NC QazaqGaz JSC

Separate financial statements

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

CONTENTS

Building a better working world

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com

Independent auditor's report

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

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Company 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
VAT recoverable	
As at 31 December 2022, the Company has a significant balance of VAT recoverable of 105 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 Company 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 ***Note 2 and 9*** to the separate 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 Company's correspondence with the Ministry of National Economy regarding the revision to the 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 Company.

Other information included in the Company's 2022 Annual Report

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

Our opinion on the separate 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 separate 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 separate 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 separate financial statements

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

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

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

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

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

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.

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 separate 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. MФ-0000172 dated 23 December 2013	State Audit License for audit activities on the territory of the Republic of Kazakhstan: series MФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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

28 February 2023

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of tenge	Notes	As at 31 December **2022**	 2021
Assets			
Non-current assets			
Property, plant and equipment	4	**5,065,060**	6,599,134
Exploration and evaluation assets		**2,184,762**	2,184,762
Right-of-use assets		**505,495**	1,006,361
Intangible assets		**577,328**	1,031,828
Investment property		**94,113**	96,115
Investments in subsidiaries	5	**665,891,253**	655,860,473
Investments in joint ventures	6	**90,387,688**	90,387,688
Advances paid for non-current assets	7	**15,015,169**	5,887
Loans to related parties	8	**45,751,096**	224,354,988
Finance lease receivables		**–**	2,586,015
VAT recoverable	9	**78,048,802**	51,368,539
Other non-current financial assets	10	**9,248,858**	8,882,330
Other non-current non-financial assets	11	**2,278,997**	–
Bank deposits	12	**495,472**	753,891
		915,544,093	1,045,118,011
Current assets			
Inventories	14	**31,819,017**	32,875,188
Trade and other receivables	15	**151,192,449**	193,501,422
Advances paid	7	**2,785,317**	16,671,871
Loans to related parties	8	**10,895,130**	5,140,621
Dividends receivable	28	**–**	10,245,744
Finance lease receivables		**3,600,948**	52,656
Prepaid taxes other than income tax	9	**27,034,111**	29,564,036
Corporate income tax prepaid	30	**26,712,072**	–
Other current financial assets	10	**30,028,538**	28,538
Other current assets	11	**6,083,468**	20,336
Bank deposits	12	**1,680,479**	12,959,342
Cash and cash equivalents	13	**467,248,977**	234,001,868
		759,080,506	535,061,622
Total assets		**1,674,624,599**	1,580,179,633

The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

		As at 31 December	
In thousands of tenge	Notes	2022	2021
Equity and liabilities			
Equity			
Share capital	16	**430,959,489**	417,780,839
Additional paid-in capital		**23,470,656**	23,470,656
Retained earnings		**617,802,008**	513,036,019
		1,072,232,153	954,287,514
Non-current liabilities			
Debt securities issued	17	**326,247,992**	304,374,201
Interest bearing loans	18	**–**	87,003,164
Loans from related party	19	**8,109,740**	14,693,646
Finance lease liabilities		**343,743**	–
Financial guarantee obligations	20	**348,454**	3,880,547
Deferred tax liabilities	30	**32,028,783**	18,020,285
Other non-current financial liabilities	22	**1,285,954**	1,825,276
		368,364,666	429,797,119
Current liabilities			
Trade payables	21	**110,971,591**	177,872,027
Debt securities issued	17	**3,679,148**	3,433,819
Interest bearing loans	18	**92,373,724**	872,747
Loans from related party	19	**7,737,372**	6,846,109
Finance lease liabilities		**161,751**	532,721
Financial guarantee obligations	20	**677,702**	3,918,354
Corporate income tax payable		**–**	93,841
Taxes payable other than income tax		**266,399**	318,756
Other current financial liabilities	22	**15,854,055**	1,025,358
Other current liabilities		**2,306,038**	1,181,268
		234,027,780	196,095,000
Total liabilities		**602,392,446**	625,892,119
Total equity and liabilities		**1,674,624,599**	1,580,179,633

Deputy Chairman of Management Board on Economics and Finance ______ Akan A.M.

Acting Chief Accountant ______ Bokayev Ye.N.

The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

In thousands of tenge	Notes	For the year ended 31 December 2022	2021
Revenue from contracts with customers	23	**765,815,933**	720,224,501
Cost of sales	24	**(356,208,024)**	(245,069,776)
Gross profit		**409,607,909**	475,154,725
General and administrative expenses	25	**(10,764,130)**	(10,394,707)
Selling expenses	26	**(387,371,068)**	(413,573,790)
Accrual of allowance for expected credit losses		**(1,730,856)**	–
Other operating income	27	**2,650,260**	14,299,314
Other operating expenses		**(2,002)**	(2,524,384)
Operating profit		**12,390,113**	62,961,158
Dividend income	28	**90,097,703**	160,146,478
Finance income	29	**39,801,028**	24,486,232
Finance costs	29	**(31,166,997)**	(23,636,985)
Foreign exchange gain /(loss), net		**7,536,582**	(2,215,703)
Loss on impairment of investments in subsidiary	5	**(918,305)**	(4,683,612)
Profit before income tax		**117,740,124**	217,057,568
Income tax expenses	30	**(12,974,135)**	(41,637,035)
Net profit for the year		**104,765,989**	175,420,533
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, net of income tax		**104,765,989**	175,420,533
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent company	16	**0.28**	0.47

Deputy Chairman of Management Board on Economics and Finance ______ Akan A.M.

Acting Chief Accountant ______ Bokayev Ye.N.

QAZAQGAZ

The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In thousands of tenge	Notes	For the year ended 31 December 2022	2021
Cash flows from operating activities			
Receipts from customers		**856,452,529**	721,700,033
Proceeds from suppliers under the arbitration decision	24	**–**	134,750,060
Taxes refund from Tax authorities		**20,696,748**	72,243,189
Interest received		**21,922,331**	12,970,518
Other receipts		**17,195,203**	482,567
Payments to suppliers		**(880,919,101)**	(882,309,917)
Income tax paid		**(23,117,600)**	(5,000,000)
Other taxes and payments		**(5,666,672)**	(2,619,917)
Interest paid	33	**(26,740,338)**	(20,778,336)
Payments to employees		**(2,959,782)**	(2,465,182)
Other payments		**(7,656,655)**	(4,030,167)
Net cash flows (used in) / from operating activities		**(30,793,337)**	24,942,848
Cash flows from investing activities			
Proceeds from sale of a joint venture		**80**	–
Withdrawal of bank deposits		**43,122,741**	35,883,737
Dividends received from subsidiaries and joint ventures	31	**98,578,741**	149,900,734
Proceeds from reverse repurchase transactions		**1,496,106,023**	18,120,354
Proceeds from redemption of Notes of the National Bank of Kazakhstan	10	**67,892,313**	–
Loans repaid by related party		**209,647,925**	–
Acquisition of non-current financial assets		**(673,261)**	(673,261)
Placement of bank deposits		**(28,529,188)**	(46,737,535)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		**(557,789)**	(1,197,611)
Loans provided to related parties		**(18,309,181)**	(68,500,478)
Purchase of Notes of the National Bank of Kazakhstan	10	**(97,892,313)**	–
Investments in joint ventures		**–**	(210,219)
Investments in subsidiaries	5	**(9,218,345)**	(4,683,612)
Acquisition of a subsidiary	2, 7	**(13,178,650)**	–
Settlement of reverse repurchase transactions		**(1,496,106,023)**	(18,120,354)
Net cash flows from investing activities		**250,883,073**	63,781,755
Cash flows from financing activities			
Contributions from the Shareholders	16	**13,178,650**	–
Proceeds on loans from related party	19, 33	**–**	24,104,026
Repayment of lease liabilities	33	**(111,787)**	(557,718)
Repayment of interest-bearing loans	18, 33	**(5,130,790)**	–
Repayment of loans from related party	19, 33	**(8,614,964)**	–
Net cash (used in) / from financing activities		**(678,891)**	23,546,308
Net foreign exchange difference on cash and cash equivalents		**13,836,264**	3,460,467
Net change in cash and cash equivalents		**233,247,109**	115,731,378
Cash and cash equivalents, at the beginning of the year		**234,001,868**	118,270,490
Cash and cash equivalents, at the ending of the year	13	**467,248,977**	234,001,868

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

Acting Chief Accountant ____________ Bokayev Ye.N.

The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In thousands of tenge	Share capital	Additional-paid-in capital equity	Retained earnings	Total
At 31 December 2020	417,780,839	23,470,656	337,615,486	778,866,981
Net profit for the year	–	–	175,420,533	175,420,533
Total comprehensive income for the year	–	–	175,420,533	175,420,533
At 31 December 2021	**417,780,839**	**23,470,656**	**513,036,019**	**954,287,514**
Net profit for the year	–	–	**104,765,989**	**104,765,989**
Total comprehensive income for the year	–	–	**104,765,989**	**104,765,989**
Common shares issued *(Note 16)*	**13,178,650**	–	–	**13,178,650**
At 31 December 2022	**430,959,489**	**23,470,656**	**617,802,008**	**1,072,232,153**

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

Acting Chief Accountant — *Bokayev Ye.N.*

The accounting policies and explanatory notes on pages 6 to 41 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

NC QazaqGaz JSC (the "Company" or "QazaqGaz") is a joint stock company established in accordance with the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 173 dated 5 February 2000 and 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 Company's head office is registered in the Republic of Kazakhstan, Nur-Sultan, Yesil district, Alikhan Bokeykhan Avenue, 12.

On 8 November 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan "On the Alienation of a Strategic Object", National Company KazMunayGas JSC (hereinafter, "KazMunayGas") made a deal to alienate a 100% stake in QG in favour of Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter, "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 *(Note 31)*.

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 Resolution of the Government of the Republic of Kazakhstan dated 30 November 2021 No. 852 QazaqGas was granted the status of a National Company. NC KazTransGas JSC was renamed into NC QazaqGaz JSC by the Decree of the Government of the Republic of Kazakhstan dated 31 December 2021 No. 982. In its role of the national operator, the Company's main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Company 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 gas fields development 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 Company had ownership interests in the following entities as at 31 December 2022 and 2021:

Name	Place of incorporation	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 (KTG Onimderi)	Kazakhstan	Transportation services	100%	100%
Exploration and Production QazaqGaz LLP (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 modernization of the main gas pipeline "Bukhara gas area - Tashkent - Bishkek - Almaty	100%	100%
KTG Finance B.V. (KTG Finance)	Netherlands	Financial activities	100%	100%
KazMunayGas Service-NS JSC (KMG Service-NS)	Kazakhstan	Construction and/(or) maintenance of Golf Club	100%	100%
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Строительство и эксплуатация газопровода Казахстан – Китай	50%	50%
Beineu-Shymkent Gas Pipeline LLP (BSpP)	Kazakhstan	Construction and operating Beineu-Bozoi-Shymkent gas pipeline	50%	50%
Otan Gas LLP (OG)	Kazakhstan	Construction of gas processing plant	50%	50%

1. CORPORATE INFORMATION (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 Company 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 Company has made an advance payment in the amount of 13,178,650 thousand tenge, which is disclosed as long-term advances paid in *Note 7*. The ownership takes effect at the time of re-registration. As at 31 December 2022, the re-registration process has not been completed.

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 PGU LLP. On 12 September 2022, the Company sold 50% of the shares of CCGT Turkestan PGU LLP for 80 thousand tenge to Samruk-Kazyna.

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

These separate financial statements are issued in addition to the consolidated financial statements of QazaqGas JSC and its subsidiaries. The consolidated financial statements of QG group were authorized for issue by the Deputy of Chairman of Management Board on Economics and Finance and acting Chief Accountant of the Company on 28 February 2023.

2. BASIS OF PREPARATION

The accompanying separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by International Accounting Standard Board (IASB).

These separate 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 separate financial statements.

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

Foreign currency translation

Functional and presentation currency

The separate financial statements are presented in Kazakhstani tenge (tenge), which is the functional currency of the Company.

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 separate 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 date 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 recognized within other comprehensive income or profit or loss, are also recognized within other comprehensive income or profit or loss, respectively).

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

In general, the economy of the Republic of Kazakhstan continues to demonstrate some characteristic features inherent in emerging markets. It is particularly sensitive to fluctuations in the prices of oil, gas and other minerals, which make up the bulk of the country's exports. These features also include, but are not limited to, the existence of a national currency without free conversion outside the country and the low level of liquidity in the securities market. Ongoing political tensions in the region, exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including reduced liquidity and hardships in international debt financing.

War in Ukraine

The war in Ukraine, which began in 2022, has led to the emergence of a number of features of accounting under IFRS, affecting financial statements.

Many countries have already imposed and continue to impose new sanctions both on individual Russian legal entities and Russian citizens. The mere fact of the current situation, added with potential fluctuations in commodity prices, exchange rates, import and export restrictions, availability of local materials and services and access to local resources will directly affect companies that carry out a scalable activity in the territories of the CIS countries.

The management is unable to foresee the extent or duration of changes in the Kazakh economy or to assess their possible impact on the Company's future financial position. The management believes that it takes all the required steps to support stability and growth of the Company's business under the current circumstances.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the 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.

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

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant 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 Company determines whether VAT recoverable is doubtful at least on an annual basis. Allowance for doubtful VAT receivable 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 Company can further defend its right for VAT refund or offset. Further details are contained in *Note 9*.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved, as well as on the successful implementation of tax planning strategies. 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.

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.

2. BASIS OF PREPARATION (continued)

Significant accounting judgements, estimates and assumptions (continued)

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 Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Purchase of a subsidiary

On 28 December 2022, the Company 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 Company provided an advance payment in the amount of 13,178,650 thousand tenge, which is disclosed as long-term advances paid in *Note 7.* The Company has analysed whether it controls the investee in accordance with the requirements of IFRS 10 at the reporting date. The Company 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.

Impairment of investments in subsidiaries and associates

As at each reporting date the Company assesses existence of objective evidence of impairment of investments in subsidiaries. If such evidence exists, the Company calculates the recoverable amount of investments with respect to individually assessed investments. The recoverable amount of investments represents the greater of fair value of investments less selling expenses and value in use. If the cost of investments exceeds the recoverable amount, investments are treated as impaired, and the cost of investments is written down to the recoverable amount. Value in use represents a discounted value of estimated future cash flows calculated using the current market interest rate adjusted for risks applicable to these investments. In calculating the fair value less costs to sell, the Company uses the respective valuation model. These calculations are supported by quoted prices for similar investments or other available indicators of the fair value. Further details are contained in *Notes 5* and *6.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

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

The Company also applied certain other amendments and interpretations in 2022 for the first time, but they had no effect on its separate financial statements.

The Company presented only the list of current standards applicable to the Company.

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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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

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.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-Time Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the 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.*

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

Standards issued but not yet 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 Taxation Related to Assets and Liabilities Arising from a Single Transaction;*
- Amendments to IFRS 16 – *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 Company does not expect material impact of these standards on the separate financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 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.

The Company 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 to by the Company.

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 Company 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment are recognised in the accounting records at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties, non-refundable taxes, costs of loans that relate directly to the construction of long-term projects if they meet the recognition criteria, the cost of replacement of equipment parts 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 Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful lives as follows.

	Years
Buildings and constructions	20-50
Machinery and equipment	3-30
Vehicles	5-20
Other	3-20

Land is not depreciated.

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

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.

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are recorded in the separate financial statements at the initial cost.

Subsidiaries are all companies controlled by the Company, as a rule, it means the ownership of shares with voting rights more than 50%. Joint ventures are all entities over which the Company has joint control, but not control, generally accompanying a shareholding with voting rights of 50%.

The Company evaluates investments for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered to be impaired and is written down to its recoverable amount.

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessee

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

(a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Financial 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 Company's business model for managing them. With the exception of trade and other 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 SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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 Company 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 to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company's financial assets at amortised cost includes loans to related party, bank deposits, trade and other receivables and other 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 statement of financial position when:

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

When the Company 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 Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Company 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

Financial liabilities are recognized initially at fair value and in the case of debt securities issued, interest bearing loans and trade 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 Company. 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 separate statement of profit or loss.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Company 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 a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (continued)

Financial guarantee contracts (continued)

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.

Trade payables

Liabilities for accounts payable 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 Company

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 separate statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the separate statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, 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.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's 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 does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 investments. In determining fair value less costs to sell, the relevant valuation model is applied. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Cash and short-term deposits

Cash and cash equivalents in the separate statement of financial position comprise cash at banks and on hand, and short-term 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 separate financial statements when the Company 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 discounted using a current pre-tax rate that reflects, where appropriate, the risks inherent in a specific liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share capital and dividends

Share capital is recognized at cost and is comprised of common shares. Dividends on common shares are recognized in the shareholder's equity as a reduction 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.

Revenue from contracts with customers and expense recognition

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company 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.

Management fee

The Company 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 classified as available for sale, 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 separate statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers and expense recognition (continued)

Dividends

Dividend income is recognized when the Company'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.

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the separate statement of comprehensive loss. 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 at the reporting date 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.

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

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

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

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

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

Value added tax (VAT)

Tax authorities allow repaying input VAT and output VAT on a net basis. Thus, VAT recoverable represents VAT on purchases net of VAT on sales.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax (VAT) (continued)

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.

VAT recoverable

VAT recoverable 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 recoverable is subject to offset against the VAT payable amount.

Contingent assets and liabilities

Contingent assets are not recognized in the separate 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 separate 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 Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. PROPERTY, PLAND AND EQUIPMENT

In thousands of tenge	Equipment	Other	Construction in progress	Total
Cost				
31 December 2020	1,266,759	717,065	5,813,884	7,797,708
Additions	76,500	57,805	491,869	626,174
31 December 2021	1,343,259	774,870	6,305,753	8,423,882
Additions	–	**28,152**	–	**28,152**
Disposals	–	**(1,410)**	**(1,291,138)**	**(1,292,548)**
31 December 2022	**1,343,259**	**801,612**	**5,014,615**	**7,159,486**
Accumulated depreciation and impairment				
31 December 2020	(395,886)	(645,125)	(546,692)	(1,587,703)
Charge for the year	(215,348)	(21,697)	–	(237,045)
31 December 2021	(611,234)	(666,822)	(546,692)	(1,824,748)
Charge for the year	**(229,872)**	**(41,216)**	–	**(271,088)**
Disposals	–	**1,410**	–	**1,410**
31 December 2022	**(841,106)**	**(706,628)**	**(546,692)**	**(2,094,426)**
Net book value				
31 December 2021	732,025	108,048	5,759,061	6,599,134
31 December 2022	**502,153**	**94,984**	**4,467,923**	**5,065,060**

4. PROPERTY, PLAND AND EQUIPMENT (continued)

As at 31 December 2022, the initial cost and related accumulated depreciation of fully depreciated property, plant and equipment still in use amounted to 260,670 thousand tenge (31 December 2021: 260,749 thousand tenge).

Disposals

In 2022, disposals from construction-in-progress are associated with a partial reversal of the costs of complex work on the dispatching of an automated data collection and gas metering system.

5. INVESTMENTS IN SUBSIDIARIES

As at 31 December, investments in subsidiaries comprised the following:

In thousands of tenge	**2022**	2021
Intergaz Central Asia JSC	**419,253,602**	417,522,862
KazTransGas Aimak JSC	**210,352,147**	202,052,107
Exploration and Production QazaqGaz LLP	**24,028,786**	24,028,786
KazMunayGas Service-NS JSC	**19,962,670**	19,044,365
KazTransGas Onimderi LLP	**13,397,351**	13,397,351
Qazaq Gas Qurylys LLP	**6,456,145**	6,456,145
KTG Finance B.V.	**5,981,871**	5,981,871
KazTransGas Bishkek LLC	**43,304**	43,304
Less: allowance for impairment of investments in subsidiaries	**(33,584,623)**	(32,666,318)
	665,891,253	655,860,473

Additions

In 2022, the Company recognized the difference between fair value and nominal amount of 1,730,740 thousand tenge on interest bearing loans provided to ICA (2021: 21,352,216 thousand tenge on interest-bearing loans provided to ICA, and 442,491 thousand tenge on interest-free loans provided to KTG Aimak *(Note 8)*.

In 2022, the Company made investments in kind of cash contributions in KMG Service-NS and KTG Aimak for the total amount of 918,305 thousand tenge and 8,300,040 thousand tenge, respectively. (2021: in KTG Finance and KMG Service-NS for the total amount of 2,389,530 thousand tenge and 2,294,082 thousand tenge, respectively).

Impairment

In 2022, the Company recognized impairment loss of investments in KMG Service-NS for the total amount of 918,305 thousand tenge (2021: 4,683,612 thousand tenge of investments in KTG Finance and KMG Service-NS).

6. INVESTMENTS IN JOINT VENTURES

As at 31 December, investments in joint ventures comprised the following:

In thousands of tenge	**2022**	2021
Beinue-Shymkent Gas Pipeline LLP	**89,577,549**	89,577,549
Asia Gas Pipeline LLP	**600,000**	600,000
Otan Gas LLP	**210,139**	210,139
	90,387,688	90,387,688

7. ADVANCED PAID

In thousands of tenge	**2022**	2021
Advances paid for non-current assets		
Advances paid to related parties *(Note 31)*	**15,015,169**	5,887
	15,015,169	5,887
Advances paid for current assets and services		
Advances paid to related parties *(Note 31)*	**2,455,797**	1,220
Advances paid to third parties	**329,520**	16,670,651
	2,785,317	16,671,871

7. ADVANCED PAID (continued)

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)*.

8. LOANS TO RELATED PARTIES

As at 31 December, loans to related parties comprised the following:

In thousands of tenge	**2022**	2021
Financial assets at amortised cost		
Interest bearing loans to related party	**69,685,566**	240,046,477
Interest-free loans to related parties	**5,715,096**	11,088,949
Plus: interest receivable	**1,655,032**	3,238,804
Less: discount	**(20,409,468)**	(23,940,375)
Less: impairment	**–**	(938,246)
	56,646,226	229,495,609
Current portion *(Note 31)*	**(10,895,130)**	(5,140,621)
Non-current portion *(Note 31)*	**45,751,096**	224,354,988

Movement in allowance for expected credit losses was as follows:

In thousands of tenge	**2022**	2021
As at 1 January	**(938,246)**	(938,246)
Reversal	**938,246**	–
As at 31 December	**–**	(938,246)

Interest-bearing loans

ICA

In 2021, the Company provided a loan of 64,909,463 thousand tenge to ICA at the rate of 5% per annum for financing of the investment project "Construction of the main gas pipeline from the Kashagan complex gas treatment unit to the Makat – North Caucasus gas pipeline with a compressor station" with maturity date of 13 July 2032.

The loan was recognised on initial recognition at fair value determined by discounting future cash flows on the loan at the prevailing interest market rate of 13.2%. The difference between fair value and nominal amount of 21,352,216 thousand tenge was recognized as an investment in ICA *(Note 5)*.

In 2022, the Company provided three tranches for the amount of 4,776,103 thousand tenge under this loan agreement with ICA. The tranches were recognised on initial recognition at fair value determined by discounting future cash flows on the loan at the prevailing interest market rates of 14.1-15.7%. The difference between fair value and nominal amount of 1,730,740 thousand tenge was recognized as an investment in ICA *(Note 5)*.

BShP

In September 2017, the Company provided a loan of 133,716,000 thousand tenge (equivalent to: 400,000 thousand US dollars) to BShP 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 loan is indexed to US dollar. The maturity date of the loan is 31 August 2029.

In October 2022, BShP made an early repayment of the principal amount and accrued interest under the loan agreement in the amount of 190,740,993 thousand tenge (equivalent to 405,720 thousand US dollars) and 10,994,637 thousand tenge (equivalent to 23,864 thousand US dollars at each repayment date), respectively.

8. LOANS TO RELATED PARTIES (continued)

Interest-free loans

KTG Aimak

In 2021, the Company provided interest-free loan of 2,187,132 thousand tenge to KTG Aimak for the implementation of the investment project "Modernization of the gas distribution network of the Taraz" with maturity date of 30 April 2023. The loan was recognised on initial recognition at fair value determined by discounting future cash flows on the loan at the prevailing interest market rate of 12.8% - 17%. The difference between fair value and nominal amount of 442,491 thousand tenge was recognized as an investment in KTG Aimak. In 2022, KTG Aimak made a partial repayment of the loan in the amount of 1,526,932 thousand tenge under this agreement.

In 2021, the Company provided short-term interest-free loan of 812,383 thousand tenge to KTG Aimak for the financing of the project "Digital Gas Metering" with maturity date of 30 April 2023. In 2022, KTG Aimak made an early repayment of the loan in the amount of 1,000,000 thousand tenge under this agreement.

KMG Service-NS

In 2022, the Company provided short-term interest-free loans in the amount of 319,260 thousand tenge in favour of KMG Service-NS (2021: 591,500 thousand tenge).

KTG Finance

In 2020, the Company provided interest-free loan of 7,000,000 thousand tenge to KTG Finance with maturity date of 31 December 2025. The loan was recognised on initial recognition at fair value determined by discounting future cash flows on the loan at the prevailing interest market rate of 13.3%.

In 2022, KTG Aimak made an early repayment of the loan in the amount of 7,000,000 thousand tenge.

GPC Investment

In 2022, the Company signed a financial assistance agreement with GPC Investment LLP in the amount of up to 40 billion tenge to finance the project "Construction of a gas processing plant with a capacity of 1.15 billion cubic meters based on raw materials from the Kashagan field in the Atyrau region". During 2022, the Company provided 2 tranches for a total amount of 3,933,819 thousand tenge with a maturity date of 12 September 2023 under this agreement.

The loan was recognised on initial recognition at fair value determined by discounting future cash flows on the loan at the prevailing interest market rates of 16.1%-18.2%. The difference between the nominal and fair value of the loan in the amount of 499,299 thousand tenge was recognised as finance costs.

9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

As at 31 December, VAT recoverable and prepaid taxes other than income tax, comprised the following:

In thousands of tenge	**2022**	2021
VAT recoverable	**119,015,373**	94,865,355
Other taxes prepaid	**34,111**	33,791
	119,049,484	94,899,146
Less: allowance for non-recoverable VAT	**(13,966,571)**	(13,966,571)
	105,082,913	80,932,575
Non-current portion	**78,048,802**	51,368,539
Current portion	**27,034,111**	29,564,036

As of December 31, 2022, VAT recoverable is 119,015,373 thousand tenge, including recoverable VAT recoverable originating from domestic loss-making sales of gas. The Company expects to increase regulated tariffs for gas sales in the domestic market in the amount sufficient to ensure the offset of 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 Company expects to recover input VAT on domestic sales of gas in full.

10. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

In thousands of tenge	Currency	Issue	Maturity	Interest rate	2022	2021
Financial assets at amortised cost						
NBK Notes	Tenge	–	–	14.48-16.72%	**30,000,000**	–
KTG Aimak bonds	Tenge	2016	2025	7.5%	**10,654,281**	10,654,281
					40,654,281	10,654,281
Plus: interest receivable					**28,538**	28,538
Less: discount					**(1,405,423)**	(1,771,951)
					39,277,396	8,910,868
Less: current portion					**(30,028,538)**	(28,538)
Non-current portion					**9,248,858**	8,882,330

The Company purchased by auction short-term Notes of the NBK with a maturity of 28 days for a total amount of 97,892,313 thousand tenge and a yield rate of 14.48% -16.72%. As of 31 December 2022, the opening balance is 30,000,000 thousand tenge.

KTG Aimak

In 2016, the Company purchased 10,654,281 coupon bonds of KTG Aimak placed on KASE at par value of 1,000 tenge each bearing 7.5% per annum with a coupon payment on 18 June and 18 December each year till 18 December 2025 inclusive. As at 31 December 2022, the carrying amount of bonds was equal to 9,277,396 thousand tenge (2021: 8,910,868 thousand tenge) *(Note 31)*.

11. OTHER NON-CURRENT AND CURRENT NON-FINANCIAL ASSETS

In thousands of tenge	2022	2021
Debt of EP QazaqGaz under gas loan agreement *(Note 31)*	**8,348,160**	–
Other	**14,305**	20,336
	8,362,465	20,336

On 2 February 2022, the Company concluded a commercial gas loan agreement with EP QazaqGaz, according to which the Company transfers to EP QazaqGaz no more than 500,000 thousand cubic meters of commercial gas, which EP QazaqGaz undertakes to return to the Company in the same volume and on the same terms of the Agreement. The purchase of commercial gas is interest-free, refundable. During 2022, the Company transferred 352,227 thousand cubic meters of commercial gas. As at 31 December 2022, the Company estimated this gas loan in the amount of 8,348,160 thousand tenge, which reflects the projected production cost of gas for 2023 and 2024. The difference between the estimated cost of gas under the loan agreement and the cost of gas in the amount of 2,019,917 thousand tenge was recognized within other operating income *(Note 27)*.

12. BANK DEPOSITS

In thousands of tenge	2022	2021
Bank deposits in tenge with maturity of over five years	**495,472**	753,891
Non-current portion	**495,472**	753,891
Bank deposits in US dollars with maturity of over three months and less than one year	**1,676,783**	12,951,419
Bank deposits in tenge with maturity of over three months and less than one year	**3,696**	7,923
Current portion	**1,680,479**	12,959,342

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%) with a maturity up to 3 months and 1 year.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents comprised the following:

In thousands of tenge	**2022**	2021
Deposits in US dollars	**191,776,854**	122,189,302
Deposits in tenge	**24,914,731**	5,078,075
Foreign currency bank accounts	**193,045,858**	98,353,056
Tenge bank accounts	**208,174**	8,357,581
Balances on brokerage accounts payable on demand	**34,793,929**	–
Reverse repurchase agreements ("reverse repo") with an initial maturity of less than three months in tenge	**22,508,059**	–
Cash in transit	**–**	19,289
Cash on hand	**1,372**	4,565
	467,248,977	234,001,868

As at 31 December 2022 and 2021, balances on current bank accounts are interest free.

The Company regularly places part of the free liquidity in money market instruments, such as AutoREPO, secured by government and other securities with 5-7 days maturity.

14. INVENTORIES

As at 31 December 2022, natural gas reserves amounted to 31,819,017 thousand tenge (2021: 32,875,188 thousand tenge).

15. TRADE AND OTHER RECEIVABLES

As at 31 December trade and other receivables comprised the following:

In thousands of tenge	**2022**	2021
Trade receivables from related parties *(Note 31)*	**80,957,968**	61,973,614
Trade receivables from third parties	**68,457,009**	129,452,587
Other receivables from related parties (*Note 31)*	**541,248**	2,023,544
Other receivables from third parties	**3,875,098**	51,677
	153,831,323	193,501,422
Less: allowance for expected credit losses	**(2,638,874)**	–
	151,192,449	193,501,422

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

In thousands of tenge	**2022**	2021
KZT	**92,801,711**	73,960,499
USD	**58,390,738**	119,540,923
	151,192,449	193,501,422

Movements in the allowance for expected credit losses (ECL) were as follows:

In thousands of tenge	**2022**	2021
As at 1 January	**–**	–
Foreign currency translation	**30,228**	–
Accrual	**(2,669,102)**	–
As at 31 December	**(2,638,874)**	–

15. TRADE AND OTHER RECEIVABLES (continued)

Below is the information about the credit risk exposure on the Company'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	**1.72%**	**0%**	**–**	**–**	**–**	**–**	**80.2%**
Estimated total gross carrying amount at default	**153,831,323**	**150,540,869**	**–**	**–**	**–**	**–**	**3,290,454**
ECL	**2,638,874**	**–**	**–**	**–**	**–**	**–**	**2,638,874**
31 December 2021							
ECL rate	0%	0%	–	0%	–	–	0%
Estimated total gross carrying amount at default	193,501,422	163,969,055	–	29,483,899	–	–	48,468
ECL	–	–	–	–	–	–	–

Trade and other receivables are non-interest bearing.

16. EQUITY

Share capital

	Common shares outstanding (number of shares)					Total share capital, in thousands of tenge
In thousands of tenge	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	
As at 31 December 2022	**312,167,670**	**1**	**30,976,655**	**30,455,065**	**1,006,717**	**430,959,489**
As 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. The Company did not distribute any dividends in 2022 and 2021.

In 2022, the Company 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 to purchase of 100% shares in the authorized capital of Tegis Munay LLP *(Note 7)*.

Book value per share

In thousands of tenge	2022	2021
Total assets	**1,674,624,599**	1,580,179,633
Less: intangible assets	**(577,328)**	(1,031,828)
Less: total liabilities	**(602,392,446)**	(625,892,119)
Net assets for calculation of cost of common share in accordance with listing requirements of KASE	**1,071,654,825**	953,255,686
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	**2,861**	2,554

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

16. EQUITY (continued)

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period attributable to common shareholders by the 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 ended:

In thousands of tenge	**2022**	2021
Net income attributable to shareholder for basic and diluted earnings per share	**104,765,989**	175,420,533
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 company (in thousands tenge)	**0.28**	0.47

17. DEBT SECURITIES ISSUED

As at 31 December, the debt securities issued comprised:

				2022		2021	
In thousands of tenge	**Issue**	**Maturity**	**Interest rate**	**US dollar**	**In thousands of tenge**	US dollar	In thousands of tenge
Par value	2017	2027	4.375%	**706,320,000**	**326,778,948**	706,320,000	304,988,976
				706,320,000	**326,778,948**	706,320,000	304,988,976
Plus: interest payable					**3,679,148**		3,433,819
Less: discount					**(349,879)**		(395,495)
Less unamortised transaction costs					**(181,077)**		(219,280)
Less: amount due for settlement within 12 months from the reporting date					**(3,679,148)**		(3,433,819)
Amounts due for settlement after 12 months					**326,247,992**		304,374,201

18. INTEREST BEARING LOANS

As at 31 December, interest bearing loans comprised:

In thousands of tenge	**Maturity**	**Interest rate**	**2022**	2021
VTB Bank Kazakhstan and VTB Bank (PJSC)	2023	KR CBR + 2.15%	**91,595,350**	87,272,640
			91,595,350	87,272,640
Plus: interest payable			**896,003**	872,747
Less: unamortised transaction costs			**(117,629)**	(269,476)
Less: amount due for settlement within 12 months from the reporting date			**(92,373,724)**	(872,747)
Amounts due for settlement after 12 months			**–**	87,003,164

VTB Bank Kazakhstan and VTB Bank (PJSC)

In accordance with the loan agreements dated 16 November 2020, in 2020, the Company received a loan from VTB Bank Kazakhstan 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 Company fully repaid the principal in the amount of 5,130,790 thousand tenge (equivalent to 906,500 thousand 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 to VTB Bank Kazakhstan JSC and VTB Bank PJSC).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. LOANS FROM RELATED PARTY

In thousands of tenge	2022	2021
Fixed interest rate borrowing	**17,226,204**	24,109,052
Plus: interest payable	**182**	255
Less unamortised discount	**(1,379,274)**	(2,569,552)
	15,847,112	21,539,755
Less: amount due for settlement within 12 months from the reporting date	**(7,737,372)**	(6,846,109)
Amounts due for settlement after 12 months	**8,109,740**	14,693,646

On 23 November 2021, the Company 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 29).* The maturity date of the loan is 23 November 2024.

During 2022, the Company repaid principal 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 Company has a total principal payable to NC KazMunayGas JSC 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, loan from related party is not secured by any collateral.

20. FINANCIAL GUARANTEE OBLIGATIONS

Movements of financial guarantee obligations were as follows:

In thousands of tenge	2022	2021
As at 1 January	**7,798,901**	11,161,896
Guarantees provided during the year for subsidiaries and joint ventures	**–**	1,344,750
Amortization of obligations on guarantees issued, net *(Note 29)*	**(7,207,293)**	(4,867,969)
Foreign currency translation	**434,548**	160,224
At 31 December	**1,026,156**	7,798,901
Current portion	**677,702**	3,918,354
Non-current portion	**348,454**	3,880,547

Guarantee obligations represent the obligations of the Company on guarantees issued to financial institutions related to financing of operational and investing activities of its subsidiaries and joint ventures. All the guarantee agreements are issued at no cost to QG.

21. TRADE PAYABLES

As at 31 December, trade payables comprised the following:

In thousands of tenge	2022	2021
Due to related parties *(Note 31)*	**78,444,500**	156,885,771
Due to third parties	**32,527,091**	20,986,256
	110,971,591	177,872,027

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

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

In thousands of tenge	2022	2021
KZT	**96,407,555**	161,710,537
USD	**10,003,904**	12,859,524
RUR	**4,560,132**	3,301,773
Other	**–**	193
	110,971,591	177,872,027

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

22. OTHER FINANCIAL LIABILITIES

In thousands of tenge	**31 December 2022**	31 December 2021
Reimbursement from AsiaGas Chunja *(Note 32)*	**14,565,318**	–
Bond debt	**1,279,471**	1,818,793
Put option debt	**679,744**	679,744
Provision for unused vacation	**97,106**	113,603
Other	**518,370**	238,494
	17,140,009	2,850,634

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	Timing of revenue recognition	**2022**	2021
Revenue from sales of gas for export	Over time	**482,748,295**	454,101,551
Revenue from sales of gas at the domestic market	Over time	**275,300,097**	246,979,079
Revenue from transportation services	Over time	**7,767,541**	–
Management fee	Over time	**–**	19,143,871
		765,815,933	720,224,501
Geographical markets			
China		**482,748,295**	432,774,610
Kazakhstan		**275,479,836**	266,122,950
Commonwealth of Independent States		**7,587,802**	21,326,941
		765,815,933	720,224,501

The Company has not fulfilled its obligations to supply gas to Petrochina for the period from September to December 2022 to the full extent. Under the terms of the contract, the Company estimated the amount of compensation to Petrochina at 40.216 thousand US dollars (equivalent to 18.692 million tenge).

In 2022, the Company entered into the agreement with Gasprom Export LLC to render the services on management of natural gas transportation through the territory of the Republic of Kazakhstan for needs of Kyrgyz Republic. In 2022, in accordance with this agreement, Gasprom Export LLC transported 371,765 thousand of cubic meters of natural gas through the territory of the Republic of Kazakhstan via the gas pipelines Bukhara-Ural, BBSh and BGR-TBA managed by ICA and BShP for the amount of 7,587,802 thousand tenge.

24. COST OF SALES

In 2022, the Company sold 22,121,715 thousand of cubic meters of natural gas (in 2021: 24,860,486 thousand tenge) for a total amount of 347,862,110 thousand tenge (2021: 245,069,776 thousand tenge). In 2022, the Company incurred expenses for organizing the transportation of natural gas in the total amount of 8,345,914 thousand tenge.

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).

25. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	**2022**	2021
Payroll and related contributions	**5,243,203**	2,737,661
Taxes other than income tax	**2,049,578**	2,014,461
Consulting services	**893,457**	1,114,315
Repair and maintenance	**587,252**	2,059,174
Depreciation and amortization	**581,116**	923,147
Depreciation of right-of-use assets	**268,860**	544,852
Personnel development and qualification upgrade	**184,808**	19,729
Expense relating to short-term leases and leases of low-value assets	**142,306**	193,834
Festive, cultural and sportive events expenses	**114,482**	114,482
Business trip expenses	**90,626**	51,100
Office maintenance expenses	**82,332**	3,398
Communication services	**18,078**	20,715
Bank charges	**13,742**	23,559
Other	**494,290**	574,280
	10,764,130	10,394,707

26. SELLING EXPENSES

In thousands of tenge	**2022**	2021
Transportation services	**379,835,258**	409,654,927
Storage of gas	**7,535,190**	3,918,263
Other	**620**	600
	387,371,068	413,573,790

27. OTHER OPERATING INCOME

In thousands of tenge	**2022**	2021
Income from gas sales *(Note 11)*	**2,019,917**	-
Fines and penalties	**464,294**	13,556,064
Compensation for arbitration disputes *(Note 24)*	**-**	732,612
Other	**166,049**	10,638
	2,650,260	14,299,314

28. DIVIDEND INCOME

In 2022, the Company recognised dividend income in the amount of 90,097,703 thousand tenge (2021: 160, 146, 478 thousand tenge), declared for distribution by ICA in the amount of 3,114 thousand tenge (2021: 91,685,171 thousand tenge), EP QazaqGaz in the amount of 6,794,315 thousand tenge (2021: nil), KTG Onimderi in the amount of 586,510 thousand tenge (2021: nil), AGP in the amount of 70,949,058 thousand tenge (2021): 40,215,563 thousand tenge) and BShP in the amount of 11,764,706 thousand tenge (2021: 18,000,000 thousand tenge).

During 2022, KTG Aimak did not distribute dividends (2021: 10,245,744 thousand tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

29. FINANCE INCOME AND FINANCE COSTS

In thousands of tenge	**2022**	2021
Finance income		
Interest income on loans to related parties	**11,953,899**	10,433,866
Amortisation of financial guarantee obligations *(Note 20)*	**9,204,740**	5,794,749
Interest income on bank deposits	**8,217,745**	2,997,268
Unwinding of discount on loans to related parties	**5,760,946**	1,106,329
Unwinding of discount on financial assets	**3,609,369**	323,172
Interest income from financial assets	**799,071**	799,071
Discount on loans from related party *(Note 19)*	**–**	2,703,208
Other	**255,258**	328,569
	39,801,028	24,486,232
Finance costs		
Interest on debt securities issued	**(14,209,875)**	(15,013,229)
Interest on bank loans	**(12,610,373)**	(6,912,579)
Unwinding of discount on financial guarantee obligations *(Note 20)*	**(1,997,447)**	(926,780)
Unwinding of discount on loans from related party	**(1,272,845)**	(134,337)
Discount on loans to related party *(Note 8)*	**(499,299)**	–
Amortization of capitalized costs related to loan arrangement	**(151,847)**	(158,146)
Loan arrangement fees	**(143,550)**	(131,547)
Unwinding of discount on debt securities issued	**(73,425)**	(68,092)
Interest expense on lease liabilities	**(26,085)**	(49,402)
Interest on loans from related party	**(2,512)**	(255)
Other	**(179,739)**	(242,618)
	(31,166,997)	(23,636,985)

30. INCOME TAX EXPENSES

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

In thousands of tenge	**2022**	2021
Current income tax expense	**–**	22,572,926
Deferred income tax expense	**14,008,498**	19,064,109
Adjustment of prior year income tax	**(1,034,363)**	–
Income tax expenses	**12,974,135**	41,637,035

30. 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 expenses for the years ended 31 December is as follows:

In thousands of tenge	**2022**	2021
Profit before income tax	**117,740,124**	217,057,568
Statutory tax rate	**20%**	20%
Theoretical income tax benefit	**23,548,025**	43,411,514
Tax effect of permanent differences		
Investments in joint venture	**8,314,496**	18,015,076
Interest on bank loans	**2,522,075**	1,382,516
Non-deductible foreign exchange differences, net	**2,039,035**	447,710
Taxes other than income tax	**409,539**	402,792
Loss from impairment of investments in subsidiaries	**183,661**	936,722
Unwinding of discount on loans from related party and debt securities issued	**14,685**	40,486
Non-deductible reimbursement expenses	**–**	498,357
Adjustments with respect to current income tax of prior year	**(1,034,363)**	–
Unwinding of discount on financial assets	**(1,207,414)**	(285,892)
Amortization of financial guarantee obligations	**(1,441,459)**	(973,594)
Non-deductible expenses related to additional costs of gas purchased	**(4,377,935)**	5,900,000
Dividend income	**(15,666,599)**	(28,429,296)
Other non-taxable differences	**(329,611)**	290,644
Income tax expenses	**12,974,135**	41,637,035

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

In thousands of tenge	**2022**	**Charged to profit and loss**	2021	Charged to profit and loss	2020
Deferred income tax assets					
Losses set-off against future taxable income	**2,098,526**	**2,098,526**	–	(482,865)	482,865
Revenue recognized on accrual basis	**2,230,283**	**2,230,283**	–	–	–
Inventories	**213,321**	**213,321**	–	–	–
Discount on loans to related party	**81,788**	**81,788**	–	–	–
Allowance for expected credit losses	**526,611**	**338,962**	187,649	(1,164)	188,813
Other provisions	**542,783**	**273,098**	269,685	(126,738)	396,423
Other	**214,171**	**95,874**	118,297	62,563	55,734
	5,907,483	**5,331,852**	575,631	(548,204)	1,123,835
Deferred income tax liabilities					
Investments in joint venture	**(26,329,572)**	**(8,314,496)**	(18,015,076)	(18,015,076)	–
Revenue recognized on accrual method	**(11,317,429)**	**(11,317,429)**	–	–	–
Discount on loans from related party	**(275,855)**	**264,787**	(540,642)	(540,642)	–
Discounting on financial liabilities	**(13,410)**	**26,788**	(40,198)	39,813	(80,011)
	(37,936,266)	**(19,340,350)**	(18,595,916)	(18,515,905)	(80,011)
Net deferred income tax liabilities	**(32,028,783)**	**(14,008,498)**	(18,020,285)	(19,064,109)	1,043,824

In accordance with the Tax Code of the Republic of Kazakhstan, all deferred tax assets expire after 5 (five) years, with the exception of tax losses carry forward that expire after 10 (ten) years.

As at 31 December 2022 the Company had corporate income tax prepaid of 26,712,072 thousand tenge (2021: nil).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS

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 related and third parties. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash.

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

In thousands of tenge	2022	2021*
Trade and other receivables		
Subsidiaries	**80,957,685**	61,951,036
Joint ventures in which the Company is a venturer	**540,855**	9
Joint ventures in which Samruk-Kazyna and the Government are venturers	**283**	22,578
Entities under common control of Samruk-Kazyna and the Government	**393**	2,023,535
	81,499,216	63,997,158
Loans to related parties		
Subsidiaries	**53,121,349**	52,835,193
Joint ventures in which the Company is a venturer	**–**	176,660,416
Entities under common control of Samruk-Kazyna and the Government	**3,524,877**	–
	56,646,226	229,495,609
Advances paid *(Note 7)*		
Subsidiaries	**2**	27
Joint ventures in which the Company is a venturer	**81,970**	–
Joint ventures in which Samruk-Kazyna and the Government are venturers	**4,209,509**	5,807
Entities under common control of Samruk-Kazyna and the Government	**13,179,485**	1,273
	17,470,966	7,107
Other financial assets *(Note 10)*		
Subsidiaries	**9,277,396**	8,910,868
Entities under control of the Government	**30,000,000**	–
	39,277,396	8,910,868
Other non-financial assets *(Note 11)*		
Subsidiaries	**8,348,160**	–
	8,348,160	–
Cash and cash equivalents		
Entities under common control of Samruk-Kazyna and the Government	**34,804,638**	–
	34,804,638	–
Dividends receivable		
Subsidiaries *(Note 28)*	**–**	10,245,744
	–	10,245,744
Trade payables *(Note 21)*		
Subsidiaries	**17,531,674**	14,697,990
Joint ventures in which the Company is a venturer	**49,919,102**	67,609,957
Joint ventures in which Samruk-Kazyna and the Government are venturers	**9,476,386**	69,350,346
Entities under common control of Samruk-Kazyna and the Government	**1,517,338**	5,227,478
	78,444,500	156,885,771
Loans from related party *(Note 19)*		
Entities under common control of Samruk-Kazyna and the Government	**15,847,112**	21,539,755
	15,847,112	21,539,755

31. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	2022	2021*
Liabilities under financial guarantee contracts ***(Note 20)***		
Subsidiaries	**1,026,156**	2,818,707
Joint ventures in which the Company is a venturer	**–**	4,980,194
	1,026,156	7,798,901
Other financial liabilities		
Subsidiaries	**26,708**	–
Joint ventures in which Samruk-Kazyna and the Government are venturers	**1,279,471**	1,818,793
Entities under common control of Samruk-Kazyna and the Government	**30,492**	20,181
	1,336,671	1,838,974
Lease liabilities		
Entities under control of the Government	**505,494**	–
	505,494	–
Sale of goods and services		
Subsidiaries	**250,003,050**	202,885,055
Joint ventures in which Samruk-Kazyna and the Government are venturers	**179,739**	20,159
	250,182,789	202,905,214
Management fee ***(Note 23)***		
Entities under common control of Samruk-Kazyna and the Government	**–**	19,143,871
	–	19,143,871
Dividend income ***(Note 28)***		
Subsidiaries	**7,383,939**	101,930,915
Joint ventures in which the Company is a venturer	**82,713,764**	58,215,563
	90,097,703	160,146,478
Fines and penalties		
Entities under common control of Samruk-Kazyna and the Government	**–**	2,338,053
	–	2,338,053
Finance income		
Subsidiaries	**13,165,611**	5,312,593
Joint ventures in which the Company is a venturer	**15,767,462**	13,144,594
Entities under common control of Samruk-Kazyna and the Government	**873,889**	2,703,208
	29,806,962	21,160,395
Purchases of goods and services		
Subsidiaries	**121,266,569**	125,756,933
Joint ventures in which the Company is a venturer	**263,268,759**	289,764,415
Joint ventures in which Samruk-Kazyna and the Government are venturers	**166,851,292**	146,441,243
Entities under common control of Samruk-Kazyna and the Government	**10,251,410**	11,651,394
	561,638,030	573,613,985
Gas cost reimbursement under arbitration award*		
Entities under common control of Samruk-Kazyna and the Government	**–**	16,931,800
	–	16,931,800
Other expenses		
Entities under common control of Samruk-Kazyna and the Government	**–**	2,491,784
	–	2,491,784

31. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

In thousands of tenge	**2022**	2021*
Finance costs		
Subsidiaries	**1,120,875**	603,040
Joint ventures in which the Company is a venturer	**876,572**	323,740
Joint ventures in which Samruk-Kazyna and the Government are venturers	**133,940**	199,066
Entities under common control of Samruk-Kazyna and the Government	**1,774,656**	134,592
	3,906,043	1,260,438

* *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 separate financial statements as of 31 December 2021, as the Company omitted disclosure of this amount in the 2021 separate financial statements.*

In 2022, the Company provided three tranches for the amount of 4,776,103 thousand tenge under this loan agreement with ICA (2021: 64,909,463 thousand tenge).

In 2021, the Company provided a long-term interest-free loan in the amount of 2,187,132 thousand tenge to KTG Aimak. In 2022, KTG Aimak made a partial repayment of the loan in the amount of 1,526,932 thousand tenge.

In 2021, the Company provided a long-term interest-free loan in the amount of 812,383 thousand tenge to KTG Aimak. In 2022, KTG Aimak made an early repayment of the loan in the amount of 1,100,000 thousand tenge.

In 2022, the Company provided short-term interest-free loans in the amount of 319,260 thousand tenge in favour of KMG Service-NS (2021: 591,500 thousand tenge).

In 2020, the Company provided interest-free loan of 7,000,000 thousand tenge to KTG Finance with maturity date of 31 December 2025. In 2022, KTG Finance made an early repayment of the loan in the amount of 7,000,000 thousand tenge.

In 2022, the Company provided an interest-free loan to GPC Investment LLP for a total amount of 3,933,819 thousand tenge.

In 2021, NC KazMunayGas JSC provided to the Company long-term financing of 24,104,026 thousand tenge (equivalent to: 55,850,655 US dollars). During 2022, the Company repaid principal on loan 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).

In 2022, the Company acquired 100% of the shares of Tegis Munai 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.

In 2022, dividends receivable were paid in cash in the amount of 98,578,741 thousand tenge (2021: 149,900,734 thousand tenge).

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.

32. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

32. COMMITMENTS AND CONTINGENCIES (continued)

Unconditional gas purchase obligations to the joint ventures

As at 31 December 2022, the Company 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 Company has unconditional purchase obligation of 216,130,641 thousand tenge excluding 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 Company has capital commitments of approximately 1,842,319 thousand tenge, excluding VAT (31 December 2021: 848,750 thousand tenge, excluding VAT) relating to the construction of property, plant and equipment and intangible assets.

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.

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 Company, 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 Company's transfer pricing position will be sustained.

Environmental matters

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated.

Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Company's financial position or results of operations.

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 Company 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 Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's separate financial performance and financial position.

Legal actions and claims

In the ordinary course of business, the Company 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 financial position or future financial performance of the Company.

32. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings

In 2019, the Company purchased 2,062,419 thousand cubic meters of gas from Asiagas Chunja LLP. In 2022, the Financial Monitoring Agency of the Republic of Kazakhstan (hereinafter, the "Agency") conducted an investigation and initiated criminal proceedings against the owners of Asiagas Chunja LLP, as well as one of the former members of the Company's management in relation to this transaction. During 2022, Asiagas Chunja LLP returned 14,565,318 thousand tenge to the Company's accounts. As at the date of issuance of these separate financial statements, legal proceedings against these persons have not been completed. Accordingly, the Company recognized the amount returned to Asiagas Chunja LLP within other financial obligations prior to the court's award *(Note 22)*.

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Company's principal financial liabilities comprise debt securities issued, interest bearing loans, trade payables and financial guarantee obligations. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to banks on behalf of subsidiaries and joint venturers to support their operations. The Company's principal financial assets consist of loans to related parties, trade receivables, cash and cash equivalents, bank deposits and other financial assets, which arise directly from its operations.

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

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

Market risk

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 include two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and deposits.

The Company 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, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk

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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

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

In thousands of tenge	Increase / (decrease) in basis points	Effect on profit before income tax
2022		
KR CBR	**6.19%**	**(5,666,919)**
	-6.19%	**5,666,919**
2021		
KR CBR	3.00%	(2,618,179)
	-3.00%	2,618,179

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

Market risk (continued)

Interest rate risk (continued)

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 debt securities issued and trade payables denominated in the US dollar, the Company's separate statement of financial position can be affected significantly by movement in the US dollars / 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 Company's profit before income tax. There is no impact on the Company's equity.

In thousands of tenge	Increase / decrease in the rate	Effect on profit before income tax
2022		
US dollars	**21.00%**	**25,964,709**
	-21.00%	**(25,964,709)**
2021		
US dollars	13.00%	344,496
	-10.00%	(264,997)
2022		
Ruble	**22.00%**	**(21,314,342)**
	-22.00%	**21,314,342**
2021		
Ruble	13.00%	(11,841,834)
	-13.00%	11,841,834

Credit risk

Credit risk is the risk that one party with financial instrument will not be able to fulfil an obligation and cause the other party to incur a financial loss. The Company is exposed to a credit risk from its operating activities and certain types of investing activities. With regard to investing activities, the Company places deposits with Kazakhstani banks. The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company'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.

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

Credit risk (continued)

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

In thousands of tenge	Location	2022		2021		2022	2021
Citi Bank Kazakhstan JSC	Kazakhstan	**Standard & Poor's**	**A+/ stable**	Standard & Poor's	A+/ stable	**119,666,792**	64,215,346
Halyk Bank JSC	Kazakhstan	**Standard & Poor's**	**BB+/stable**	Standard & Poor's	BB+/stable	**118,291,592**	24,598,477
First Heartland Jysan Bank JSC	Kazakhstan	**Moody's**	**B1/stable**	Standard & Poor's	B/negative	**74,479,920**	43,190,442
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	**34,793,929**	1,045
Forte Bank JSC	Kazakhstan	**Standard & Poor's**	**BB-/negative**	Standard & Poor's	B+/ (positive)	**26,574,710**	220,555
Altyn Bank JSC	Kazakhstan	**Moody's**	**Baa3/stable**	Moody's	Baa3/stable	**8,325,904**	4,077,468
KazPost JSC	Kazakhstan	**–**	**–**	–	–	**10,709**	–
Credit Bank of Moscow PSC	Russia		**Rating recalled**	Moody's	Baa3/stable	**321**	55,101
Gazprombank JSC	Russia		**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
Sberbank JSC	Kazakhstan	**Moody's**	**Ba1/positive**	Moody's	Ba1/positive	**–**	62,560,061
Citibank N.A. London	England	**Standard & Poor's**	**A+/ stable**	Standard & Poor's	A+/ stable	**–**	87
						446,915,497	247,691,247

At the current level of operations, management believes that the Company has established appropriate credit verification procedures and monitoring of industrial consumers, which enabled the Company to trade only with recognized, creditworthy third parties.

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

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, bank deposits, loans to related party, other financial assets, finance lease receivables and trade receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the current amount of these instruments.

The maximum credit risk exposure for the financial assets is limited to the carrying amount as disclosed in *Notes 8, 10, 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 Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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

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

Liquidity risk (continued)

The table below summarises the maturity profile of the Company'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
At 31 December 2022						
Debt securities issued	–	7,148,289	7,148,289	383,965,260	–	398,261,838
Trade payables	–	110,971,591	–	–	–	110,971,591
Loans from related party	–	–	8,614,825	8,613,963	–	17,228,788
Interest bearing loans	–	2,458,771	98,677,678	–	–	101,136,449
Put-option obligation	–	–	–	–	40,510,279	40,510,279
Lease liabilities	–	45,201	135,602	542,410	–	723,213
Financial guarantee obligations	–	3,303,065	10,439,640	29,841,254	1,920,933	45,504,892
Other financial liabilities	673,348	323,907	14,830,184	673,261	–	16,500,700
	673,348	124,250,824	139,846,218	423,636,148	42,431,212	730,837,750

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	–	6,671,634	6,671,634	53,373,072	318,332,244	385,048,584
Trade payables	–	177,872,027	–	–	–	177,872,027
Loans from related party	–	–	8,041,183	16,079,954	–	24,121,137
Interest bearing loans	–	2,146,369	6,810,589	96,630,075	–	105,587,033
Put-option obligation	–	–	–	–	40,510,279	40,510,279
Lease liabilities	–	–	637,064	–	–	637,064
Financial guarantee obligations	122,923	22,773,170	69,100,179	186,851,987	5,214,386	284,062,645
Other financial liabilities	–	1,025,358	–	1,346,522	–	2,371,880
	122,923	**210,488,558**	**91,260,649**	**354,281,610**	**364,056,909**	**1,020,210,649**

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

Capital management

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

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

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

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

Capital management (continued)

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

In thousands of tenge	**2022**	2021
Debt securities issued *(Note 17)*	**329,927,140**	307,808,020
Loans from related party *(Note 19)*	**15,847,112**	21,539,755
Interest bearing loans *(Note 18)*	**92,373,724**	87,875,911
Less: cash and cash equivalents, bank deposits	**(469,424,928)**	(247,715,101)
Total borrowings	**(31,276,952)**	169,508,585
Equity	**1,072,232,153**	954,287,514
Debt-to-equity ratio	**(0.03)**	0.18

Fair values of financial instruments

The carrying value of the Company'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 bearing loans to related party	**51,340,072**	**42,009,020**	**–**	**–**	**42,009,020**
Interest-free loans to related party	**5,306,154**	**5,267,034**	**–**	**–**	**5,267,034**
Other financial assets	**39,277,396**	**38,474,165**	**38,474,165**	**–**	**–**
Financial liabilities					
Debt securities issued	**(329,927,140)**	**(299,776,821)**	**(299,776,821)**	**–**	**–**
Interest bearing loans	**(92,373,724)**	**(92,491,353)**	**–**	**(92,491,353)**	**–**
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**	**Quotations in active markets (Level 1)**	**Essential observed input data (Level 2)**	**Essential unobservable nput data (Level 3)**
Financial assets					
Interest bearing loans to related party	221,505,932	236,366,951	–	–	236,366,951
Other financial assets	8,910,868	8,894,324	8,894,324	–	–
Financial liabilities					
Debt securities issued	(307,808,020)	(335,566,926)	(335,566,926)	–	–
Interest bearing loans	(87,875,911)	(88,127,711)	–	(88,127,711)	–
Loans from related party	(21,539,755)	(21,650,082)	–	(21,650,082)	–

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

Estimates and assumptions

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

The 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 Level 1 and Level 2 during 2022 and 2021.

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	31December 2022
Financial liabilities							
Debt securities issued	**307,808,020**	**–**	**–**	**(15,209,719)**	**23,007,336**	**14,321,503**	**329,927,140**
Interest bearing loans	**87,875,911**	**–**	**(5,130,790)**	**(11,528,035)**	**9,660,735**	**11,495,903**	**92,373,724**
Loans from related party	**21,539,755**	**–**	**(8,614,964)**	**(2,584)**	**1,649,548**	**1,275,357**	**15,847,112**
Lease liabilities	**532,721**	**–**	**(111,787)**	**–**	**–**	**84,560**	**505,494**
Total liabilities arising from financial activities	**417,756,407**	**–**	**(13,857,541)**	**(26,740,338)**	**34,317,619**	**27,177,323**	**438,653,470**

In thousands of tenge	1 January 2021	Proceeds	Repayments	Repayment of interest	Foreign exchange gains or losses	Other	31 December 2021
Financial liabilities							
Debt securities issued	299,934,157	–	–	(14,875,586)	7,629,925	15,119,524	307,808,020
Interest bearing loans	85,222,637	–	–	(5,902,750)	2,097,492	6,458,532	87,875,911
Loans from related party	–	24,104,026	–	–	4,345	(2,568,616)	21,539,755
Lease liabilities	1,087,096	–	(557,718)	–	–	3,343	532,721
Total liabilities arising from financial activities	386,243,890	24,104,026	(557,718)	(20,778,336)	9,731,762	19,012,783	417,756,407

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

34. SEGMENT REPORTING

The main business operations of the Company are related to gas trading to external and local markets. The Company considers only one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements prepared in accordance with IFRS.

In 2022, the Company generated 63% of its revenues from PetroChina Group, 32% from KTG Aimak and 1% from Gazprom Group (2021: 60% from PetroChina Group, 28% from KTG Aimak and 3% from Gazprom Group).

35. SUBSEQUENT EVENTS

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

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