NC QazaqGaz JSC

Consolidated financial statements

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

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Independent auditor's report

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

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
VAT recoverable	
As at 31 December 2022, the Group has a significant balance of VAT recoverable of 122 billion tenge, which mainly originated from loss-making sales of gas on the domestic market. The assessment of recoverability of this asset requires significant judgment and assumptions regarding the future increase in the regulated domestic gas sales prices that will enable the Group to generate profits on domestic sales of gas resulting in VAT payable to be offset against VAT recoverable. Therefore, this matter was one of the matters of most significance in our audit. Information associated with the VAT recoverable balance is disclosed in ***Notes 2 and 11*** to the consolidated financial statements.	We obtained understanding of the provisions of the Tax code regarding limitations of the period for offsetting VAT recoverable. We analyzed management's plans with respect to measures to be undertaken to increase tariffs for domestic gas sales that will result in positive margin on the domestic gas sales. We considered the Group's correspondence with the Ministry of National Economy regarding the revision to the domestic gas sales price determination methodology to enable positive margin on the domestic sales of gas. We evaluated the consistency of management's plans with the Group Development Strategy of the Parent.
Gas pipeline abandonment and site restoration provision	
We considered this matter to be one of the most significance in our audit because the calculation of gas pipeline abandonment and site restoration provision requires significant judgment due to the inherent complexity in estimating future costs and due to the significance of this liability to the consolidated financial statements. The Group's estimation of gas pipeline abandonment and site restoration provision incorporates the effects of expected approach to decommissioning and discount rates, effects of changes in local regulations along with the effects of changes in inflation. Information associated with gas pipeline abandonment and site restoration is disclosed in ***Notes 2 and 20*** to the consolidated financial statements.	Our procedures involved obtaining understanding of legal and constructive obligations with respect to the decommissioning process based on the contractual arrangements, relevant local regulation and existing business practice. We considered the competence and objectivity of the experts involved by the Group for making future cost estimates. We analyzed the calculations and evaluated the discount rate and inflation rate used.

Compliance with loan covenants

In accordance with the terms of certain financing arrangements, the Group should maintain and comply with certain financial and non-financial covenants. Breaching covenants could result in significant fines and penalties along with loans becoming immediately due and payable. In addition, cross default provisions are in place under the Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of the liabilities under financing arrangements in the consolidated statement of financial position.

Information about loan covenants is disclosed in ***Note 18*** to the consolidated financial statements.

We examined the terms of financing arrangements. We compared data used in the financial covenants compliance calculations with the consolidated financial statements. We assessed arithmetic accuracy of financial covenants calculations. We assessed the classification of interest-bearing loans as current or non-current liabilities. We assessed the information disclosed in ***Note 18*** to the consolidated financial statements. In addition, we analyzed non-financial covenants under the Group's financing arrangements.

Other information included in the Group's 2022 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Building a better working world

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Building a better working world

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

Ernst & Young LLP

Adil Syzdykov Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor Qualification Certificate No. МФ-0000172 dated 3 December 2013	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
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28 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of tenge		**31 December 2022**	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	4	**1,100,875,420**	997,880,307
Exploration and evaluation assets	5	**16,474,772**	19,566,926
Right-of-use assets	6	**90,654,176**	4,307,761
Intangible assets		**5,164,654**	6,240,856
Investments in joint ventures	7	**930,644,064**	687,216,423
Advances paid for non-current assets	8	**15,659,456**	62,885,829
Loans to related party	9	**-**	174,198,768
VAT recoverable	11	**77,939,480**	51,259,217
Deferred tax assets	29	**1,216,148**	890,484
Other non-current financial assets	10	**-**	2,586,015
Other non-current assets		**118,725**	535,110
Bank deposits	12	**2,701,567**	3,216,905
		2,241,448,462	2,010,784,601
Current assets			
Inventories	14	**37,464,392**	36,224,066
Trade and other receivables	15	**170,562,896**	190,432,566
Advances paid	8	**3,700,879**	17,453,918
Loans to related party	9	**3,524,877**	2,461,648
Prepaid taxes other than income tax	11	**44,834,997**	35,843,465
Corporate income tax prepaid	29	**45,193,980**	4,582,882
Other current assets		**561,582**	324,435
Other current financial assets	10	**33,600,948**	-
Bank deposits	12	**11,351,931**	13,012,956
Cash and cash equivalents	13	**577,122,194**	382,704,384
		927,918,676	683,040,320
Assets held for sale	4	**-**	40,377,593
		927,918,676	723,417,913
Total assets		**3,169,367,138**	2,734,202,514

The accompanying notes on pages 6 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Notes	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	16	**430,959,489**	417,780,839
Additional paid-in capital		**25,946,130**	25,946,130
Foreign currency translation reserve		**2,562,805**	2,410,861
Retained earnings		**1,728,121,942**	1,341,498,282
		2,187,590,366	1,787,636,112
Non-current liabilities			
Debt securities issued	17	**330,925,389**	308,957,063
Interest bearing loans	18	**46,751,519**	151,609,971
Loans from related party	19	**8,109,740**	14,693,646
Finance lease liabilities	21	**77,772,865**	274,830
Employee benefit obligations		**577,165**	454,433
Provisions	20	**65,359,247**	92,146,847
Other non-current financial liabilities	24	**1,429,969**	4,118,653
Non-current contract liabilities	22	**11,127,184**	11,564,233
Deferred tax liabilities	29	**91,943,198**	79,222,667
		633,996,276	663,042,343
Current liabilities			
Debt securities issued	17	**3,772,898**	3,527,569
Interest bearing loans	18	**111,907,583**	20,614,260
Loans from related party	19	**7,737,372**	7,164,345
Provisions	20	**33,971,438**	31,723,046
Trade and other payables	23	**121,515,392**	180,907,097
Corporate income tax payable	29	**899,847**	95,443
Taxes payable other than income tax		**3,998,182**	3,134,294
Finance lease liabilities	21	**19,124,138**	6,105,018
Contract liabilities	22	**8,075,408**	8,569,659
Other current financial liabilities	24	**21,314,692**	7,440,919
Other current liabilities		**15,463,546**	14,242,409
		347,780,496	283,524,059
Total equity and liabilities		**3,169,367,138**	2,734,202,514

Deputy Chairman of the Management Board on Economics and Finance _______________ *A.M. Akan*

Acting Chief Accountant _______________ *E.N. Bokayev*

The accompanying notes on pages 6 to 54 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
Revenue from contracts with customers	25	**952,283,209**	896,255,211
Cost of sales	26	**(806,657,029)**	(704,326,756)
Gross profit		**145,626,180**	191,928,455
General and administrative expenses	27	**(33,414,158)**	(32,451,455)
Accrual of allowance for expected credit losses		**(3,313,755)**	(130,323)
Other operating income		**3,488,388**	15,707,547
Other operating expenses		**(8,698,929)**	(8,771,575)
Operating profit		**103,687,726**	166,282,649
Finance income	28	**36,103,192**	26,546,764
Finance costs	28	**(62,553,293)**	(42,278,978)
Share in income of joint ventures	7	**327,581,223**	319,114,361
Foreign exchange gain /(loss), net		**8,903,801**	(2,088,727)
Profit before taxation		**413,722,649**	467,576,069
Income tax expenses	29	**(27,095,095)**	(67,383,513)
Net profit for the year		**386,627,554**	400,192,556
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**151,944**	382,583
Net comprehensive income to be reclassified to profit or loss in the subsequent periods		**151,944**	382,583
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial (loss)/ income on defined benefit plan		**(4,867)**	7,275
Impact of income tax expenses	29	**973**	(1,455)
Net comprehensive (loss)/ income not to be reclassified to profit or loss in the subsequent periods		**(3,894)**	5,820
Other comprehensive income for the year, net of income tax		**148,050**	388,403
Total comprehensive income for the year, net of income tax		**386,775,604**	400,580,959
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent	16	**1.03**	1.07

Deputy Chairman of the Management Board on Economics and Finance _______ *A.M. Akan*

Acting Chief Accountant _______ *E.N. Bokayev*

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА
РЕСПУБЛИКА КАЗАХСТАН ГОРОД АСТАНА
QAZAQGAZ
ҰЛТТЫҚ КОМПАНИЯСЫ
«QAZAQGAZ» «НК «QAZAQGAZ» АҚ

The accompanying notes on pages 6 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
Cash flows from operating activities			
Receipts from customers		**1,042,922,641**	913,531,754
Interest received		**27,147,528**	18,599,500
Taxes refund from Tax authorities		**20,723,150**	75,258,327
Proceeds from suppliers under the arbitration award	26	**-**	134,750,060
Other receipts		**19,731,622**	4,229,685
Payments to suppliers		**(812,341,733)**	(796,179,828)
Income tax paid		**(50,677,973)**	(15,845,150)
Other taxes and payments to the budget		**(55,731,077)**	(36,821,166)
Interest paid	32	**(38,145,333)**	(31,074,886)
Interest paid on finance lease	21, 32	**(17785672)**	(2,202,931)
Payments to employees		**(68,051,569)**	(50,549,438)
Other payments		**(14,506,865)**	(10,997,403)
Net cash flows from operating activities		**53,284,719**	202,698,524
Cash flows from investing activities			
Withdrawal of bank deposits		**64,733,830**	37,050,017
Proceeds from sale of property, plant and equipment and intangible assets		**40,792,020**	41,342,911
Dividends received from joint ventures	7	**80,976,116**	58,251,774
Proceeds from reverse repurchase transactions		**1,801,499,625**	18,120,354
Proceeds from redemption of Notes of the National Bank of Kazakhstan	10	**79,754,770**	-
Repayment of loans to related parties		**200,021,215**	-
Proceeds from sale of a joint venture	2	**80**	-
Investments in joint ventures		**-**	(210,219)
Acquisition of non-current financial assets		**(673,261)**	(673,261)
Placement of bank deposits		**(58,434,564)**	(47,113,432)
Acquisition of property, plant and equipment, intangible assets and exploration and evaluation assets		**(105,423,378)**	(134,278,949)
Loans to related parties		**(13,248,819)**	-
Acquisition of a subsidiary	2,8	**(13,178,650)**	-
Purchase of Notes of the National Bank of Kazakhstan	10	**(109,754,770)**	-
Settlement of reverse repurchase transactions		**(1,801,499,625)**	(18,120,354)
Net cash (used in) / from investing activities		**165,564,589**	(45,631,159)
Cash flows from financing activities			
Contributions from the Shareholder	16	**13,178,650**	-
Proceeds on interest bearing loans	18, 32	**29,700,000**	-
Proceeds on loans from related party	19, 32	**-**	24,104,026
Repayment of interest-bearing loans	18, 32	**(53,142,868)**	(18,820,911)
Repayment of loans from related party	19, 32	**(8,933,200)**	-
Repayment of lease liabilities	21, 32	**(20,362,597)**	(30,323,221)
Loan arrangement fee		**(298,000)**	-
Net cash flows used in financing activities		**(39,858,015)**	(25,040,106)
Net foreign exchange difference on cash and cash equivalents		**15,426,517**	4,377,568
Net change in cash and cash equivalents		**194,417,810**	136,404,827
Cash and cash equivalents at the beginning of the year	13	**382,704,384**	246,299,557
Cash and cash equivalents at the end of the year	13	**577,122,194**	382,704,384

Deputy Chairman of the Management Board on Economics and Finance ____________ *A.M. Akan*

Acting Chief Accountant ____________ *E.N. Bokayev*

The accompanying notes on pages 6 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In thousands of tenge	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
As at 31 December 2020	417,780,839	25,946,130	2,028,278	942,677,368	1,388,432,615
Net profit for the year	–	–	–	400,192,556	400,192,556
Other comprehensive income for the year	–	–	382,583	5,820	388,403
Total comprehensive income for the year	–	–	382,583	400,198,376	400,580,959
Other transactions with the Shareholder	–	–	–	(1,377,462)	(1,377,462)
As at 31 December 2021	**417,780,839**	**25,946,130**	**2,410,861**	**1,341,498,282**	**1,787,636,112**
Net profit for the year	**–**	**–**	**–**	**386,627,554**	**386,627,554**
Other comprehensive income for the year	**–**	**–**	**151,944**	**(3,894)**	**148,050**
Total comprehensive income for the year	**–**	**–**	**151,944**	**386,623,660**	**386,775,604**
Common shares issued *(Note 16)*	**13,178,650**	**–**	**–**	**–**	**13,178,650**
As at 31 December 2022	**430,959,489**	**25,946,130**	**2,562,805**	**1,728,121,942**	**2,187,590,366**

Deputy Chairman of the Management Board on Economics and Finance — *A.M. Akan*

Acting Chief Accountant — *E.N. Bokayev*

The accompanying notes on pages 6 to 55 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

The accompanying consolidated financial statements include the financial statements of NC QazaqGaz JSC (the "Company", "QG" or "parent") and its subsidiaries (collectively referred to as the "Group") *(Note 2)*.

QG is a joint stock company established in accordance with the Decree of the Government of the Republic of Kazakhstan (the "Government") No.173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004 the Company was re–registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group's head office is registered in the Republic of Kazakhstan, Nur-Sultan, Yesil district, Alikhan Bokeykhan Avenue 12.

As at 31 December 2020 NC KazMunayGas JSC ("KazMunayGas" or "KMG") was the sole shareholder of QG. The Government as represented by "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") owns 90% minus 1 (one) share of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna were considered as related parties of the Company and the Group. On 8 November 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan "On the Alienation of a Strategic Object", KazMunayGas made a deal to alienate a 100% stake in QG in favor Samruk-Kazyna. As at 31 December 2022 Samruk-Kazyna is the sole shareholder of QG, and all subsidiaries of Samruk-Kazyna are considered as related parties of the Company and the Group *(Note 30)*.

In accordance with the Resolution of the Government of the RK No. 914 dated 5 July 2012, QG was appointed as the national operator in the area of gas and gas supply. By the Decree of the Government of the Republic of Kazakhstan dated 30 November 2021 No. 852, QG was given the status of a National Company. By the Decree of the Government of the Republic of Kazakhstan No. 982 dated 31 December 2021, NC KazTransGas JSC was renamed into NC QazaqGaz JSC. The Group's main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group also include the following:

- Managing of investment activities for the overall development of the main gas pipeline system within Kazakhstan;
- Managing of investment activities for development of gas fields within Kazakhstan;
- Providing consultancy services in research and development for gas industry;
- Sale of gas to the external and local markets;
- Participation in the development and implementation of state programs for the gas industry development.

The Group's operating activities are regulated by the Law of the Republic of Kazakhstan On Natural Monopolies (the "Law") as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group's tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan.

As at 31 December 2022, the Group has commitments in the amount of 204,060,697 thousand tenge under approved investment programs for 2021-2026 (31 December 2021: 43,712,759 thousand tenge).

These consolidated financial statements were authorised for issue by the Deputy of Chairman of the Management Board on Economics and Finance and acting Chief Accountant on 28 February 2023.

Exploration and production of hydrocarbons

In December 2000, the Group signed a Contract with the Investment agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kumyrly gas fields, in Zhambyl oblast, South Kazakhstan (the "Hydrocarbon Agreement"). The duration of the Hydrocarbon Agreement is 31 years. The Group started the production and sale of gas at Amangeldy gas field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas unless commercially viable hydrocarbon reserves are discovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities that were valued at fair value as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements have been prepared based on a going concern basis. To assess this assumption, the Group performed a liquidity forecast based on various stress tests to ensure that it continues to apply the going concern principle in preparing these consolidated financial statements.

Basis of consolidation

Subsidiaries are consolidated by the parent company from the date of acquisition, being the date on which the latter obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies for all companies of the Group. All intra-group balances, transactions, unrealized gains and losses, and cash flows resulting from intra-group transactions and dividends were eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Subsidiaries

As at 31 December 2022 and 31 December 2021, the Company had interest ownership in the following companies, which were included into the consolidated financial statements:

Name	Place of incorpora-tion	Principal activities	Ownership 2022	Ownership 2021
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation and storage of gas and rendering technical services for gas pipelines in Kazakhstan	**100%**	100%
KazTransGas Aimak JSC (KTG Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	**100%**	100%
KazTransGas Onimderi LLP	Kazakhstan	Transportation services	**100%**	100%
Exploration and Production QazaqGaz ("EP QazaqGaz)	Kazakhstan	Production of natural gas and gas condensate	**100%**	100%
Qazaq Gas Qurylys LLP	Kazakhstan	Exploration of natural gas and gas condensate	**100%**	100%
KazTransGas Bishkek LLC	Kyrgyzstan	Repair and renewal operations and modemization of the main gas pipeline "Bukhara gas area - Tashkent - Bishkek - Almaty	**100%**	100%
KTG Finance B.V.	Netherlands	Financial activities	**100%**	100%
KazMunayGas Service-NS JSC	Kazakhstan	Construction and/(or) maintenance of Golf Club	**100%**	100%

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

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

In 2022, Amangeldy Gas LLP was renamed to Exploration and Production QazaqGaz LLP.

On 28 December 2022, the Group entered into a purchase and sale agreement with Samruk-Energy JSC for 100% shares in the authorized capital of Tegis Munay LLP. As at 31 December 2022, the Group has made an advance payment in the amount of 13,178,650 thousand tenge, which is disclosed as long-term advances paid in *Note 8*. The ownership takes effect at the time of re-registration. As at 31 December 2022, the re-registration process has not been completed.

Investments in joint ventures

As at 31 December 2022 and 31 December 2021, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, % 31 December 2022	31 December 2021
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Construction and operating Kazakhstan-China gas pipeline	**50%**	50%
Beineu-Shymkent Gas Pipeline LLP (BSpP)	Kazakhstan	Construction and operating Beineu-Bozoi-Shymkent gas pipeline	**50%**	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	**50%**	50%
Otan Gas LLP (OG)	Kazakhstan	Construction of gas processing plant	**50%**	50%

In 2021, the Company purchased 50% shares of PVH Development LLP for 80 thousand tenge. The ownership takes effect at the time of re-registration. In 2022, the process of re-registration was completed, and PVH Development LLP was renamed to CCGT Turkestan LLP. On 12 September 2022, the Group sold 50% of the shares of CCGT Turkestan LLP for 80 thousand tenge to Samruk-Kazyna.

The Group has interests in joint arrangements in the form of joint ventures, whereby the venturer has a contractual arrangement that establishes joint control over the economic activities of the entities. The agreement requires unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by the Group using the equity method.

Under the equity method, the investment in the joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill related to joint activities is included into the carrying amount of the investment and is neither amortized, not individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share in financial results of operations of a joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of such change and discloses, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated at consolidation to the extent of the interest in the joint venture.

The share of the Group in profit or loss of joint venture is shown on the face of the consolidated statement of comprehensive income. This is the profit or loss attributable to participants of the joint venture and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the investment in joint venture. The Group assesses at each reporting date whether there is objective evidence that an investment in joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognizes the loss in the "share of loss of joint venture" in the consolidated statement of comprehensive income.

2. BASIS OF PREPARATION (continued)

Investments in joint ventures (continued)

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

If such acquisition is considered material, then the consolidated financial statements, including comparative amounts, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Kazakhstani tenge ("tenge"), which is the functional currency of most entities of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at functional currency spot rates prevailing at the date when the transaction meets recognition criteria. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising from repayment or restatement of monetary items are stated in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at initial value are translated at the exchange rates at the dates when the initial date is determined. Gains or losses arising on translation of non-monetary items are recorded in accordance with principles of income or expense recognition as a result of change in the item fair value (i.e., exchange differences on items, fair value gains or losses of which are recognised within other comprehensive income or profit or loss, are also recognised within other comprehensive income or profit or loss, respectively).

Group companies

The results and financial position of all of the Group's subsidiaries and joint ventures (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at those reporting dates;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Foreign exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

As at 31 December 2022, the currency exchange rate of KASE was 462.65 tenge to 1 US dollar and 6.43 tenge to 1 Russian ruble. These rates were used for translation of monetary assets and liabilities denominated in US dollar and Russian ruble at 31 December 2022 (2021: 431.8 tenge to 1 US dollar and 5.76 tenge to 1 Russian ruble).

2. BASIS OF PREPARATION (continued)

Operating environment

Overall, the economy of Kazakhstan continues to display some characteristics of an emerging market. It is particularly sensitive to fluctuations in the prices of oil and gas and other minerals, which constitute the bulk of the country's exports. These characteristics also include, but are not limited to, the existence of a national currency that is not freely convertible outside the country and a low level of liquidity in the securities market. Ongoing political tensions in the region and volatility in the exchange rate have had and may continue to have a negative impact on the economy of Kazakhstan, including reduced liquidity and difficulties in raising international funding.

The war in Ukraine

The war in Ukraine, which began in 2022, has resulted in a number of IFRS accounting pronouncements affecting financial reporting.

Many countries have already imposed and continue to impose new sanctions on certain Russian entities and Russian citizens. The situation itself, as well as potential fluctuations in commodity prices, exchange rates, import and export restrictions, availability of local materials and services and access to local resources have directly affected the significant volumes of operations within the CIS.

Management is unable to predict either the extent or duration of developments in the Kazakhstani economy or assess their potential impact on the Group's future financial position. Management believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.Significant accounting judgements, estimates and assumptions (continued)

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgement and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the current outcome of ongoing compliance audits by tax authorities. Further details regarding tax risks are contained in *Note 32*.

Allowance for VAT recoverable

The Group determines whether VAT recoverable is doubtful at least on an annual basis. Allowance for doubtful VAT recoverable is based on the management's expectations on future VATable turnovers and VAT refund in cash. Significant management judgement is required to determine whether the Group can further defend its right for VAT refund or offset. Further details are contained in *Note 11*.

Deferred tax assets

Deferred tax assets are recognised for loans receivable, prior years' tax losses carried forward, allowances for doubtful debts, accrued vacations and other liabilities to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as successful application of tax planning strategies. In the statement of financial position, deferred tax assets and liabilities are presented separately, since they are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Further details are contained in *Note 30*.

Fair value of financial instruments

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

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Fair value of financial instruments (continued)

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include liquidity risk, credit risk and volatility. Changes in valuations and judgements can affect the fair values of financial instruments.

Allowance for expected credit losses

Management maintains an allowance for expected credit losses resulting from expectations, which based on ability of customers to make required payments. The Group has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Purchase of a subsidiary

On 28 December 2022, the Group entered into a purchase and sale agreement with Samruk-Energy JSC for 100% shares in the authorized capital of Tegis Munay LLP. As at 31 December 2022, the Group provided an advance payment in the amount of 13,178,650 thousand tenge, which is disclosed as long-term advances paid *in Note 8*. The Group has analysed whether it controls the investee in accordance with the requirements of IFRS 10 at the reporting date. The Group assessed the presence of all three components of control and concluded that as at 31 December 2022, there is no control over Tegis Munay LLP. The right of ownership comes into force from the moment of re-registration. As at 31 December 2022, the re-registration process has not been completed.

Lease of the main gas pipeline "Saryarka" (hereinafter - "MGP Saryarka")

On 31 December 2021, the Group concluded a lease agreement for the "Saryarka" gas pipeline with AstanaGas KMG JSC for a period of 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 concluded on the terms of variable lease payments, the variability of which depends on the volume of gas transported through the "Saryarka" gas pipeline. However, the Group's management believes that due to the inevitability and absence of real volatility of the payments, they are regarded as fixed, thus were included in the calculation of lease liability. Therefore, at the effective date of the agreement, the present value of the lease of "Saryarka" gas pipeline amounted to 111,326,816 thousand tenge *(Notes 6 and 21)*.

Impairment of property, plant and equipment and gas assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Group has estimated the recoverable amount of long-term assets of ICA and KTG Aimak as at 31 December 2022.

Transportation and storage of gas ("ICA")

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 ICA's investments. The cost of borrowed capital is based on interest-bearing loans that ICA 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 ICA's five-year business plan, taking into account ICA's management's current estimates of potential changes in operating and capital expenditures.

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Transportation and storage of gas ("ICA") (continued)

Cash flows were discounted using the weighted average cost of capital before taxation, which is 16.60%. As of 31 December 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.

Gas sales to local energy distributors, legal entities and individuals ("KTG Aimak")

The recoverable amount of assets has been determined based on the value in use method. Value in use was estimated as the present value of the terminal value (in the post-forecast period). The cash flow estimate incorporates many subjective factors, including operational and financial factors, using the best available evidence.

The operating assumptions used in the test reflect the most probable volumes of gas purchases and deliveries based on the approved business plan of the KTG Aimak, which is an instrument for achieving strategic goals. Financial assumptions include significant estimates related to forecast levels and tariff growth.

The discount rate (WACC) of 14.52% was used in the calculation. As a result of this analysis, as at 31 December 2022 no impairment has been identified. A 1% increase in the WACC rate could result in the carrying amount of assets being higher than their recoverable amount, which may result in impairment being recognized in the future.

Production of natural gas and gas condensate ("EP QazaqGaz")

Exploration and evaluation assets are assessed for impairment when facts and circumstances indicate that the carrying value of these assets may exceed their recoverable amount, which occurs in the following cases: the exploration license has expired and is not expected to be extended; significant costs for further exploration are not planned; exploration did not lead to commercial discovery of reserves; there is evidence that exploration and evaluation assets will not be fully recovered through successful development of the field or through sale. As at 31 December 2022, due to the expiration of the contract for combined exploration and production of hydrocarbons, the Group recognised impairment loss for exploration and evaluation assets for 6 sites and 3 fields in the total amount of 5,893,308 thousand tenge (*Note 5*).

Useful lives of property, plant and equipment

Additions or improvements to property, plant and equipment managed and operated under the Trust Management Agreement are capitalized and depreciated over an estimate of remaining useful life regardless of the term of the Agreement. The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, changes are accounted for prospectively as changes in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Assets retirement obligations

In accordance with the Law of the Republic of Kazakhstan On Main Pipelines dated 4 July 2012 and the Environmental Code of the Republic of Kazakhstan, the Group has legal obligations to dismantle and remove tangible assets and restore the land. Specifically, the Group's obligation relates to removal of gas pipelines and recultivation of the land plots.

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

The long-term inflation and discount rates used to determine the liability in the statement of financial position at 31 December 2022 were 4.90% and 9.26%, respectively (2021: 5.50% and 6.97%). As at 31 December 2022 the carrying amount of provision for abandonment of gas pipelines compressor stations and site restoration was equal to 61,836,200 thousand tenge (2021: 88,661,502 thousand tenge). As at 31 December 2022 the carrying amount of provision for well abandonment and site restoration under the contract for exploration and production of hydrocarbons was equal to 2,928,732 thousand tenge (2021: 3,476,025 thousand tenge). Further details are contained in *Note 20*.

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

Assets retirement obligations (continued)

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

	Impact on gas pipeline abandonment and site restoration provision	
In thousands of tenge	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

New and amended standards and interpretations

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

The Group also applied certain other amendments and interpretations in 2022 for the first time, but they had no effect on its consolidated financial statements. The Group presented only the list of current standards applicable to the Group.

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

A contract is onerous when the unavoidable costs (i.e., costs incurred in connection with the contract that the Group cannot avoid) for fulfilling obligations thereunder exceed the economic benefits expected from its execution.

The amendments clarify when assessing whether a contract is onerous or loss making, an entity should take into account the costs that relate directly to a contract to provide goods or services, which include both incremental costs (for example, direct labour and materials costs) and allocation of costs directly related to the contract activities (for example, depreciation costs of equipment used for the contract execution, as well as the costs of maintenance and control of the contract execution). 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.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments are intended to replace a reference to the IASB IFRS *Conceptual Framework* with a *reference to the Conceptual Framework* issued in March 2018 without significantly changing its requirements.

The Board also added 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. According to this exception, instead of applying the provisions of the *Conceptual Framework*, entities should apply the criteria of IAS 37 or IFRIC 21 to determine whether there is an obligation at the acquisition date. The amendments to IFRS 3 add a new paragraph clarifying that recognition of a contingent asset is not allowed at the acquisition date.

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

These amendments prohibit entities deducting from the cost of an item of property, plant and equipment any proceeds from selling 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time

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 consolidated financial statements of the parent, based on the parent's date of transition to IFRS, if no adjustments have been made for the purposes of consolidation and reflection of the results of business combinations, under which the parent acquired the specified subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

Amendment to 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. No similar amendment is applied to IAS 39 *Financial Instruments: Recognition and Measurement.*

Standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 *Presentation of Financial Statements named Classification of Liabilities as Current or Non-current*;
- Amendments to IAS 8 *Definition of Accounting Estimates;*
- Amendments to IAS 1 and IFRS Practice Statement 2 *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 in a Sale and Leaseback;*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

The Group classifies all other liabilities as non-current.

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — market quotations at active market for identical assets or liabilities (without any quotations);
- Level 2 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are observable, either directly or indirectly;
- Level 3 — techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

For the purpose of disclosing the fair value, the Group classified assets and liabilities based on their nature, characteristics and risks attributable to them as well as applicable level in the fair value hierarchy as mentioned above.

Property, plant and equipment

Property, plant and equipment are recognised in the accounting at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties, direct non-refundable taxes, costs of borrowings that relates directly to the construction of long-term assets if they meet the recognition criteria, the cost of replacement of equipment components and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The expenditures that have resulted in an increase in the future economic benefits expected to be obtained beyond its originally assessed standard performance (increase of useful life, capacity, etc.) are capitalized as an additional cost of fixed assets. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major technical review is performed, its costs are recognised in the carrying amount of the plant and equipment as a replacement if the recognition critèria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment (non-gas assets) is computed on a straight-line basis over the estimated useful lives as follows:

	Years
Buildings and constructions	7-100
Gas transportation system	10-70
Machinery and equipment	3-40
Vehicles	5-30
Other	3-20

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Land is not depreciated.

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

Provision for decommissioning is recognized in full, on a discounted basis, when the Group has an obligation to dismantle and decommission a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

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

Construction-in-progress represents fixed assets under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction-in-progress is not depreciated until such time as construction of such assets is completed and placed into operational use.

Costs incurred prior to acquisition of subsurface use right

Costs incurred prior to signing subsurface use contract are expensed in the period in which they are incurred.

Subsurface use right costs

Subsurface use rights acquisition costs are capitalized within intangible assets. Each property under exploration is reviewed on an annual basis to confirm that drilling activity is planned, and it is not impaired. If no future activity is planned, the carrying amount of the subsurface use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsurface use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation expenditure and transferred to gas assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with an exploratory drilling are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete, and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig lease costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. All such carried assets are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of gas are determined and development is sanctioned, the relevant expenditure is transferred to gas assets after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, gas pipelines and the drilling of producing wells, including unsuccessful development or delineation wells, are capitalized within gas assets.

Depreciation of gas assets

Gas assets are depreciated using the unit of production method on the basis of proved developed gas reserves, except for infrastructure facilities, which are depreciated using straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component.

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

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

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

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the consolidated statement of financial position where:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

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

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

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

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off if 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, debts, loans, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent measurement

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

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

Financial liabilities at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (continued)

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

Trade and other payables

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as liabilities at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of: the best estimate of the expenditure required to settle the present obligation at the reporting date under IAS 37 (before 1 January 2018) or allowance for estimated credit losses calculated according to IFRS 9 (after 1 January 2018), and the amount initially recognised less cumulative amortisation.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Inventory

Materials and supplies and raw materials are valued at the lower of cost and net realisable value.

Inventories are accounted for on a first in, first out basis separately for each warehouse.

Impairment of non–financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset generates cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non–financial assets (continued)

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

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

Cash and short-term deposits

Cash and cash equivalents in the consolidated statement of financial position comprise cash held in banks, in transit and on hand, and short-term highly liquid bank deposits with a maturity of 3 (three) months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised in the consolidated financial statements when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

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

Provisions for decommissioning are recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove equipment or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment, the amount of which is equivalent to the provision, is also created. Subsequently, this asset is depreciated as part of gas assets and gas transportation system assets.

Abandonment and site restoration provision

Changes in the measurement of an existing abandonment and site restoration provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- Changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately as expenses; and
- If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Share capital and dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers and expense recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recorded net of indirect taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenues from sales are recognised when the significant risks and rewards of ownership of goods have passed to the buyer and generally include one performance obligation. Revenues from sales of goods are recognised over time.

Rendering services

The Group fulfils performance obligation on a monthly basis and recognises revenues from rendering gas transportation services and technical maintenance of gas pipelines based on the actual volumes of services rendered. Revenue from gas transportation services is recognised over time given that the buyer simultaneously receives and consumes the benefits provided by the Group.

Management fees

The Group recognises management fee, which is related to management of KazMunayGas's joint venture, KazRosGas LLP, at point in time based on the approval of the declaration of dividends of KazRosGas LLP.

Interest income

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

The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognized when the Group's right to distribution is established, which, as a rule, happens when the shareholders approve the dividends.

Expenses

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

Contract liabilities

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the carrying amount of that asset. Other borrowing costs are recognized as an expense when incurred.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Current income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax (continued)

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

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be used in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

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

Value added tax (VAT)

Tax legislation provide for repaying input VAT and output VAT on a net basis. Thus, value added tax receivable represents VAT on purchases net of VAT on sales.

VAT payable

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax (VAT) (continued)

VAT receivable

VAT receivable is recorded in the accounting records related to purchased goods, work and services, which were purchased with VAT and if they were used in order to derive income.

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

Contingent assets and liabilities

Contingent assets are not recognized in the consolidated financial statements. When the realisation 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 consolidated financial statements. They are disclosed unless the possibility of an outflow of resources and economic benefits is remote.

Subsequent events

The results of post-year-end events that provide additional information on the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended 31 December 2022 and 2021 was as follows:

In thousands of tenge	Land	Gas assets	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in progress	Total
Cost									
31 December 2020	541,592	43,234,797	102,088,937	690,407,266	376,837,911	23,356,963	9,476,713	34,541,642	1,280,485,821
Additions	151	4,510,530	27,189	4,185,492	1,050,748	824,323	232,714	77,191,311	88,022,458
Change in estimates *(Note 20)*	–	149,445	–	3,091,844	–	–	–	–	3,241,289
Transfer to assets held for sale	–	–	(7,637,266)	–	(36,272,948)	–	(133,629)	–	(44,043,843)
Transfers	143	–	4,351,424	30,662,945	29,252,093	86,120	494,541	(64,847,266)	–
Disposals	(2,327)	(27,047)	(1,519,409)	(4,390,487)	(8,164,215)	(30,173)	(524,207)	(176,451)	(14,834,316)
31 December 2021	539,559	47,867,725	97,310,875	723,957,060	362,703,589	24,237,233	9,546,132	46,709,236	1,312,871,409
Additions	**19,354**	**2,456,206**	**4,613,254**	**535,324**	**9,967,402**	**1,802,638**	**301,896**	**168,022,684**	**187,718,758**
Change in estimates *(Note 20)*	**–**	**(998,393)**	**(736,956)**	**(43,633,962)**	**(1,510,224)**	**–**	**–**	**–**	**(46,879,535)**
Transfers	**–**	**536**	**7,938,230**	**28,506,835**	**9,726,651**	**79,339**	**1,136,869**	**(47,388,460)**	**–**
Disposals	**–**	**(387,683)**	**(36,488)**	**(340,686)**	**(206,098)**	**(145)**	**(200,516)**	**(1,291,138)**	**(2,462,754)**
31 December 2022	**558,913**	**48,938,391**	**109,088,915**	**709,024,571**	**380,681,320**	**26,119,065**	**10,784,381**	**166,052,322**	**1,451,247,878**
Accumulated depreciation and impairment									
31 December 2020	–	(13,044,220)	(21,495,677)	(131,795,397)	(95,151,673)	(18,323,012)	(5,721,468)	(4,844,469)	(290,375,916)
Charge for the year	–	(1,450,262)	(2,968,977)	(17,033,586)	(14,722,045)	(1,325,545)	(486,074)	–	(37,986,489)
Reversal of impairment provision	–	–	–	–	–	–	–	75,862	75,862
Transfer to assets held for sale	–	–	443,323	–	3,192,795	–	30,132	–	3,666,250
Transfers	–	–	(27,835)	(13)	42,396	(3,330)	(11,218)	–	–
Disposals	–	4,571	926,458	3,840,834	4,341,031	24,775	491,522	–	9,629,191
31 December 2021	–	(14,489,911)	(23,122,708)	(144,988,162)	(102,297,496)	(19,627,112)	(5,697,106)	(4,768,607)	(314,991,102)
Charge for the year	**–**	**(1,533,512)**	**(2,582,017)**	**(15,724,423)**	**(13,493,747)**	**(1,250,239)**	**(614,354)**	**–**	**(35,198,292)**
Accrual of impairment provision	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(934,467)**	**(934,467)**
Transfers	**–**	**(251)**	**(182,539)**	**(73,397)**	**355,106**	**(543)**	**(98,376)**	**–**	**–**
Disposals	**–**	**112,767**	**35,783**	**213,766**	**189,187**	**145**	**199,755**	**–**	**751,403**
31 December 2022	**–**	**(15,910,907)**	**(25,851,481)**	**(160,572,216)**	**(115,246,950)**	**(20,877,749)**	**(6,210,081)**	**(5,703,074)**	**(350,372,458)**
Carrying amount									
31 December 2021	539,559	33,377,814	74,188,167	578,968,898	260,406,093	4,610,121	3,849,026	41,940,629	997,880,307
31 December 2022	**558,913**	**33,027,484**	**83,237,434**	**548,452,355**	**265,434,370**	**5,241,316**	**4,574,300**	**160,349,248**	**1,100,875,420**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

During 2022, additions of 168,022,684 thousand tenge from construction in progress mainly represent construction and overhaul of the main gas pipelines, compressor stations, and other works related to replacements, diagnostics and emergency recovery works.

During 2022 the Group received property, plant and equipment from the population on a free of charge basis with the fair value of 370,005 thousand tenge (2021: 3,522,094 thousand tenge).

Transfers

Significant portion of fixed assets placed in operation is related to completion of the above construction works and placement of respective property, plant and equipment in operation.

Transfer to assets held for sale

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

In 2022, the Group sold the "Aral" gas compressor station to BShP for 42,726,460 thousand tenge. The difference between selling price and the carrying amount of "Aral" station in the amount of 1,174,434 thousand tenge is reflected as a gain on disposal of assets held for sale in other operating income.

Other

As at 31 December 2022, the initial cost and related accumulated depreciation of fully depreciated property, plant and equipment still in use amounted to 18,339,964 thousand tenge (31 December 2021: 18,752,085 thousand tenge).

In 2022, the Group capitalised borrowing costs of 3,649,107 thousand tenge in the carrying amount of property, plant and equipment, which are related to the construction of the assets (2021: 328,805 thousand tenge).

5. EXPLORATION AND EVALUATION ASSETS

The movement of exploration and evaluation assets for the years ended 31 December 2022 and 2021 was as follows:

In thousands of tenge	**Tangible assets**
As at 31 December 2020	17,366,269
Additions	2,200,657
As at 31 December 2021	19,566,926
Additions	**2,801,154**
Impairment	**(5,893,308)**
As at 31 December 2022	**16,474,772**

Exploration and evaluation assets are represented by the following projects:

In thousands of tenge	**31 December 2022**	31 December 2021
Anabay	**8,236,610**	8,177,339
Barkhan	**6,053,401**	3,317,459
Sultankuduk	**4,951,262**	4,951,261
Sherubainur	**2,184,762**	2,184,762
Koskunduk	**427,527**	427,527
Moldybay	**236,941**	234,826
Other	**277,577**	273,752
Less: impairment provision	**(5,893,308)**	-
	16,474,772	19,566,926

5. EXPLORATION AND EVALUATION ASSETS (continued)

Impairment provision

As at 31 December 2022, due to the expiration of the contract for combined exploration and production of hydrocarbons, the Group recognized impairment loss for exploration and evaluation assets for 6 sites and 3 fields in the total amount of 5,893,308 thousand tenge (2021: 0 tenge).

6. RIGHT-OF-USE ASSETS

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

In thousands of tenge	Gas transportation assets	Other	Total
1 January 2021	–	6,664,395	6,664,395
Proceeds on lease agreements	32,498,293	–	32,498,293
Lease modification	(635,986)	–	(635,986)
Lease termination	–	(171,902)	(171,902)
Depreciation expenses *(Note 26, 27)*	(31,862,307)	(2,184,732)	(34,047,039)
31 December 2021	–	4,307,761	4,307,761
Proceeds on lease agreements	**111,326,816**	**1,865,630**	**113,192,446**
Lease modification	–	**(447,235)**	**(447,235)**
Lease termination	–	**(3,209,852)**	**(3,209,852)**
Depreciation expenses *(Note 26, 27)*	**(22,265,363)**	**(923,581)**	**(23,188,944)**
31 December 2022	**89,061,453**	**1,592,723**	**90,654,176**

On 31 December 2021, the Group entered into a lease agreement for Saryarka gas pipeline with AstanaGas KMG JSC for a period of 2022-2026. The lease agreement is valid from the date of approval by the Committee for Regulation of Natural Monopolies (hereinafter, the "CRNM") of tariffs for gas transportation in the domestic market, that is, from 1 January 2022. At the date of recognition of the right-of-use asset and lease liabilities, the Group estimated the rate of borrowing by the lessee at 17.3% per annum. At the date of the agreement, the present value of the lease liabilities of Saryarka gas pipeline amounted to 111,326,816 thousand tenge *(Note 21)*.

7. INVESTMENTS IN JOINT VENTURES

Financial information on investment in joint ventures is summarized below:

In thousands of tenge	AGP	BSP	AG	OG	Total
31 December 2020	291,086,301	137,574,204	1,066,966	–	429,727,471
Share in profit of joint venture	253,553,978	65,533,325	27,058	–	319,114,361
Share in other comprehensive loss of joint venture	382,583	–	–	–	382,583
Share of the Group in the recognition of financial guarantee	–	672,375	–	–	672,375
Cash contribution	–	–	–	210,139	210,139
Elimination of unrealized gain	–	(1,938,732)	–	–	(1,938,732)
Withholding tax	–	(2,700,000)	–	–	(2,700,000)
Dividends received	(40,215,563)	(18,000,000)	(36,211)	–	(58,251,774)
31 December 2021	504,807,299	181,141,172	1,057,813	210,139	687,216,423
Share in profit of joint venture	**276,653,184**	**50,837,188**	**90,851**	–	**327,581,223**
Share in other comprehensive loss of joint venture	**(238,326)**	–	–	–	**(238,326)**
Elimination of unrealized gain	–	**(1,174,434)**	–	–	**(1,174,434)**
Withholding tax	–	**(1,764,706)**	–	–	**(1,764,706)**
Dividends received	**(70,949,058)**	**(10,000,000)**	**(27,058)**	–	**(80,976,116)**
31 December 2022	**710,273,099**	**219,039,220**	**1,121,606**	**210,139**	**930,644,064**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES (continued)

AGP

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

In thousands of tenge	**31 December 2022**	31 December 2021
Statement of financial position of joint venture		
Current assets, including:	**707,366,416**	551,179,423
- cash and cash equivalents	***466,657,596***	*394,183,514*
Non-current assets	**1,165,473,669**	1,266,160,761
Current liabilities, including:	**(210,906,878)**	(199,191,852)
- short-term loans received	***(185,590,162)***	*(173,173,006)*
- trade and other payables	***(20,858,788)***	*(15,682,660)*
Non-current liabilities, including:	**(241,387,009)**	(608,533,734)
- long-term loans received	***(59,026,190)***	*(404,570,533)*
Equity	**1,420,546,198**	1,009,614,598
Proportion of the Group's ownership	**50%**	50%
Carrying amount of investment	**710,273,099**	504,807,299

In thousands of tenge	**2022**	2021
Statement of comprehensive income of joint venture		
Revenue from contracts with customers	**912,710,619**	857,998,093
Cost of sales, including:	**(193,486,781)**	(168,072,348)
- depreciation and amortisation	***(77,694,558)***	*(81,134,915)*
General and administrative expenses, including:	**(8,197,975)**	(11,581,973)
- depreciation and amortisation	***(1,152,935)***	*(992,213)*
Finance income, including:	**5,108,432**	1,081,717
- interest income	***5,108,432***	*1,081,717*
Finance costs, including:	**(24,809,330)**	(35,231,739)
- interest expenses	***(17,158,389)***	*(26,418,951)*
Profit before taxation	**693,796,826**	635,469,294
Income tax expenses	**(140,490,459)**	(128,361,338)
Net profit for the year	**553,306,367**	507,107,956
Share in profit of a joint venture for the year	**276,653,184**	253,553,978
Other comprehensive (loss)/income for the year	**(476,652)**	765,166
Share in other comprehensive (loss)/income for the year	**(238,326)**	382,583

On 15 February 2008, according to the agreement between the Government of the Republic of Kazakhstan and the Government of People's Republic of China on cooperation in the construction and operation of Kazakhstan-China gas pipeline, AGP joint venture was established with 50% participation of the Group and 50% participation of Trans-Asia Gas Pipeline Company Limited. As at 31 December 2022 and 2021, the charter capital of AGP was equal to 1,200,000 thousand tenge, of which an amount of 600,000 thousand tenge was paid by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES (continued)

BShP

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

In thousands of tenge	**31 December 2022**	31 December 2021
Statement of financial position of joint venture		
Current assets, including:	**183,695,616**	159,038,314
- cash and cash equivalents	***60,340,222***	*26,064,438*
Non-current assets	**623,036,217**	588,673,430
Current liabilities, including:	**(93,130,327)**	(81,514,648)
- short-term loans received	***(46,857,995)***	*(64,738,218)*
- trade and other payables	***(44,562,196)***	*(15,661,923)*
Non-current liabilities, including:	**(273,406,068)**	(304,146,621)
- long-term loans received	***(261,062,914)***	*(282,759,175)*
Equity	**440,195,438**	*362,050,475*
Proportion of the Group's ownership	**50%**	50%
Share in equity	**220,097,720**	181,025,238
Share of the Group in the fair value of the issued financial guarantee	**7,323,362**	7,323,362
Consolidation adjustment	**(8,381,862)**	(7,207,428)
Carrying amount of investment	**219,039,220**	181,141,172

In thousands of tenge	**2022**	2021
Statement of comprehensive income of a joint venture		
Revenue from contracts with customers	**188,974,942**	200,361,623
Cost of sales, including:	**(46,070,461)**	(44,264,853)
- depreciation and amortisation	***(26,053,555)***	*(23,996,366)*
General and administrative expenses, including:	**(5,548,889)**	(4,491,578)
- depreciation and amortisation	***(816,501)***	*(606,961)*
Finance income, including:	**2,900,998**	1,894,408
- interest income	***2,900,998***	*1,894,408*
Finance costs, including:	**(19,999,155)**	(14,916,317)
- interest expenses	***(16,299,860)***	*(13,752,882)*
Profit before taxation	**101,674,375**	131,066,650
Income tax expenses	**-**	-
Net profit for the year	**101,674,375**	131,066,650
Share in profit of a joint venture for the year	**50,837,188**	65,533,325
Other comprehensive income for the year	**-**	-
Share in other comprehensive income for the year	**-**	-

On 18 January 2011, according to the agreement between the Government of the Republic of Kazakhstan and the Government of People's Republic of China on cooperation in construction and operation of the Kazakhstan-China gas pipeline, BShP joint venture was established with 50% participation of the Group and 50% participation of Trans-Asia Gas Pipeline Company Limited. As at 31 December 2022 and 2021 the charter capital of BShP was equal to 145,430,000 thousand tenge, of which an amount of 72,715,000 thousand tenge was paid by the Group.

8. ADVANCES PAID

In thousands of tenge	**31 December 2022**	31 December 2021
Advances paid for non-current assets		
Advances paid to related parties *(Note 30)*	**15,015,169**	5,807
Advances to third parties	**919,774**	63,155,509
Less: impairment provision	**(275,487)**	(275,487)
	15,659,456	62,885,829
Advances paid for current assets and services		
Advances paid to related parties *(Note 30)*	**2,459,120**	4,703
Advances paid to third parties	**1,241,809**	17,449,265
Less: impairment provision	**(50)**	(50)
	3,700,879	17,453,918

At 31 December 2022, advances paid for non-current assets to related parties mainly include advances of 13,178,650 thousand tenge for 100% shares in the authorized capital of Tegis Munay LLP *(Note 2)*.

9. LOANS TO RELATED PARTY

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

In thousands of tenge	**31 December 2022**	31 December 2021
Financial assets at amortised cost		
Interest-free bearing loans to related party	**3,524,877**	–
Interest bearing loans to related party	**–**	175,137,014
Plus: interest receivable	**–**	2,461,648
Less: allowance for expected credit losses	**–**	(938,246)
	3,524,877	176,660,416
Less: current portion *(Note 30)*	**(3,524,877)**	(2,461,648)
Non-current portion *(Note 30)*	**–**	174,198,768

Movement in allowance for expected credit losses was as follows:

In thousands of tenge	**Impairment**
As at 31 December 2020	(938,246)
Accrual	–
As at 31 December 2021	(938,246)
Reversal	**938,246**
As at 31 December 2022	**–**

Interest bearing loans

In September 2017, the Group provided a loan to BShP of 133,716,000 thousand tenge (equivalent to: 400,000 thousand US dollars at the date of the loan issue) with the interest rate of 5.5% per annum for partial early repayment of the bank loan obtained by BShP under the loan agreement with China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited. The maturity of the loan is 31 August 2029.

In October 2022, BShP made an early repayment of principal and accrued interest under the loan agreement in the amount of 190,740,993 thousand tenge (equivalent to 405,720 thousand US dollars at the repayment date) and 10,994,637 thousand tenge (equivalent to 23.864 thousand US dollars at each repayment date), respectively.

9. LOANS TO RELATED PARTY (continued)

Interest free loans

In 2022, the Group concluded the financial aid agreement with GPC Investment LLP for the amount of up to 40,000,000 thousand tenge to finance the project "Construction of a gas processing plant with a capacity of 1.15 billion cubic meters at the Kashagan field in Atyrau region". Within this agreement during 2022, the Group provided 2 tranches for the total amount of 3,933,819 thousand tenge with a maturity until date of 12 September 2023. The difference between the given amount and the fair value of the loan at the date of issue calculated using market rates of 16.1% - 18.2%, in the amount of 499,299 thousand tenge was recognized as finance costs *(Note 28)*.

10. OTHER FINANCIAL ASSETS

As at 31 December 2022 and 2021 other financial assets included:

In thousands of tenge	**31 December 2022**	31 December 2021
Financial assets measured at amortised cost		
NBRK Notes *(Note 30)*	**30,000,000**	–
Finance lease receivables	**3,600,948**	2,586,015
	33,600,948	2,586,015
Less: current portion	**(33,600,948)**	–
Non-current portion	**–**	2,586,015

11. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

In thousands of tenge	**31 December 2022**	31 December 2021
VAT recoverable	**136,827,802**	100,925,924
Property tax	**345,127**	598,225
Withholding tax	**–**	1,755
Other taxes prepaid	**115,785**	90,470
	137,288,714	101,616,374
Less: allowance for non-recoverable VAT	**(14,514,237)**	(14,513,692)
	122,774,477	87,102,682
Non-current portion	**77,939,480**	51,259,217
Current portion	**44,834,997**	35,843,465

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

In thousands of tenge	
As at 31 December 2020	(14,950,062)
Charge for the year	(1,409)
Utilised	437,779
As at 31 December 2021	(14,513,692)
Charge for the year	**(545)**
As at 31 December 2022	**(14,514,237)**

As at 31 December 2022, the Group has 136,827,802 thousand tenge of VAT recoverable, including VAT recoverable originating from domestic loss making sales of gas. With respect to such VAT on loss making domestic sales of gas, the Group is working with the Ministry of National Economy of Kazakhstan to secure an increase in the regulated tariffs for domestic sales of gas to ensure VAT output is sufficient to offset input VAT in the future. As the Tax Code of the Republic of Kazakhstan does not impose limits with respect to the time period to recover input VAT, the Group expects to recover input VAT on domestic sales of gas in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BANK DEPOSITS

In thousands of tenge	31 December 2022	31 December 2021
Bank deposits in tenge with maturity of over five years	**2,710,892**	3,230,502
Less: allowance for expected credit losses	**(9,325)**	(13,597)
Non-current portion	**2,701,567**	3,216,905
Bank deposits in US dollars with maturity of over three months and less than one year	**11,335,373**	12,951,419
Bank deposits in tenge with maturity of over three months and less than one year	**16,558**	61,537
Current portion	**11,351,931**	13,012,956

As at 31 December 2022 bank deposits in tenge with maturity of over five years include restricted deposits in Halyk Bank Kazakhstan JSC and ForteBank JSC in the amount of 2,205,984 thousand tenge and 504,908 thousand tenge, respectively. The deposits in Halyk Bank JSC were opened as collateral for housing loans of the Group's employees at a rate of 1% per annum (31 December 2021: 3,230,502 thousand tenge at the rate of 1% per annum). The deposit in ForteBank JSC is kept in a blocked account, designated as liquidation fund per requirements of subsoil use contracts at a rate of 5% per annum.

As at 31 December 2022, deposits were placed in banks at interest rates of 0-2% per annum in US dollars (2021: 0.15-1% per annum) and 1% per annum in tenge for a period of 3 months and up to 1 year.

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	31 December 2022	31 December 2021
Short-term deposits in foreign currency	**191,776,854**	122,189,302
Short-term deposits in tenge	**76,478,579**	29,387,306
Current accounts in foreign currency	**195,744,964**	143,929,642
Current accounts in tenge	**50,894,410**	87,165,169
Balances on brokerage accounts payable on demand	**34,793,929**	-
Reverse repurchase agreements ("reverse repo") with a maturity of less than three months in tenge	**22,508,059**	-
Reverse repurchase agreements ("reverse repo") with a maturity of less than three months in foreign currency	**4,920,711**	-
Cash in transit	**3,284**	28,394
Cash on hand	**1,404**	4,571
	577,122,194	382,704,384

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

In thousands of tenge	31 December 2022	31 December 2021
US dollars	**426,561,420**	265,708,704
Tenge	**149,887,145**	116,585,440
Russian rubles	**588,203**	356,172
Other currencies	**85,426**	54,068
	577,122,194	382,704,384

As at 31 December 2022, deposits were placed in banks at interest rates of 7.25%-15.5% per annum in tenge (31 December 2021: 7.25-8.2% per annum) and 1%-2% in foreign currency (31 December 2021: 0.13% -0.7% per annum).

As at 31 December 2022, interest rates for cash on the current accounts in banks were 0%-4% per annum in tenge (31 December 2021: 0.1% per annum) and nil in a foreign currency.

14. INVENTORIES

In thousands of tenge	**31 December 2022**	31 December 2021
Gas reserves (at cost)	**32,565,747**	33,767,501
Materials and supplies (at lower of cost and net realizable value)	**4,898,645**	2,456,565
	37,464,392	36,224,066

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

15. TRADE AND OTHER RECEIVABLES

In thousands of tenge	**31 December 2022**	31 December 2021
Trade receivables from third parties	**121,720,315**	175,100,019
Trade receivables from related parties (*Note 30*)	**41,119,205**	8,483,734
Other receivables from related parties (*Note 30*)	**9,711,970**	6,779,321
Other receivables from third parties	**6,019,324**	3,955,850
	178,570,814	194,318,924
Less: allowance for expected credit losses	**(8,007,918)**	(3,886,358)
	170,562,896	190,432,566

Movement in the allowance for expected credit losses (ECL) was as follows:

In thousands of tenge	**Individually impaired**
At 31 December 2020	(4,201,450)
Charge for the year	(2,284,446)
Foreign currency translation	(9,498)
Write off	459,129
Reversal	2,149,907
At 31 December 2021	(3,886,358)
Charge for the year	**(5,518,861)**
Foreign currency translation	**9,141**
Write off	**125,572**
Reversal	**1,262,588**
At 31 December 2022	**(8,007,918)**

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

			Days past due				
In thousands of tenge	**Total**	**Current**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
31 December 2022							
ECL rate	**4.48%**	**0.00%**	**0.94%**	**7.06%**	**23.72%**	**24.56%**	**43.36%**
Estimated total gross carrying amount at default	**178,570,584**	**151,501,893**	**7,247,138**	**1,559,371**	**181,701**	**311,566**	**17,769,145**
ECL	**8,007,918**	**4,987**	**67,964**	**110,088**	**43,100**	**76,517**	**7,705,262**
31 December 2021							
ECL rate	2.00%	0.00%	0.33%	2.68%	2.75%	21.86%	73.70%
Estimated total gross carrying amount at default	194,318,924	183,735,969	4,138,032	852,745	273,336	163,935	5,154,907
ECL	3,886,358	7,515	13,730	22,854	7,507	35,835	3,798,917

15. TRADE AND OTHER RECEIVABLES (continued)

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

In thousands of tenge	**31 December 2022**	31 December 2021
US dollar	**62,212,973**	122,162,294
Tenge	**108,349,923**	68,270,272
	170,562,896	190,432,566

Trade and other receivables are non-interest bearing.

16. EQUITY

Share capital

	Common shares outstanding (number of shares)					
	Par value of 100 tenge	Par value of 138 tenge	Par value of 2,500 tenge	Par value of 10,000 tenge	Par value of 17,632 tenge	Total share capital
At 31 December 2022	**312,167,670**	**1**	**30,976,655**	**30,455,065**	**1,006,717**	**430,959,489**
At 31 December 2021	312,167,670	1	30,976,655	29,137,200	1,006,717	417,780,839

Common shares give the holder the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the Shareholder's discretion. In 2022 and 2021, the Group did not distribute dividends.

In 2022, the Group issued 1,317,865 common shares with the par value of 10,000 tenge each for the amount of 13,178,650 thousand tenge to Samruk-Kazyna for a purchase of 100% shares in the authorized capital of Tegis Munay LLP.

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

In thousands of tenge	**31 December 2022**	31 December 2021
Total assets	**3,169,367,138**	2,734,202,514
Less: intangible assets	**(5,164,654)**	(6,240,856)
Less: total liabilities	**(981,776,772)**	(946,566,402)
Net assets for calculation of cost of common share in accordance with listing requirements of KASE	**2,182,425,712**	1,781,376,262
Number of common shares	**374,606,108**	373,288,243
Cost of common share, calculated in accordance with listing requirements of KASE in thousands of tenge	**5,826**	4,772

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

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period attributable to common shareholders by the weighted average number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods:

In thousands of tenge	**2022**	2021
Net income attributable to shareholder for basic and diluted earnings per share	**386,627,554**	400,192,556
Weighted average number of common shares for basic and diluted earnings per share	**374,606,108**	373,288,243
Basic and diluted earnings per share for the period attributable to the parent (in thousands tenge)	**1.03**	1.07

17. SECURITIES ISSUED

As at 31 December 2022 and 2021, the debt securities issued comprised:

				31 December 2022		31 December 2021	
	Issue	Maturity	Interest rate	US dollars	In thousands of tenge	US dollars	In thousands of tenge
QG bonds	2017	2027	4.375%	**706,320,000**	**326,778,948**	706,320,000	304,988,976
KTG Aimak bonds	2015	2025	7.50%	**–**	**5,000,000**	–	5,000,000
				706,320,000	**331,778,948**	706,320,000	309,988,976
Plus: interest payable				**–**	**3,772,898**	–	3,527,569
Less: unamortised transaction costs				**–**	**(181,077)**	–	(219,280)
Less: discount				**–**	**(672,482)**	–	(812,633)
Less: amount due for settlement within 12 months from the reporting date				**–**	**(3,772,898)**	–	(3,527,569)
Amounts due for settlement after 12 months				**–**	**330,925,389**	–	308,957,063

18. INTEREST BEARING LOANS

As at 31 December interest bearing loans comprised:

In thousands of tenge	31 December 2022	31 December 2021
Interest-bearing loans with floating rate	**99,583,931**	135,075,172
Interest-bearing loans with fixed rate	**57,930,032**	36,428,159
	157,513,963	171,503,331
Plus: interest payable	**1,813,391**	1,793,347
Less unamortised transaction costs	**(668,252)**	(1,072,447)
	158,659,102	172,224,231
Less: amount due for settlement within 12 months from the reporting date	**(111,907,583)**	(20,614,260)
Amounts due for settlement after 12 months	**46,751,519**	151,609,971

Interest bearing loans are denominated in various currencies as follows:

In thousands of tenge	31 December 2022	31 December 2021
Russian rubles	**91,595,350**	87,272,640
Tenge	**65,918,613**	84,230,691
	157,513,963	171,503,331

Interest-bearing loans with floating rate

VTB Bank Kazakhstan JSC and VTB Bank (PJSC)

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

During 2022, the Group fully repaid the principal in the amount of 5,130,790 thousand tenge (equivalent to 906,500 thousand Russian rubles) under a loan agreement with VTB Bank Kazakhstan JSC. As at 31 December 2022, QG has total principal payable of 91,595,350 thousand tenge to VTB Bank (PJSC) under the above loan agreement (31 December 2021: 87,272,640 thousand tenge).

18. INTEREST BEARING LOANS (continued)

Interest-bearing loans with floating rate (continued)

European Bank for Reconstruction and Development (EBRD)

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

During 2022, ICA repaid principal under the loan agreement for a total amount of 37,665,786 thousand tenge (2021: repayment of principal in the amount of 8,474,619 thousand tenge).

As at 31 December 2022, ICA has principal payable to the EBRD under the above loan agreement is 470,000 thousand tenge (31 December 2021: 37,978,477 thousand tenge).

In accordance with the loan agreement dated May 26, 2016, KTG Aimak received 17,185,324 thousand tenge in several tranches for 10 years for the project "Gasification and modernization of the gas pipeline system in the Mangistau, Aktobe and Kostanay regions". The interest rate is equal to the 6-month annualized CPI with a spread of 100 basis points + 2.15%.

In 2022, KTG Aimak repaid the principal under the loan agreement in the amount of 2,148,165 thousand tenge (2021: 2,148,165 thousand tenge). As at 31 December 2022, KTG Aimak has total principal payable to the EBRD under the above loan agreement of 7,518,581 thousand tenge (2021: KZT 9,666,746 thousand tenge).

Interest-bearing loans with fixed rate

Development Bank of Kazakhstan JSC

KTG Aimak concluded several revolving credit line agreements with the Development Bank of Kazakhstan JSC for the projects "Modernization of gas pipeline system in South Kazakhstan, Taraz, Kyzylorda, Aktobe" and "Construction of stand-by line of gas pipeline Uzen-Zhetybai". During 2020, KTG Aimak received additional financing of 3,546,971 thousand tenge under the loan agreement.

During 2022, KTG Aimak repaid principal of 8,198,127 thousand tenge (2021: 8,198,127 thousand tenge).

As at 31 December 2022, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements of 28,230,032 thousand tenge (2021: 36,428,159 thousand tenge).

As at 31 December 2022 and 2021, QG acts as a guarantor under the loan agreements with Development Bank of Kazakhstan JSC and European Bank for Reconstruction and Development.

As at 31 December 2022 and 2021, interest-bearing loans with fixed rates are not secured by any collateral.

JSC Halyk Savings Bank of Kazakhstan

During 2022, in order to refinance the existing loan from the EBRD for the restructuring of short-term liabilities and the modernization of the Bozoi UGS facility, ICA received a loan from Halyk Savings Bank of Kazakhstan JSC in the amount of 29,700,000 thousand tenge, with an interest rate of 17.85%. Interest and principal payments are made in quarterly instalments starting from March 2023.

As at 31 December 2022, ICA has a total principal payable to JSC Halyk Savings Bank of Kazakhstan under the above loan agreement of 29,700,000 thousand tenge (2021: nil).

Terms of the loan agreement

Under the terms of bank loans, the Group is obliged to comply with certain covenants. The Group reviews compliance with loan covenants at each reporting date. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 December 2022 and 2021, the Group complies with all covenants.

19. LOANS FROM RELATED PARTIES

As at 31 December loans from related parties comprised:

In thousands of tenge	**31 December 2022**	31 December 2021
Fixed interest rate borrowing	**17,226,204**	24,109,052
Interest-free borrowing	**–**	318,236
	17,226,204	24,427,288
Plus: interest payable	**182**	255
Less: unamortised discount	**(1,379,274)**	(2,569,552)
	15,847,112	21,857,991
Less: amount due for settlement within 12 months from the reporting date	**(7,737,372)**	(7,164,345)
Amounts due for settlement after 12 months	**8,109,740**	14,693,646

Fixed interest rate borrowings

On 23 November 2021, the Group received long-term loan from NC KazMunayGas JSC in the amount of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars) at the rate of 0.01% per annum for general corporate purposes. The loan is indexed to US dollar. The difference between the nominal value and the fair value of the loan at the date of recognition of 2,703,208 thousand tenge was recognised as finance income *(Note 28)*. The maturity date of the loan is 23 November 2024.

During 2022, the Group repaid principal in the amount of 8,614,964 thousand tenge (equivalent to 18,616,885 US dollars) under the given loan agreement. As at 31 December 2022, the Group has a total principal payable to JSC NC KazMunayGas under the loan in the amount of 17,226,204 thousand tenge (equivalent to 37,233,770 US dollars) (2021: 24,109,052 thousand tenge (equivalent to 55,850,655 US dollars).

As at 31 December 2022 and 2021 loans from related parties are not secured by any collateral.

20. PROVISIONS

In thousands of tenge	Provision for gas transportation expenses	Abandonment and site restoration provision	Gas pipeline abandonment and site restoration provision	Tax provisions	Other provisions	Total
As at 31 December 2020	30,765,943	2,921,803	79,869,001	72,883	1,629,853	115,259,483
Arising during the year	–	200,628	–	81,628	63,837	346,093
Foreign exchange loss	795,993	–	–	–	–	795,993
Change in estimates *(Note 4)*	–	149,445	3,091,844	–	–	3,241,289
Unwinding of discount *(Note 29)*	–	204,149	5,700,657	–	–	5,904,806
Utilised	–	–	–	(72,574)	(1,605,197)	(1,677,771)
At 31 December 2021	31,561,936	3,476,025	88,661,502	81,937	88,493	123,869,893
Arising during the year		**159,890**	**13,705,574**	**58,111**	**587,631**	**14,511,206**
Foreign exchange loss	**2,254,946**	**–**	**–**	**–**	**–**	**2,254,946**
Change in estimates *(Note 4)*	**–**	**(998,393)**	**(45,881,142)**	**–**	**–**	**(46,879,535)**
Unwinding of discount *Note 29)*	**–**	**291,210**	**5,350,266**	**–**	**–**	**5,641,476**
Utilised	**–**	**–**	**–**	**(64,760)**	**(2,541)**	**(67,301)**
As at 31 December 2022	**33816882**	**2,928,732**	**61,836,200**	**75,288**	**673,583**	**99,330,685**
Current provisions as at 31 December 2022	**33,816,882**	**–**	**–**	**75,288**	**79,268**	**33,971,438**
Non-current provisions as at 31 December 2022	**–**	**2,928,732**	**61,836,200**	**–**	**594,315**	**65,359,247**
Current provisions as at 31 December 2021	31,561,936	–	–	81,937	79,173	31,723,046
Non-current provisions as at 31 December 2021	–	3,476,025	88,661,502	–	9,320	92,146,847

20. PROVISIONS (continued)

Provision for gas transportation expenses

As at 31 December 2022, provision for gas transportation expenses represents provision for reimbursement of expenses associated with transportation of borrowed gas to PetroChina International Co. Ltd. of USD 73,094 thousand (equivalent to 33,816,882 thousand tenge) (2021: USD 73,094 thousand (equivalent to 31,561,936 thousand tenge) under the gas borrowing agreement.

In 2022 foreign exchange loss on the provisions amounted to 2,254,946 thousand tenge (2021: foreign exchange loss of 795,993 thousand tenge).

Gas pipeline abandonment and site restoration provision

The Group's subsidiaries ICA and KTG Aimak recorded a provision for future costs of decommissioning of gas compressing plants and main gas pipelines on a discounted basis in accordance with the Law of the Republic of Kazakhstan On Main Pipelines *(Note 2)* and the Environmental Code of the Republic of Kazakhstan. As at 31 December 2022, gas pipeline abandonment and site restoration provision of 61,836,200 thousand tenge (31 December 2021: 88,661,502 thousand tenge) represents the current costs of gas pipeline abandonment and site restoration expected to be incurred from 2031 till 2101.

21. FINANCE LEASE LIABILITIES

The movements in the lease costs for the years ended 31 December 2022 and 2021 were presented as follows:

In thousands of tenge	Gas transportation assets	Other	Total
1 January 2021	–	4,580,533	4,580,533
Proceeds on lease agreements	32,498,293	–	32,498,293
Lease modification	(635,986)	–	(635,986)
Lease termination	–	(171,902)	(171,902)
Interest expense *(Note 28)*	1,942,714	268,595	2,211,309
Lease payments	(30,183,054)	(2,303,362)	(32,486,416)
Other changes	434,636	(50,619)	384,017
31 December 2021	4,056,603	2,323,245	6,379,848
Proceeds on lease agreements	**111,326,816**	**1,865,630**	**113,192,446**
Lease modification	**–**	**(447,235)**	**(447,235)**
Lease termination	**–**	**(3,209,852)**	**(3,209,852)**
Interest expense *(Note 28)*	**17,721,431**	**217,288**	**17,938,719**
Lease payments	**(37,795,622)**	**(352,647)**	**(38,148,269)**
Other changes	**–**	**1,191,346**	**1,191,346**
31 December 2022	**95,309,228**	**1,587,775**	**96,897,003**
Current portion of lease liabilities	**18,650,608**	**473,530**	**19,124,138**
Non-current portion of lease liabilities	**76,658,620**	**1,114,245**	**77,772,865**

22. CONTRACT LIABILITIES

In thousands of tenge	**31 December 2022**	31 December 2021
Contract liabilities to third parties	**18,610,870**	17,077,985
Contract liabilities to related parties *(Note 30)*	**591,722**	2,821,650
Other	**–**	234,257
	19,202,592	20,133,892
Less: current portion of contract liabilities	**(8,075,408)**	(8,569,659)
Non-current portion of contract liabilities	**11,127,184**	11,564,233

23. TRADE AND OTHER PAYABLES

In thousands of tenge	**31 December 2022**	31 December 2021
Due to related parties *(Note 30)*	**68,172,479**	149,058,493
Due to third parties	**53,342,913**	31,848,604
	121,515,392	180,907,097

Trade and other payables represent amounts due for the purchased gas, assets and services. Trade payables are non-interest bearing, usually settled within 30 days.

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

In thousands of tenge	**31 December 2022**	31 December 2021
Tenge	**106,603,055**	164,515,213
US dollars	**10,329,021**	13,069,371
Russian rubles	**4,568,743**	3,308,531
Other currencies	**14,573**	13,982
	121,515,392	180,907,097

24. OTHER FINANCIAL LIABILITIES

In thousands of tenge	**31 December 2022**	31 December 2021
Provision for unused vacations	**2,305,856**	1,832,285
Salaries payable	**1,825,185**	59,692
Bonds payable	**1,279,471**	1,818,793
Put option payable	**679,744**	679,744
Financial guarantees	**–**	4,980,194
Other	**16,654,405**	2,188,864
	22,744,661	11,559,572

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	**Timing of revenue recognition**	**2022**	2021
Type of goods or services			
Revenue from sales of gas	Over time	**824,599,372**	706,715,103
Revenue from gas transportation services	Over time	**108,961,530**	151,770,251
Revenue from technical maintenance of gas pipelines	Over time	**14,358,713**	13,641,567
Management fee	Over time	**–**	19,143,871
Other	Over time	**4,363,594**	4,984,419
		952,283,209	896,255,211
Geographical markets			
China		**482,748,295**	432,774,610
Kazakhstan		**418,298,741**	358,543,578
Commonwealth of Independent States		**51,236,173**	104,937,023
		952,283,209	896,255,211

The Group did not fully meet its obligations to supply gas to Petrochina for the period from September to December 2022. Under the terms of the agreement, the Group has estimated the amount of compensation to Petrochina in the amount of 40,216 thousand US dollars (equivalent to 18,692 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. COST OF SALES

In thousands of tenge	2022	2021
Cost of gas sold	**338,213,289**	216,891,482
Transportation expenses	**276,304,478**	301,880,264
Payroll and related contributions	**78,967,538**	57,977,223
Depreciation and amortization	**34,888,894**	37,719,462
Depreciation of right-of-use assets *(Note 6)*	**22,265,363**	31,862,307
Fuel gas and gas losses	**16,841,903**	19,012,773
Taxes other than income tax	**10,974,637**	10,634,670
Billing services	**7,063,695**	5,958,041
Repair and maintenance	**4,516,087**	4,666,562
Security	**4,199,254**	3,307,448
Business trip expenses	**1,796,555**	1,646,293
Materials and supplies	**1,540,561**	1,556,097
Electricity	**1,479,972**	1,641,146
Communication expenses	**1,100,037**	1,240,175
Insurance	**996,315**	885,524
Expenses relating to short-term leases	**496,722**	408,658
Expenses on other services rendered	**427,121**	2,394,984
Other	**4,584,608**	4,643,647
	806,657,029	704,326,756

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

27. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2022	2021
Payroll and related contributions	**19,193,012**	13,948,271
Taxes other than income tax	**2,470,112**	2,247,117
Consulting services	**1,751,309**	2,443,269
Repair and maintenance	**1,667,644**	3,418,776
Depreciation and amortization	**1,634,139**	1,957,090
Depreciation of right-of-use assets (*Note 6*)	**923,581**	2,184,732
Expense relating to short-term leases and leases of low-value assets	**554,652**	525,286
Office maintenance expenses	**553,064**	338,386
Business trip expenses	**284,526**	203,813
Personnel development and qualification upgrade	**269,370**	89,302
Festive, cultural and sportive events expenses	**183,014**	229,192
Communication services	**169,442**	210,593
Bank charges	**114,124**	168,809
Security	**51,596**	111,872
Other payments to the budget	**–**	885,060
Other	**3,594,573**	3,489,887
	33,414,158	32,451,455

28. FINANCE INCOME AND FINANCE COSTS

In thousands of tenge	2022	2021
Finance income		
Interest income on bank deposits	**17,547,944**	10,370,205
Interest income on loans issued to a related party	**8,537,902**	9,656,710
Amortization of financial guarantee obligations	**6,291,314**	3,487,884
Unwinding of discount on financial assets at amortise cost	**3,380,384**	328,569
Discount on loan from related party (*Note 19)*	**-**	2,703,208
Other	**345,648**	188
	36,103,192	26,546,764
Finance costs		
Interest on bank loans and overdrafts	**(19,988,049)**	(16,415,865)
Interest expense on lease liabilities (*Note 21)*	**(17,938,719)**	(2,211,309)
Interest on debt securities issued	**(14,584,875)**	(15,388,229)
Unwinding of discount on gas pipeline abandonment and site restoration provisions *(Note 20)*	**(5,641,476)**	(5,904,806)
Unwinding of discount on financial liabilities	**(1,272,845)**	(134,337)
Financial guarantee obligations to the joint venture	**-**	(672,375)
Amortization of capitalized costs related to the loan arrangement	**(701,195)**	(336,715)
Discount on a loan issued to related party *(Note 9)*	**(499,299)**	-
Unwinding of discount on debt securities issued	**(167,960)**	(152,383)
Interest on loans from related party	**(2,512)**	(255)
Other	**(1,756,363)**	(1,062,704)
	(62,553,293)	(42,278,978)

29. INCOME TAX EXPENSES

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

In thousands of tenge	2022	2021
Current income tax expense	**19,160,496**	47,336,037
Excess profit tax	**899,780**	-
Deferred income tax expense	**12,395,840**	19,890,196
Adjustment of prior years income tax	**(5,361,021)**	157,280
	27,095,095	67,383,513

29. INCOME TAX EXPENSES (continued)

A reconciliation of corporate income tax expenses applicable to profit before taxation at the official income tax rate, with the current income tax expense reported in the IFRS financial statements for the years ended 31 December is as follows:

In thousands of tenge	2022	2021
Profit before income tax	**413,722,649**	467,576,069
Statutory tax rate	**20%**	20%
Theoretical income tax expense	**82,744,530**	93,515,214
Tax effect of permanent differences		
Investments in joint venture	**8,314,496**	18,015,076
Non-deductible interest expense	**2,522,075**	1,382,516
Taxes other than income tax	**2,174,245**	3,208,221
Non-deductible foreign exchange differences, net	**2,039,035**	447,710
Dividend income from joint venture	**2,000,000**	3,600,000
Change in provision for deferred tax assets	**1,542,666**	673,891
Provision for impairment of property, plant and equipment and exploration and evaluation assets	**1,178,660**	–
Excess profit tax	**899,780**	–
Excess gas losses and related taxes	**405,557**	416,210
Unwinding of discount on financial liabilities	**33,592**	57,344
Write-off of expected credit losses	**24,842**	84,626
Loss on disposal of property, plant and equipment	**24,254**	1,539,420
Unwinding of discount – historical costs and abandonment and site restoration provision	**16,557**	1,180,961
Adjustment with respect to deferred income tax of prior year	**(1,583,316)**	–
Non-deductible expenses related to additional costs of gas purchased	**(4,377,935)**	5,900,000
Adjustments with respect to current income tax of prior year	**(5,361,021)**	157,280
Share in income of joint ventures	**(65,516,245)**	(63,822,872)
Other	**13,323**	1,027,916
	27,095,095	67,383,513
Tax expense recognised in other comprehensive income	**(973)**	1,455
Income tax expense reported in the consolidated statement of comprehensive income	**27,094,122**	67,384,968

29. INCOME TAX EXPENSES (continued)

As at 31 December 2022 and 2021, components of deferred income tax assets and liabilities are as follows:

In thousands of tenge	**2022**	**Charged to profit and loss**	**Charged to other compre-hensive income**	2021	Charged to profit and loss	Charged to other compre-hensive income	2020
Deferred tax assets							
Accumulated loss	**2,098,526**	**2,098,526**	–	–	(482,865)	–	482,865
Allowance for expected credit losses	**1,295,711**	**408,214**	–	887,497	(70,118)	–	957,615
Provision for gas transportation expenses	**7,335,946**	**450,989**	–	6,884,957	159,198	–	6,725,759
Other provisions	**16,398,010**	**12,827,189**	–	3,570,821	653,932	–	2,916,889
Lease liabilities	**19,157,892**	**19,157,892**	–	–	–	–	–
Loss under trust management agreement	**2,355,029**	**1,091,676**	–	1,263,353	514,694	–	748,659
Deferred income	**2,341,571**	**(38,964)**	–	2,380,535	598,174	–	1,782,361
Other	**2,723,702**	**2,264,976**	973	457,753	(151,764)	(1,455)	610,972
	53,706,387	**38,260,498**	973	15,444,916	1,221,251	(1,455)	14,225,120
Less: provision for deferred tax assets of the Group	**(9,690,975)**	**(1,542,666)**	–	(8,148,309)	(673,891)	–	(7,474,418)
	44,015,412	**36,717,832**	973	7,296,607	547,360	(1,455)	6,750,702
Deferred tax liabilities							
Property, plant and equipment and intangible assets	**(78,264,878)**	**(11,543,987)**	–	(66,720,891)	(2,620,552)	–	(64,100,339)
Right-of-use assets	**(17,909,446)**	**(17,909,446)**	–	–	–	–	–
Investments in joint venture	**(26,329,572)**	**(8,314,496)**	–	(18,015,076)	(18,015,076)	–	–
Revenue recognized on accrual basis	**(11,317,429)**	**(11,317,429)**	–	–	–	–	–
Discounting on financial liabilities	**(13,410)**	**26,788**	–	(40,198)	39,813	–	(80,011)
Other non-current liabilities	**(907,727)**	**(55,102)**	–	(852,625)	158,259	–	(1,010,884)
	(134,742,462)	**(49,113,672)**	–	(85,628,790)	(20,437,556)	–	(65,191,234)
Net deferred tax liabilities	**(90,727,050)**	**(12,395,840)**	973	(78,332,183)	(19,890,196)	(1,455)	(58,440,532)

Deferred income tax assets and liabilities are related to various entities of the Group and may not be offset against each other in accordance with the tax legislation. Net deferred tax position of the Group entities is as follows:

In thousands of tenge	**31 December 2022**	31 December 2021
Deferred tax assets	**1,216,148**	890,484
Deferred tax liabilities	**(91,943,198)**	(79,222,667)
Net deferred tax liabilities	**(90,727,050)**	(78,332,183)

As at 31 December 2022 the Group had corporate income tax prepaid of 45,193,980 thousand tenge (31 December 2021: 4,582,882 thousand tenge) and corporate income tax payable of 899,847 thousand tenge (2021: 95,443 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Group, entities in which a substantial interest is owned, directly or indirectly, by the Group's key management personnel, Samruk-Kazyna Group companies (entities under common control), the Government (other state-controlled entities) and joint ventures, in which Samruk-Kazyna and the Government are the venturers.

Terms and conditions of transactions with related parties

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

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

In thousands of tenge	2022	2021*
Sales of goods and services		
Joint ventures in which the Group is a venturer	**127,289,515**	54,781,080
Entities under common control of Samruk-Kazyna and the Government	**52,103,875**	50,672,804
Joint ventures in which Samruk-Kazyna and the Government are venturers	**4,904,741**	15,487,552
	184,298,131	120,941,436
Management fee ***(Note 25)***		
Entities under common control of Samruk-Kazyna and the Government	**–**	19,143,871
	–	19,143,871
Purchases of goods and services		
Joint ventures in which the Group is a venturer	**263,271,571**	289,767,016
Entities under common control of Samruk-Kazyna and the Government	**10,901,367**	11,491,109
Joint ventures in which Samruk-Kazyna and the Government are venturers	**169,350,407**	148,859,582
	443,523,345	450,117,707
Gas cost reimbursement under arbitration award		
Entities under common control of Samruk-Kazyna and the Government	**–**	16,931,800
	–	16,931,800
Fines and penalties		
Entities under common control of Samruk-Kazyna and the Government	**–**	2,338,053
	–	2,338,053
Finance income		
Joint ventures in which the Group is a venturer	**15,767,462**	13,144,594
Entities under common control of Samruk-Kazyna and the Government	**1,011,432**	2,703,208
	16,778,894	15,847,802
Finance costs		
Joint ventures in which the Group is a venturer	**876,572**	323,740
Entities under common control of Samruk-Kazyna and the Government	**5,077,815**	4,116,060
Joint ventures in which Samruk-Kazyna and the Government are venturers	**17,855,371**	2,141,780
	23,809,758	6,581,580
Other expenses		
Entities under common control of Samruk-Kazyna and the Government	**–**	2,491,784
	–	2,491,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	2022	2021*
Trade and other receivables *(Note 15)*		
Joint ventures in which the Group is a venturer	**36,171,441**	9,756,762
Entities under common control of Samruk-Kazyna and the Government	**14,616,521**	5,466,720
Joint ventures in which Samruk-Kazyna and the Government are venturers	**43,213**	39,573
	50,831,175	15,263,055
Loans to related parties (*Note 9*)		
Joint ventures in which the Group is a venturer	**–**	176,660,416
Entities controlled by the Government	**3,524,877**	–
	3,524,877	176,660,416
Advances paid *(Note 8)*		
Joint ventures in which the Group is a venturer	**81,970**	–
Entities under common control of Samruk-Kazyna and the Government	**13,182,698**	10,510
Joint ventures in which Samruk-Kazyna and the Government are venturers	**4,209,621**	–
	17,474,289	10,510
Other financial assets (*Note 10)*		
Entities controlled by the Government	**30,000,000**	–
	30,000,000	–
Cash and cash equivalents		
Entities under common control of Samruk-Kazyna and the Government	**34,804,646**	
	34,804,646	–
Trade and other payables (*Note 23*)		
Joint ventures in which the Group is a venturer	**56,335,869**	73,978,941
Entities under common control of Samruk-Kazyna and the Government	**1,604,357**	4,651,531
Joint ventures in which Samruk-Kazyna and the Government are venturers	**10,232,253**	70,428,021
	68,172,479	149,058,493
Loans received		
Entities under common control of Samruk-Kazyna and the Government	**44,305,691**	58,592,812
	44,305,691	58,592,812
Lease liabilities		
Joint ventures in which Samruk-Kazyna and the Government are venturers	**95,309,228**	4,056,603
Entities controlled by the Government	**1,571,721**	–
	96,880,949	4,056,603
Guarantee liabilities		
Joint ventures in which the Group is a venturer	**–**	4,980,194
	–	4,980,194
Other financial liabilities		
Entities under common control of Samruk-Kazyna and the Government	**31,054**	34,938
Joint ventures in which Samruk-Kazyna and the Government are venturers	**1,306,885**	1,834,470
	1,337,939	1,869,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	2022	2021*
Contract liabilities *(Note 22)*		
Joint ventures in which the Group is a venturer	**361,122**	359,972
Entities under common control of Samruk-Kazyna and the Government	**2,894**	5,383
Joint ventures in which Samruk-Kazyna and the Government are venturers	**227,706**	2,456,295
	591,722	2,821,650

* *The disclosure of transactions with related parties under common control of Samruk-Kazyna and the Government in the table above for 2021 differ from its presentation in the consolidated financial statements as of 31 December 2021, as the Group omitted disclosure of this amount in the 2021 consolidated financial statements.*

In 2021, NC KazMunayGas JSC provided to the Group long-term financing of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars). During 2022, the Group repaid principal of 8,614,964 thousand tenge (equivalent to 18,616,885 US dollars).

During 2022, BShP repaid interest of 10,994,637 thousand tenge (2021: interest of 9,627,922 thousand tenge). In October 2022, BShP made principal early repayment under the loan agreement in the amount of 190,740,993 thousand tenge (equivalent to 405,720 thousand US dollars).

On 31 December 2021, the Group entered into a lease agreement for Saryarka gas pipeline with AstanaGas KMG JSC for a period of 2022-2026. The lease agreement is valid from the date of approval by the Committee for Regulation of Natural Monopolies (hereinafter, the “CRNM”) of tariffs for gas transportation in the domestic market, that is, from 1 January 2022. At the date of recognition of the right-of-use asset and lease liabilities, the Group estimated the rate of borrowing by the lessee at 17.3% per annum. At the date of the agreement, the present value of the lease liabilities of Saryarka gas pipeline amounted to 111,326,816 thousand tenge.

In 2022, the Group acquired 100% of the shares of Tegis Munay LLP for 13,178,650 thousand tenge. The right of ownership comes into force from the moment of re-registration. As at 31 December 2022, the re-registration process has not been completed.

Compensation to key management personnel

Key management personnel comprise members of the Management Board and independent directors of the Company. In 2022 and 2021 total amount of compensation to key management was equal to 227,248 thousand tenge and 377,262 thousand tenge, respectively, consisting mainly of salaries and other payments and was included in general and administrative expenses in the statement of comprehensive income.

31. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Unconditional gas purchase obligations to the joint ventures

As at 31 December 2022, the Group has unconditional purchase obligation of 95,557,990 thousand tenge excluding VAT to AGP comprising gas transportation services (31 December 2021: 126,291,924 thousand tenge).

As at 31 December 2022, the Group has unconditional purchase obligation of 216,130,641 thousand tenge without VAT to BShP comprising gas transportation services (31 December 2021: 201,629,177 thousand tenge).

Commitments for capital expenditures

As at 31 December 2022, the Group has capital commitments of approximately 60,450,473 thousand tenge, excluding VAT (31 December 2021: 148,819,202 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are in part related to investment program described in *Note 1 “Corporate information”*.

31. COMMITMENTS AND CONTINGENCIES (continued)

Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP is as follow as at 31 December:

In thousands of tenge	**2022**	2021
AGP	**3,801,046**	4,042,566
BShP	**8,764,528**	52,678,558

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Fiscal periods remain open to review by the authorities in respect of taxes for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Tax contingencies of BShP

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

Management believes that as at 31 December 2022, it correctly interpreted the relevant provisions of legislation, and the probability of retaining the tax preferences mentioned above over the established period is high.

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

If BShP did not have tax preferences mentioned above related to modification of loan terms, following tax liabilities would have reduced share in income of joint ventures and investments in joint ventures:

- Corporate income tax of 38,838,235 thousand tenge, including penalties for understatement of tax amounts in declarations of 31,070,588 thousand tenge, of which:
  - 2019 – 1,378,739 thousand tenge, penalties – 1,102,991 thousand tenge;
  - 2020 – 12,709,629 thousand tenge, penalties – 10,167,703 thousand tenge;
  - 2021 – 13,815,959 thousand tenge, penalties – 11,052,767 thousand tenge;
  - 2022 – 10,933,909 thousand tenge, penalties – 8,747,127 thousand tenge;
- Property tax of 38.838.235 thousand tenge, including penalties for understated amounts in tax declarations of 31.070.588 thousand tenge, of which:
  - 2019 – 1.378.739 thousand tenge, penalties – 1.102.991 thousand tenge;
  - 2020 – 12.709.629 thousand tenge, penalties – 11.943.047 thousand tenge;
  - 2021 – 13.815.959 thousand tenge, penalties – 1.974.932 thousand tenge;
  - 2022 – 10.933.909 thousand tenge, penalties – 1.968.912 thousand tenge;
  - Deferred tax liability of 8,127,889 thousand tenge.

31. COMMITMENTS AND CONTINGENCIES (continued)

Transfer pricing control

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

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing law to various types of transactions is not clearly defined.

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

Environmental matters

The Group is subject to various environmental laws and regulations. Management believes that the Group complies with requirements of the legislation related to environmental matters.

Legal issues and claim

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

In 2022, the Supreme Audit Chamber of the Republic of Kazakhstan, together with other state bodies of the Republic of Kazakhstan, conducted a state audit of the financial and economic activities of NC QazaqGaz JSC and some subsidiaries and jointly controlled entities, as a result of which financial violations and shortcomings in activities were identified. As of the date of issuance of these consolidated financial statements, pre-trial investigations and litigation have begun, based on which the Group will be able to assess the effect on the consolidated financial statements.

BShP legal proceedings

StroyTechMontazh 2030 LLP

On 25 August 2021, a civil case was initiated by the Determination of the SMEC of Almaty on the claim of Stroytechmontazh 2030 LLP against BShP on a number of issues related to the volume and cost of construction work performed by Stroytechmontazh 2030 LLP. The share of the Group's contingent liabilities under this claim is 6,419,889 thousand tenge. On 6 September 2021, BShP filed a counterclaim against Stroytechmontazh 2030 LLP. On 4 January 2023 BShP filed a petition for an independent examination with more detailed calculations and a description of the work done. The BShP management believes that the probability of losses in this lawsuit is low.

Konti-Stroy LLP

On 15 September 2021, GBSH filed a claim against Konti-Stroy LLP in the SMES of Almaty on the issue of termination of the contract for the design and construction of shift settlements and repair and maintenance sites. On 29 December 2021, Konti-Stroy LLP filed a counterclaim. On 12 August 2022, the SMES of Almaty issued a decision to recover the amount of debt from GBSH in favor of Konti-Stroy LLP. On 16 September 2022, GBSH filed an appeal against the above-mentioned decision of the SMEC of Almaty. The Group's share in the contingent liabilities of GBS is 5,323,288 thousand tengeOn 29 November 2022, BShP filed a petition to conduct a second comprehensive economic and construction examination. On 13 December 2022, the Court of Appeal granted the request of BShP. The BShP management believes that the probability of losses in this lawsuit is low.

QG legal proceedings

In 2019, the Group purchased 2,026,419 thousand cubic meters of gas from Asiagas Chunja LLP. In 2022, the Financial Monitoring Agency of the Republic of Kazakhstan ("the Agency") investigated and initiated criminal proceedings against the owners of Asiagas Chunja LLP, as well as one of the former members of the Group's management, in relation to this transaction. During 2022, Asiagas Chunja LLP returned 14,565,318 thousand tenge to the accounts of the Group. As of the date of issue of the financial statements, legal proceedings against these individuals have not been completed. Accordingly, the Group recognized the amount returned by Asiagas Chunja LLP as part of other financial liabilities until the court decision.

31. COMMITMENTS AND CONTINGENCIES (continued)

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet available in the Republic of Kazakhstan. The Group does not have coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the consolidated financial performance of the Group and its consolidated financial position.

Commitments under subsoil use contract

In accordance with the terms of subsoil use contract, EP QazaqGaz has conditional commitment to the Government in the amount of 10,527,586 US dollars related to the cost of acquisition of geological and geophysical data and drilling costs incurred by the Government. This long-term commitment enters in force after confirmation of commercial discovery of gas at the Kumyrly-Koskudyk, Anabay-Maldybai, Barkhannaya-Sultankudyk, Ucharal-Ucharal North and Kempirtobe fields.

According to the subsurface use contract, EP QazaqGaz is required to comply with minimal working program. As of 31 December 2022 and 2021 EP QazaqGaz complied with the minimal working program.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Group's principal financial liabilities comprise interest-bearing loans, debt securities issued, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans to related party, trade and other receivables, restricted cash, cash and cash equivalents and bank deposits, which arise directly from its operations.

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Market prices comprise two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and deposits.

The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

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

The sensitivity analyses have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates.

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

Market risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (KR CBR and CPI), with all other variables held constant, of the Group's (loss)/profit before income tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

In thousands of tenge	Increase / (decrease)	Effect on profit before tax
2022		
KR CBR	**6.19%**	**(5,666,919)**
CPI	**2.45%**	**(48,402)**
KR CBR	**-6.19%**	**5,666,919**
CPI	**-2.45%**	**48,402**
2021		
KR CBR	3.00%	(2,618,179)
CPI	1.00%	(442,103)
KR CBR	-3.00%	2,618,179
CPI	-1.00%	442,103

Assumptions of changes in basis points within analysis of sensitivity to interest rate changes are based on a currently observable market situation.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of foreign exchange rates changes. As a result of significant borrowings and accounts payable denominated in the US dollar, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The financial and economic activities also have transactional currency exposures. Such exposure arises from revenue in US dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant, of the Group's profit before income tax. There is no impact on the Group's equity.

In thousands of tenge	Increase / (decrease) in basis points	Effect on profit before tax
2022		
US dollar	**21.00%**	**20,670,829**
	-21.00%	**(20,670,829)**
2021		
US dollar	13.00%	2,411,662
	-10.00%	(1,855,125)

In thousands of tenge	Increase / (decrease) in basis points	Effect on profit before tax
2022		
Ruble	**22.00%**	**(21,316,239)**
	-22.00%	**21,316,239**
2021		
Ruble	13.00%	(11,842,693)
	-13.00%	11,842,693

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

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Group is exposed to a credit risk from its operating activities and certain types of investing activities. With regard to investing activities, the Group places deposits with Kazakhstani banks. The Group's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Group's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment allowance against bank deposits is required.

The table below shows the balances of cash and deposits in banks at the reporting date using Standard & Poor's, Fitch Ratings, Moody's and Thomas Murray credit rating symbols.

In thousands of tenge	**Country**	**2022**		2021		**2022**	2021
Halyk Bank JSC	Kazakhstan	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB+/stable	**229,287,928**	93,659,034
Citibank Kazakhstan JSC	Kazakhstan	**Standard & Poor's**	**A+/ stable**	Standard & Poor's	A+/ stable	**119,898,166**	87,301,800
First Heartland Jysan Bank JSC	Kazakhstan	**Moody's**	**B1/stable**	Standard & Poor's	B/negative	**74,480,494**	95,654,691
SB Bank of China	Kazakhstan	**Fitch Ratings**	**BBB+/stable**	Standard & Poor's	A/ stable	**64,771,468**	44,037,217
Central Depository of Securities JSC	Kazakhstan	**Thomas Murray**	**A+/positive/A**	Thomas Murray	A+/positive/A	**34,793,941**	420,275
ForteBank JSC	Kazakhstan	**Standard & Poor's**	**BB-/negative**	Standard & Poor's	B+/positive	**30,710,536**	6,125,620
Altyn Bank JSC	Kazakhstan	**Moody's**	**Baa3/stable**	Moody's	Baa3/stable	**9,778,843**	4,350,386
KazPost JSC	Kazakhstan	**–**	**–**	–	–	**10,709**	–
Societe Generale Private Banking	Netherlands	**Standard & Poor's**	**A/ stable**	Standard & Poor's	BB+/stable	**9,668**	1,554
Credit Bank of Moscow PSC	Russia	**Moody's**	**Rating recalled**	Moody's	Baa3/stable	**321**	55,101
Gazprombank JSC	Russia	**Moody's**	**Rating recalled**	Standard & Poor's	BB+/stable	**120**	110
VTB Bank Kazakhstan	Kazakhstan	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	B+/stable	**32**	4,735,338
Development Bank of Kazakhstan JSC	Kazakhstan	**Moody's**	**BBB/stable**	Standard & Poor's	BB+/stable	**8**	6
Sberbank JSC	Kazakhstan	**Moody's**	**Rating recalled**	Moody's	Ba1/positive	**–**	62,560,061
Citibank N.A. London	England	**Moody's**	**A+/ stable**	Standard & Poor's	A+/ stable	**–**	87
						563,742,234	398,901,280

At the level of operations, management believes that the Group established appropriate credit verification procedures and monitoring of trade customers, which enabled the Group to trade only with recognized, creditworthy third parties.

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, other non-current financial assets, loans to related party, other receivables and financial guarantee obligations, the Group's exposure to credit risk arises from default of the counterparty.

The maximum credit risk exposure for the financial assets is limited to the carrying amount as disclosed in *Notes 9, 12, 13 and 15*. For the financial guarantee issued and put option obligation, the maximum credit risk exposure equals the nominal value of the guaranteed loan agreement and nominal value of obligation if the option is exercised, respectively, as disclosed in liquidity risk section of this note.

Liquidity risk

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

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

Liquidity risk (continued)

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

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

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
As at 31 December 2022						
Debt securities issued	–	7,335,789	7,335,789	389,715,260	–	404,386,838
Interest bearing loans	–	8,840,471	118,940,169	56,340,159	1,920,933	186,041,732
Loans from related party	–	–	8,614,825	8,613,963	–	17,228,788
Trade and other payables	10,325,296	111,190,096	–	–	–	121,515,392
Lease liabilities	–	1,153,753	33,037,422	101,775,522	–	135,966,697
Put option obligation	–	–	–	–	40,510,279	40,510,279
Other financial liabilities	673,261	6,084,658	14,590,953	801,437	–	22,150,309
	10,998,557	**134,604,767**	**182,519,158**	**557,246,341**	**42,431,212**	**927,800,035**

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

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

Capital management

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

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Group's approach to capital management as compared to 2021.

The capital structure of the Group consists of debt, which includes debt securities issued, interest-bearing loans and loans from related party disclosed in *Notes 17, 18 and 19* and equity, comprising share capital, additional paid-in capital and retained earnings as disclosed in *Note 16.*

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target debt-to-equity ratio of no more than 1.5. The debt-to-equity ratio at the year-end was as follows:

In thousands of tenge	2022	2021
Debt securities issued *(Note 17)*	**334,698,287**	312,484,632
Interest bearing loans *(Note 18)*	**158,659,102**	172,224,231
Loans from related party *(Note 19)*	**15,847,112**	21,857,991
Less: cash and cash equivalents, bank deposits	**(591,175,692)**	(398,934,245)
Total debt	**(81,971,191)**	107,632,609
Equity	**2,187,590,366**	1,787,636,112
Debt-to-equity ratio	**(0.04)**	0.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value of financial instruments

The carrying value of the Group's financial instruments as of 31 December 2022 and 2021 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	2022				
			Fair value by level of assessment		
In thousands of tenge	Carrying amount	Fair value	Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Interest-free loans to related party	**3,524,877**	**3,485,757**	**–**	**–**	**3,485,757**
Financial liabilities					
Debt securities issued	**(334,698,287)**	**(303,878,064)**	**(303,878,064)**	**–**	**–**
Interest bearing loans	**(158,659,102)**	**(154,726,326)**	**–**	**(154,726,326)**	**–**
Loans from related party	**(15,847,112)**	**(15,891,668)**	**–**	**(15,891,668)**	**–**

	2021				
			Fair value by level of assessment		
In thousands of tenge	Carrying amount	Fair value	Quoted prices in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Interest-bearing loans to related party	176,660,416	190,534,947	–	–	190,534,947
Financial liabilities					
Debt securities issued	(312,484,632)	(339,857,062)	(339,857,062)	–	–
Interest bearing loans	(172,224,231)	(169,749,920)	–	(169,749,920)	–
Loans from related party	(21,539,755)	(21,650,082)	–	(21,650,082)	–

Estimates and assumptions

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

Fair value of quoted bonds is based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

There were no transfers between levels 1, 2 and 3 during 2022 and 2021.

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

Changes in liabilities arising from financial activities

In thousands of tenge	1 January 2022	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Other	31 December 2022
Financial liabilities							
Interest bearing loans	**172,224,231**	**29,700,000**	**(53,142,868)**	**(22,558,030)**	**9,660,735**	**22,775,034**	**158,659,102**
Loans from related party	**21,857,991**	**–**	**(8,933,200)**	**(2,584)**	**1,649,548**	**1,275,357**	**15,847,112**
Debt securities issued	**312,484,632**	**–**	**–**	**(15,584,719)**	**23,007,336**	**14,791,038**	**334,698,287**
Lease liabilities	**6,379,848**	**–**	**(20,362,597)**	**(17,785,672)**	**–**	**128,665,424**	**96,897,003**
Total liabilities arising from financial activities	**512,946,702**	**29,700,000**	**(82,438,665)**	**(55,931,005)**	**34,317,619**	**167,506,853**	**606,101,504**

In thousands of tenge	1 January 2021	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Other	31 December 2021
Financial liabilities							
Interest bearing loans	188,297,301	–	(18,820,911)	(15,824,300)	2,097,492	16,474,649	172,224,231
Loans from related party	318,236	24,104,026	–	–	4,345	(2,568,616)	21,857,991
Debt securities issued	304,526,478	–	–	(15,250,586)	7,629,925	15,578,815	312,484,632
Lease liabilities	4,580,533	–	(30,323,221)	(2,202,931)	–	34,325,467	6,379,848
Total liabilities arising from financial activities	**497,722,548**	**24,104,026**	**(49,144,132)**	**(33,277,817)**	**9,731,762**	**63,810,315**	**512,946,702**

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

33. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading – sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas – transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

33. SEGMENT REPORTING (continued)

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for 2022:

In thousands of tenge	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from external customers	811,878,302	69,337,996	71,066,911	–	952,283,209
Revenue from other segments	16,952,553	136,728,845	17,754,879	(171,436,277)	–
Total revenue	**828,830,855**	**206,066,841**	**88,821,790**	**(171,436,277)**	**952,283,209**
Finance income	43,765,568	2,759,642	1,694,592	(12,116,610)	36,103,192
Finance costs	(36,582,274)	(26,749,109)	(3,074,357)	3,852,447	(62,553,293)
Depreciation and amortisation	(10,974,102)	(22,335,519)	(3,213,412)	–	(36,523,033)
Impairment of property, plant and equipment	–	(934,467)	–	–	(934,467)
Share in profit of joint ventures	–	327,490,372	90,851	–	327,581,223
Income tax expenses	(15,206,232)	205,203	(12,094,066)	–	(27,095,095)
Net profit for the year	**98,088,829**	**354,703,897**	**34,622,835**	**(100,788,007)**	**386,627,554**
Other segment information					
Investments in joint ventures	–	929,522,458	1,121,606	–	930,644,064
Capital expenditures	10,133,806	167,793,352	7,321,936	(8,128,453)	177,120,641
Allowance for expected credit losses	(6,463,061)	(1,493,496)	(60,688)	–	(8,017,245)
Allowances for obsolete inventories and advances paid	(180,425)	(1,471,908)	(275,537)	–	(1,927,870)
Assets of the segment	**1,650,268,904**	**1,954,558,120**	**124,615,413**	**(560,075,299)**	**3,169,367,138**
Liabilities of the segment	**713,674,204**	**336,663,978**	**21,738,455**	**(90,299,865)**	**981,776,772**

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for 2021:

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

33. SEGMENT REPORTING (continued)

Eliminations represent the exclusion of intra-group turnovers.

In 2022, the Group generated 51% of its revenues from PetroChina Group (2021: 48%) and 5% from Gazprom Group (2021: 11%).

34. SUBSEQUENT EVENTS

On 13 January 2023, the re-registration of 100% shares in the authorized capital in Tegis Munay LLP to NC QazaqGaz JSC was completed.

On 18 and 24 January 2023, Gazprom PJSC and the Government of the Republic of Kazakhstan, and Gazprom PJSC and the Government of the Republic of Uzbekistan signed "Road Maps", which, among other things, involve the transit of Russian gas in the reverse direction through the Central Asia – Center main gas pipeline. In this regard, the Group plans to ensure the full and uninterrupted functioning of the main activityin the "reverse" mode for Central Asian transit.

On 3 February 2023, the Group provided the third tranche of an interest-free loan to GPC Investment LLP in the amount of 18,694,506 thousand tenge.