	12,387,742
Companies under joint control of QazaqGaz	12,302,588	11,501,217
Companies under control of Samruk-Kazyna	15,752	14,961
Companies under joint control of Samruk-Kazyna	–	–
	26,460,274	23,903,920
	153,220,223	152,813,692
Finance income (Note 15)		
QazaqGaz and companies under its control	1,290,764	1,291,925
	1,290,764	1,291,925
Sales of assets		
Companies under joint control of QazaqGaz	42,726,460	42,886,487
	42,726,460	42,886,487
Other income from related parties		
Companies under joint control of QazaqGaz	4,106	156,070
QazaqGaz and companies under its control	39,811	38,522
Companies under control of Samruk-Kazyna	3,882	3,321
	47,799	197,913
	For the year ended December 31	
<i>In thousands of Tenge</i>	2022	2021
Purchases of natural gas		
QazaqGaz and companies under its control	8,068,100	11,070,229
	8,068,100	11,070,229

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Other goods and services from related parties		
QazaqGaz and companies under its control	15,366,834	12,741,364
Companies under control of Samruk-Kazyna	2,852,551	2,727,437
Companies under joint control of Samruk-Kazyna	90,249	82,146
	18,309,634	15,550,947
Finance costs		
Companies under control of Samruk-Kazyna	7,724	–
Companies under joint control of Samruk-Kazyna	17,721,431	1,942,714
	17,729,155	1,942,714
<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Trade and other receivables (Note 8)		
Companies under joint control of QazaqGaz	22,733,479	9,755,112
QazaqGaz and companies under its control	19,545,259	16,635,984
Companies under joint control of Samruk-Kazyna	15,863	17,526
Companies under control of Samruk-Kazyna	2,542	2,046
	42,297,143	26,410,668
Advances paid		
Companies under control of Samruk-Kazyna	2,894	3,093
	2,894	3,093
Loans from related party (Note 14)		
QazaqGaz and companies under its control	51,340,072	44,845,516
	51,340,072	44,845,516
Accounts payable for purchased gas (Note 18)		
QazaqGaz and companies under its control	2,527,029	1,181,096
	2,527,029	1,181,096
Accounts payable for received assets and services (Note 18)		
QazaqGaz and companies under its control	1,456,816	1,179,504
Companies under control of Samruk-Kazyna	821,756	493,816
	2,278,572	1,673,320
Other financial liabilities		
Companies under joint control of Samruk-Kazyna	95,317,720	4,064,270
Companies under control of Samruk-Kazyna	11,113	14,738
QazaqGaz and companies under its control	566	544
	95,329,399	4,079,552
Contract liabilities		
Companies under joint control of Samruk-Kazyna	227,362	2,451,951
Companies under joint control of QazaqGaz	1,150	–
	228,512	2,451,951

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

<i>In thousands of Tenge</i>	For the year ended December 31	
	2022	2021
Financial guarantee obligations		
QazaqGaz and companies under its control	6,117,811	7,408,575
	6,117,811	7,408,575
Obligation under reverse repo agreements		
Other entities controlled by the Government	4,920,711	-
	4,920,711	-

Dividends paid to the Shareholder

During 2022, the Company paid dividends to the NC QazaqGaz JSC in the total amount of 3,114 thousand Tenge (2021: 91,685,171 thousand Tenge).

Compensation to key management personnel

Key management personnel are members of the Management Board and independent directors of the Company, with a total of 9 people as at December 31, 2022 (December 31, 2021: 8 people). Key management personnel compensation included in administrative expenses in the statement of comprehensive income is 149,683 thousand Tenge for 2022 (December 31, 2021: 103,358 thousand Tenge). The amount of remuneration to key management personnel paid from the reserve created in the year of the previous payment year is 69,495 thousand Tenge for 2022 (December 31, 2021: 268,700 thousand Tenge).

Compensation to the key management personnel comprised of salary and other payments in accordance with internal regulations of the Company.

29. COMMITMENTS AND CONTINGENT LIABILITIES**Gas storage**

As of December 31, 2022, the three underground gas storage facilities Bozoi, Akyrtoke and Poltoratskoye have active gas in the amount of 1,271,645 thousand cubic meters owned by QazaqGaz in safe storage, which, if necessary, can be returned in full at the request of QazaqGaz.

Environmental matters

The Company is subject to various environmental laws and regulations. Management believes that the Company has met Government requirements concerning environmental matters.

Taxation

Kazakhstan's tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in interpretation of the legislation and check of tax calculation. As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Transfer pricing control

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)****Transfer pricing control (continued)**

Due to uncertainties associated with the Kazakhstani law on transfer pricing there is a risk that the tax authorities may take a position on this issue different from that of the Company, which may result in assessment of additional taxes, fines and penalties as of December 31, 2022. As of December 31, 2022, management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Company's positions with regard to transfer pricing will be sustained.

Legal actions and claim

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans, financial guarantee liabilities, lease liabilities, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has trade and other receivables, cash and short-term bank deposits, restricted cash, that arise directly from its operations.

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

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

Market risk

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

The sensitivity analysis in the sections below relates to positions as at December 31, 2022 and 2021.

The sensitivity analysis has been prepared on the basis of the assumption that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of significant borrowings, and accounts payable denominated in US Dollars, the Company's statement of financial position can be affected significantly by movement in the US Dollar / Tenge exchange rates. The Company also has transactional currency exposures. Such exposure arises from revenue in US Dollars. Approximately 21.18% of the Company's revenue for 2022 is denominated in US dollars, while 0.94% of purchases are denominated in US dollars.

The following table demonstrates the sensitivity of the Company's profit before income tax to reasonably possible changes in the US Dollar exchange rate, with all other variables held constant. There is no impact on the Company's equity.

<i>In thousands of Tenge</i>	Increase/ (decrease) in US Dollar rate	Effect on profit before income tax
2022	+21% (21%)	1,807,665 (1,807,665)
2021	+13% (10%)	6,170,689 (4,746,684)

NOTES TO THE FINANCIAL STATEMENTS (continued)**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to risk of changes in market and interest rates related primarily to the Company's long-term borrowing with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in three months CPI, with all other variables held constant, of the Company's profit before income tax.

<i>In thousands of Tenge</i>	Increase/ (decrease) of 3m CPI	Effect on profit before income tax
2022	2.45% (2.45%)	(12,435) 12,435
2021	0.25% (0.25%)	(348,578) 348,578

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Company is exposed to a credit risk from its operating activities and certain types of investing activities. With regard to investing activities, the Company places deposits with Kazakhstani banks (Notes 10 and 11).

The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company's management believes that the recent international credit crisis and subsequent changes in the credit ratings of local banks is not an excuse for extreme credit risk. The management of the Company believes no impairment provision against bank deposits is required.

The table below shows the balances of bank deposits at the reporting date using Standard & Poor's credit rating symbols.

<i>In thousands of Tenge</i>	Location	Agency	As at December 31		As at December 31	
			2022	2021	2022	2021
Halyk Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB+/stable	BB+/stable	11,032,392	1,515,980

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

<i>In thousands of Tenge</i>	Location	Agency	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Halyk Bank of Kazakhstan JSC	Kazakhstan	Standard & Poor's	BB+/stable	BB+/stable	11,772,094	20,165,822
Citibank Kazakhstan JSC	Kazakhstan	Standard & Poor's	A+/stable	A+/stable	231,348	23,086,422
ForteBank JSC	Kazakhstan	Standard & Poor's	BB-/negative	B+/positive	1,044	43,284
First Heartland Jysan Bank JSC	Kazakhstan	Moody's/Standard & Poor's	Ba3/stable	B1/stable	-	12,462,757
					12,004,486	55,758,285

The management believes that, with the current level of operations the Company has established appropriate procedures on credit control and monitoring of customers, which enables the Company to carry out trade transactions with recognised, creditworthy third parties.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, short-term bank deposits and trade and other receivables, and provided financial guarantees the Company's exposure to credit risk arises from default of the counterparty.

The maximum credit risk exposure for the financial assets is the carrying amount as disclosed in *Note 8*.

For financial guarantees issued the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement as disclosed in *Note 15*.

Liquidity risk

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

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

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

<i>In thousands of Tenge</i>	On demand	From one to three months	From three months to one year	From one to five years	More than five years	Total
As at December 31, 2022						
Trade and other payables	-	19,942,430	-	-	-	19,942,430
Bank loans	-	3,130,867	9,990,991	26,937,645	-	40,059,503
Loans from related party	-	-	10,443,156	38,492,565	39,978,222	88,913,943
Financial guarantee obligations	-	7,148,289	7,148,289	383,965,260	-	398,261,838
Lease liabilities	-	1,053,637	32,735,084	100,574,135	-	134,362,856
Other financial liabilities	2,304,169	46,651	1,855,704	-	-	4,206,524
	2,304,169	31,321,874	62,173,224	549,969,605	39,978,222	685,747,094

<i>In thousands of Tenge</i>	On demand	From one to three months	From three months to one year	From one to five years	More than five years	Total
As at December 31, 2021						
Trade and other payables	-	7,887,194	-	-	-	7,887,194
Bank loans	-	2,988,589	9,436,977	36,474,225	-	48,899,791
Loans from related party	-	-	1,748,949	38,647,274	45,714,292	86,110,515
Financial guarantee obligations	-	6,671,634	6,671,634	53,373,072	318,332,244	385,048,584
Other financial liabilities	4,955,549	48,321	2,472,588	55,370	-	7,531,828
	4,955,549	17,595,738	20,330,148	128,549,941	364,046,536	535,477,912

The financial guarantee obligations in the table above represents the maximum amount of exposure in which the guarantee could be called. No liability is expected to arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Capital management**

Capital includes preferred shares and equity attributable to the equity holders of the shareholder.

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

The Company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity structure. Compared to 2021, the overall strategy of the Company has remained unchanged.

The capital structure of the company consists of bank loans disclosed in *Note 13*, loans from related party disclosed in *Note 14*, and equity, comprising issued share capital, additional paid-in capital and retained earnings as disclosed in *Note 12*.

The company's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company has a target debt-to-equity ratio of no more than 1.5.

The debt-to-equity ratio at the yearend was as follows:

<i>In thousands of Tenge</i>	December 31, 2022	December 31, 2021
Bank loans	30,273,074	37,978,477
Loans from related party	51,340,072	44,845,516
Total debt	81,613,146	82,823,993
Equity	688,371,684	659,434,427
Debt-to-equity ratio	0.12	0.13

Fair value of financial instruments

The carrying value of the Company's financial instruments as of December 31, 2022, are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In thousands of Tenge</i>	Carrying amount		Fair values	
	December 31, 2022	December 31, 2021	December 31, 2022	December, 31 2021
Financial liabilities				
Bank loans (Level 2)	30,273,074	37,978,477	30,560,119	38,455,614
Loans from related party (Level 2)	51,340,072	44,845,516	42,009,020	45,832,004
	81,613,146	82,823,993	72,569,139	84,287,618

Estimates and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The management of the Company has determined that the fair value of cash and bank deposits, trade and other receivables, trade and other payables and all other financial instruments approximates their carrying amount mainly due to short-term nature of these instruments.

The fair value of unquoted instruments, loans from banks and related parties and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

Fair value of long-term loans received as at December 31, 2022 and December 31, 2021 was assessed using significant observable inputs (Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

NOTES TO THE FINANCIAL STATEMENTS (continued)**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Changes in liabilities arising from financing activities**

Below is the movement of liabilities arising from financing activities of the Company for the years ended December 31:

<i>In thousands of Tenge</i>	January 1, 2022	Cash inflow	Cash outflow	Interest paid	Others	December 31, 2022
Financial liabilities						
Loans from related party	44,845,516	4,776,103	–	(2,157,403)	3,875,856	51,340,072
Bank loans	37,978,477	29,700,000	(37,665,786)	(6,253,397)	6,513,780	30,273,074
Lease liabilities	5,054,439	–	(20,161,128)	(17,759,889)	128,656,039	95,789,461
Total liabilities arising from financial activities	87,878,432	34,476,103	(57,826,914)	(26,170,689)	139,045,675	177,402,607

<i>In thousands of Tenge</i>	January 1, 2021	Cash inflow	Cash outflow	Interest paid	Foreign exchange gains	Others	December 31, 2021
Financial liabilities							
Loans from related party	–	64,909,463	–	–	–	(20,063,947)	44,845,516
Bank loans	46,316,931	–	(8,474,619)	(4,740,476)	–	4,876,641	37,978,477
Lease liabilities	34,216,220	–	(28,960,431)	(2,083,381)	–	1,882,031	5,054,439
Total liabilities arising from financial activities	80,533,151	64,909,463	(37,435,050)	(6,823,857)	–	(13,305,275)	87,878,432

The “Others” column represents recognition and amortization of discount, accrual of interest and amortization of costs associated with the organization of loans, including lease liabilities. The Company classifies interest paid as cash flows from operating activities.

31. SUBSEQUENT EVENTS

On January 18 and 24, 2023, Gazprom PJSC and Government of Kazakhstan, Gazprom PJSC and Government of Uzbekistan, signed a “Roadmap”, which, among other things, involves the transit of Russian gas in the reverse direction through the Central Asia-Center gas pipeline. In this regard, the Company plans to ensure the full and uninterrupted functioning of its core business in the “reverse” mode for Central Asian transit.