Zhaikmunai LLP

Financial statements

For the year ended 31 December 2021

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Independent auditor's report

To the Board of directors and Participant of Zhaikmunai LLP

Opinion

We have audited the financial statements of Zhaikmunai LLP (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Company is the main operating entity within the Group Nostrum Oil & Gas PLC (hereinafter, the "Group"), the Group's Notes of $725 million fall due in July 2022, while the results of the discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Group's debt and obtain requisite approvals and consents have not yet been concluded and the outcome of negotiations remains uncertain. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Estimation of oil and gas reserves and its impact on the impairment testing, depreciation, depletion and amortization (DD&A) and decommissioning provision	
We considered this matter to be one of the most significance in our audit due to the fact that reserves estimates are subjective in nature and have a pervasive impact on the financial statements through impairment testing, DD&A calculations and decommissioning provision estimate. The estimation of oil and gas reserves is a significant area of estimation due to the technical uncertainty in assessing reserves quantities. Reserves and resources are also a fundamental indicator of the future potential of the Company's performance and its ability to continue as a going concern. The estimation is potentially susceptible to management bias, including by recording results of estimates' revisions in the incorrect period. Management engaged independent petroleum engineers to perform a reserves audit. The Company's disclosures about oil and gas reserves, related impairment testing and decommissioning provision are included in Note 4 and Note 5.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. We performed evaluation of management's assumptions including commercial assumptions, in particular we: • obtained understanding of the Company's internal process and key controls associated with the oil and gas reserves estimation process; • held discussions with external specialists, engaged by the Company and assessed their competence and objectivity by inquiring of their qualifications, practical experience and independence. We have also assessed the competence of internal management's specialists. We checked the accuracy of the data transfer to the external specialist for audit; • analyzed management's commercial assumptions by comparing them to the publicly available benchmarks as well as actual and prior year data. We compared management's internal assumptions used in reserves estimates to those adopted in the latest plans and budgets; we have also assessed management's capabilities to meet such plans by comparing prior periods' planned and actual results;

- reviewed the oil and gas reserves audit report prepared by the management's external specialist to understand the conclusion of their audit and any related audit findings. We performed direct inquiries of the management's external specialist;
- assessed whether the reserves estimates were included in the Company's consideration of oil and gas asset impairment testing, in accounting for DD&A and the determination of decommissioning dates.

Impairment of oil & gas assets

Owing to the improved commodity prices environment in 2021, there was a significant risk of the previously recorded impairments of oil & gas assets reversing.

We focused on this area due to the significance of the carrying value of the Cash Generating Unit ('CGU'), the current economic environment and the judgements involved in the key assumptions of the future prices of oil, natural gas and related products, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes. The recoverable amount of the CGU is sensitive to changes in key inputs and assumptions. As a result of the impairments recorded in previous years, there is no headroom in the carrying value of the CGU compared to its recoverable amount.

There is also a risk that management may influence the significant judgements and estimates in respect of its key assumptions in order to understate the impairment charge to achieve a targeted result.

Information about significant accounting policies is disclosed in Note 4 to the financial statements, information about oil and gas assets is disclosed in Note 5.

In addressing the risk of impairment of oil & gas assets we involved our valuation specialists and analyzed management's impairment assessment by analyzing the key assumptions. We have:

- evaluated assessment of indicators of impairment or impairment reversal;
- walked through the controls designed by the Company relating to the assessment of the recoverable amount of oil & gas assets for impairment;
- assessed whether the value in use (VIU) or the fair value less costs of disposal (FVLCD) is the higher recoverable amount;
- tested the integrity of the discounted cash flow model with the assistance of our own specialists;
- evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the Company;
- considered the existence of any contradictory evidence to challenge the recoverable amount determined on the basis of the discounted cash flow model, including the Company's enterprise value;

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- assessed the appropriateness of the oil and gas reserves and resources estimates, as described above in our report, and evaluated the risking factors applied in estimating the value associated with the contingent resources;
- challenged the valuation methodology for estimating the recoverable amount; specifically the value attributed to the contingent resources and the opportunity for utilising the spare GTU processing capacity, including the related judgements around risking;
- tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions;
- assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance;
- compared the exchange rate assumptions to external market data;
- evaluated management's sensitivity analysis in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities included adjustments to the discount rate, oil & gas prices, future production volumes, opex and capex assumptions;
- challenged the assessment of whether climate change risks impact the modelled recoverable amount of the Company's CGU and the appropriateness of climate-related costs incorporated in the impairment model. This was performed with reference to the Company's assessment of the risks of climate change and Kazakhstan's current climate-related policies;
- where the financial impacts of climate related risks are either yet to be determined and/or not reflected in management's estimates of recoverable value we challenged what sensitivities may be appropriate in the financial statements to demonstrate the reasonably possible impact of these;

- audited the corrections made to the 2020 impairment assessment and resulting restatement of the previously reported impairment charge; and
- evaluated the appropriateness of the financial statement disclosures, including those in respect of the prior period restatement.

Revenue recognition

We considered this matter to be one of the most significant in our audit due to the fact that revenue recognition requires management to form judgments based on the interpretation of the terms of contracts, market conditions for the supply of goods and the nature of services.

Revenue is disclosed in Note 17 to the financial statements.

In addressing the risk of revenue recognition, we have:

- performed procedures to walkthrough and understand the process and key controls associated with the revenue recognition and accounts receivable process;
- performed enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with the contractual terms. We also performed procedures that are designed to address the risk of manipulation of accounting records and the ability of management to override controls;
- tested a sample of third-party evidence to verify revenue transactions are recorded appropriately, this included inspection of sales contracts with customers and delivery documents. We performed substantive audit procedures on cash accounts to verify cash collection from customers;
- analysed the entire population of revenue journals and identified revenue journals for which the corresponding entry was not posted against trade receivables and where trade receivables were not cleared through cash journals. We assessed the appropriateness of these journals. Of the outstanding trade receivables due at the year-end, we confirmed the material balances with the relevant counterparties as well as tested that trade receivables were collected subsequent to year-end for counterparties where confirmations were not obtained;

- performed cut-off procedures at the period-end date to determine that transactions are recorded in the appropriate period;
- tested the appropriateness of manual journal entries impacting revenue, using data extracted from the accounting system, as well as other adjustments made in the preparation of the financial statements;
- carried out analytical review procedures on each revenue stream using disaggregated data, by volume, by product, by customer and by month to assess the respective products' underlying performance and corroborate the appropriateness of the timing of revenue recognition; and
- evaluated the appropriateness of the financial statement disclosures.

Other information included in the Company's 2021 Annual Report

Other information consists of the information included in the Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and the Board of directors of the Participant for the financial statements

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

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

The Board of directors of the Participant is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the Board of directors of the Participant 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 Board of directors of the Participant 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 Board of directors of the Participant, we determine those matters that were of most significance in the audit of the 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 Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Meruyert Battal
Auditor

Rustamzhan Sattarov
General Director
Ernst & Young LLP

Auditor Qualification Certificate
No. МФ-0000523 dated 16 January 2018

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

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26 May 2022

STATEMENT OF FINANCIAL POSITION

In thousands of US Dollars	Notes	31 December 2021	31 December 2020 (restated)*
Assets			
Non-current assets			
Property, plant and equipment, net	5	**320,150**	297,761
Right of use assets	6	**–**	2,755
Advances for non-current assets	7	**1,418**	590
Restricted cash	11	**7,766**	7,713
		329,334	308,819
Current assets			
Inventories	8	**31,387**	28,805
Prepayments and other current assets	9	**8,292**	9,180
Income tax prepayment		**48**	–
Trade receivables	10	**6,659**	13,540
Cash and cash equivalents	11	**53,733**	12,511
		100,119	64,036
TOTAL ASSETS		**429,453**	372,855
Equity and liabilities			
Capital and reserves			
Partnership capital		**4,112**	4,112
Other reserves		**32,586**	32,586
Accumulated losses		**(870,648)**	(882,451)
		(833,950)	(845,753)
Non-current liabilities			
Long-term borrowings	12	**1,155,504**	1,134,979
Long-term finance guarantee	12	**655**	1,559
Long-term lease liability		**–**	35
Abandonment and site restoration provision	13	**29,008**	28,936
Due to Government of Kazakhstan	14	**4,563**	4,832
Deferred tax liability	24	**32,885**	–
		1,222,615	1,170,341
Current liabilities			
Current portion of long-term borrowings	12	**11,537**	11,125
Current portion of finance guarantee	12	**1,068**	1,594
Current portion of lease liability		**–**	2,790
Trade payables	15	**6,710**	8,100
Advances received		**9**	186
Current portion of due to Government of Kazakhstan	14	**1,031**	1,031
Other current liabilities	16	**20,433**	23,441
		40,788	48,267
TOTAL EQUITY AND LIABILITIES		**429,453**	372,855

* *Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

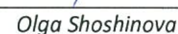
The accounting policies and explanatory notes on pages 5 through 33 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of US Dollars	Notes	2021	2020 (restated)*
Revenue			
Revenue from export sales		**169,825**	140,843
Revenue from domestic sales		**25,460**	35,096
	17	**195,285**	175,939
Cost of sales	18	**(87,884)**	(126,308)
Gross profit		**107,401**	49,631
General and administrative expenses	19	**(5,877)**	(6,892)
Selling and transportation expenses	20	**(23,204)**	(31,150)
Taxes other than income tax	21	**(17,081)**	(14,112)
Finance costs	22	**(92,859)**	(103,756)
Impairment recovery/(charge)	5	**74,186**	(298,031)
Foreign exchange loss		**(292)**	(1,123)
Interest income		**309**	253
Other income	23	**7,277**	5,620
Other expenses	23	**(3,994)**	(6,885)
Loss before income tax		**45,866**	(406,445)
Current income tax expense		**(1,178)**	(139)
Deferred income tax (expense)/benefit		**(32,885)**	40,924
Income tax (expense)/benefit	24	**(34,063)**	40,785
Profit/(loss) for the year		**11,803**	(365,660)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) for the year		**11,803**	(365,660)

* *Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

General Director of Zhaikmunai LLP — *Zhomart Darkeev*



Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

The accounting policies and explanatory notes on pages 5 through 33 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

In thousands of US Dollars	Notes	2021	2020 (restated)*
Cash flow from operating activities			
Profit/(loss) before income tax		**45,866**	(406,445)
Adjustments for:			
Depreciation, depletion and amortisation	18, 19, 20	**57,271**	89,660
Finance costs	22	**92,859**	103,756
Interest income		**(309)**	(253)
Impairment charge	5	**(74,186)**	298,031
Foreign exchange loss/(gain) on investing and financing activities		**179**	(1,007)
(Gain)/loss on disposal of property, plant and equipment		**(5)**	532
Finance guarantee gain	12	**(1,431)**	(1,328)
Gain on disposal of exploration and evaluation assets		**(749)**	–
Provision for doubtful debts		**75**	40
Accrued liabilities		**–**	(328)
Operating profit before working capital changes		**119,570**	82,658
Changes in working capital			
Change in inventories		**2,511**	7,044
Change in trade receivables		**6,881**	17,699
Change in prepayments and other current assets		**1,639**	1,389
Change in trade payables		**(1,576)**	(12,225)
Change in advances received		**(177)**	(149)
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(895)**	(4,171)
Cash generated from operations		**126,922**	91,214
Income tax paid		**(2,376)**	(1,031)
Net cash flows from operating activities		**124,546**	90,183
Cash flow from investing activities			
Interest received		**309**	253
Purchase of property, plant and equipment		**(9,604)**	(26,501)
Exploration and evaluation works		**–**	(182)
Advances for non-current assets		**(828)**	778
Transfer to restricted cash		**(460)**	(177)
Net cash used in investing activities		**(10,583)**	(25,829)
Cash flow from financing activities			
Finance costs paid		**(91,200)**	(94,770)
Payment of finance lease liabilities		**(1,575)**	(5,064)
Payment of finance expenses on lease liabilities		**(157)**	(354)
Proceeds from borrowings		**20,300**	34,200
Net cash used in financing activities		**(72,632)**	(65,988)
Effects of exchange rate changes on cash and cash equivalents		**(109)**	429
Net change in cash and cash equivalents		**41,222**	(1,205)
Cash and cash equivalents at the beginning of the year	11	**12,511**	13,716
Cash and cash equivalents at the end of the year	11	**53,733**	12,511

* *Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

** *In the financial statements for the year ended 31 December 2020 transfer to restricted cash of US$177 thousand was presented within financing cashflows.*

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

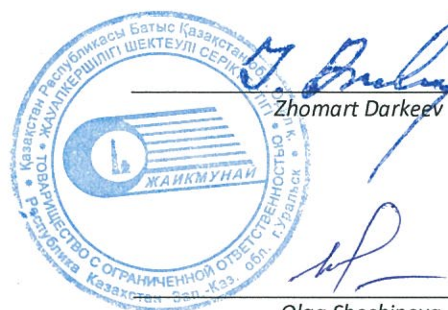
The accounting policies and explanatory notes on pages 5 through 33 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars	Partnership capital	Other reserves	Accumulated losses	Total
As at 1 January 2020	**4,112**	**32,586**	**(516,791)**	**(480,093)**
Loss for the year (restated)*	–	–	(365,660)	(365,660)
Total comprehensive loss for the year	–	–	(365,660)	(365,660)
As at 31 December 2020 (restated)*	**4,112**	**32,586**	**(882,451)**	**(845,753)**
Profit for the year	–	–	11,803	11,803
Total comprehensive income for the year	–	–	11,803	11,803
As at 31 December 2021	**4,112**	**32,586**	**(870,648)**	**(833,950)**

* *Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

General Director of Zhaikmunai LLP



Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. General

Overview

Zhaikmunai, a Limited Liability Partnership (the "Partnership" or "Zhaikmunai LLP") was established under the laws of the Republic of Kazakhstan in 1997.

The Partnership's operations comprise of a single operating segment including all its assets related to its Chinarevskoye field as well as surface facilities located in Kazakhstan. The Partnership considers that it has only one operating segment in accordance with IFRS 8. Segment valuation is measured on the basis of profit or loss and measured in accordance with profit or loss in the financial statements prepared in accordance with IFRS.

The Partnership does not have an ultimate controlling party. Nostrum Oil & Gas Coöperatief U.A. is the sole participant of the Partnership. The indirect parent of the Partnership is Nostrum Oil & Gas PLC ("the Parent"), which is a public limited company incorporated in England and Wales and listed on the London Stock Exchange. Nostrum Oil & Gas PLC and its wholly-owned subsidiaries are hereinafter referred to as "the Group". The registered legal address of the Partnership is: 43/1, Aleksandr Karev street, Uralsk, the Republic of Kazakhstan.

These financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 26 May 2022.

Subsoil use rights terms

The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated 31 October 1997 between the State Committee of Investments of the Republic of Kazakhstan and the Partnership in accordance with the license MG No. 253D for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. On 28 December 2016 the thirteenth supplementary agreement to the Contract was signed extending the exploration period for the Bobrishovskiy reservoir to 26 May 2018, which was subsequently extended to 26 August 2018, and followed by production period.

On 17 August 2012 the Partnership signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related to three oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye – all located in the Western Kazakhstan region. On 1 March 2013 the Partnership acquired the subsoil use rights related to these three oil and gas fields in Kazakhstan following the signing of the respective supplementary agreements related thereto by the authority now known as the Ministry of Energy (the "MOE") of the Republic of Kazakhstan.

The rights and obligations related to the Darjinskoye and the Yuzhno-Gremyachinskoye fields were disposed to a third party in October 2020. The rights and obligations related to the Rostoshinskoye field were disposed in September 2021.

Royalty payments

The Partnership is required to make monthly royalty payments throughout the entire production period, at the rates specified in the Contract.

Royalty rates depend on hydrocarbons recovery levels and the phase of production and can vary from 3% to 7% of produced crude oil and from 4% to 9% of produced natural gas. Royalty is accounted on a gross basis.

Government "profit share"

The Partnership makes payments to the Government of its "profit share" as determined in the Contract. The "profit share" depends on hydrocarbon production levels and varies from 10% to 40% of production after deducting royalties and reimbursable expenditures. Reimbursable expenditures include operating expenses, costs of additional exploration and development costs. Government "profit share" is expensed as incurred and paid in cash. Government profit share is accounted on a gross basis.

2. Basis of preparation

Basis of preparation

These financial statements for the the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared based on a historical cost basis. The financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern

The Partnership is the main operating entity within the Group. The Partnership's liquidity and its ability to continue in operation and to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of this report, are assessed as part of the Group. Therefore, the following Group level going concern matters and analysis, which were considered by the directors of the Parent (the 'Directors'), are directly relevant for the Partnership.

The Group monitors on an ongoing basis its liquidity position, near-term forecasts, and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. The Group reforecasts its rolling 24-month cashflows on a monthly basis and stress tests its future liquidity position for changes in product prices, production volumes, costs and other significant events. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include the ongoing efforts to restructure the Existing Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023.

The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and forbearance of making interest payments under the terms of the Forbearance Agreement with noteholders (refer to "Update on Bond Restructuring" section for further details) meant that the Group was able to grow its unrestricted cash reserves by over US$86 million. As a result, the Group had unrestricted cash balances of US$165.2 million as at 31 December 2021, with a further $22.7 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement. Under the base case going concern assessment to the period to 30 June 2023, the Group is forecast to have total cash reserves of over U$$200 million, inclusive of cash swept into the restricted account, as explained below.

In 2020, the Group began formal proceedings for the restructuring of its Existing Notes, the largest of which would become due and repayable in July 2022. A Forbearance Agreement was entered into with an informal ad hoc committee of noteholders (the "AHG") in the same year which, amongst other things, forbears the AHG from accelerating the Existing Notes' obligations as a result of missed interest payments. During this period of forbearance the Company and the AHG endeavoured to agree on the terms of a consensual restructuring of the Existing Notes. On 23 December 2021, the Group announced the execution of a Lock-Up Agreement ("LUA") and terms of a restructuring agreement initially with the AHG and ICU Holdings Limited ("ICU") (the Company's largest shareholder, holding c. 24% of the share capital). Subsequently, the LUA was acceded to by holders of over 77% of the total aggregate principal amount of the Existing Notes (refer to "Update on Bond Restructuring" section and Note 1 to the consolidated financial statements for the latest on the Bond Restructuring process). On 13 April 2022, the Group issued a Circular and serviced notice convening a General Meeting of its shareholders to vote on the restructuring terms ("Restructuring Resolution"). On 29 April 2022, 99.99% of voting shareholders voted in favour of the Restructuring Resolutions at the General Meeting; allowing the Group to proceed with the restructuring via a UK scheme of arrangement under Part 26 of the Companies Act 2006.

The key agreed terms in the LUA relevant to the going concern assessment are:

- Partial reinstatement of debt in the form of US$250 million Senior Secured Notes (SSNs) bearing interest at a rate of 5.00% per year payable in cash and maturing on 30 June 2026. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US$300 million Senior Unsecured Notes (SUNs) bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind and maturing on 30 June 2026. The SUNs are repayable in specie through the issuance of equity in the Company on maturity;
- The exchange of the remainder of the Group's existing debt along with accrued but unpaid interest for equity in the Company, thereby significantly diluting the interests of the current equity holders;
- New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism into which cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

The forecast financing cashflows assume that the Existing Notes are restructured per the agreed terms as set out in the Lock-up Agreement and outlined above. Therefore, in forming an assessment on the Group's and therefore Partnership's ability to continue as a going concern, the Board has made a significant assumption about the Group being able to close out the successful restructuring of the Existing Notes.

Whilst the signing of the LUA marked a key milestone in the Company's restructuring journey and paves an agreed go forward strategy to restructure the Existing Notes, the Company notes there remain several other milestones to achieve prior to successful completion. These include:

- The Company receiving all authorisations including securing a waiver from the Government of the Republic of Kazakhstan for the right to pre-empt newly issued shares in the Company on closing of the restructuring;
- The UK Courts sanctioning the final restructuring route (UK Scheme of Arrangement or Restructuring Plan).

As at the date of publication of these financial statements, the above milestones have not concluded, with the outcomes uncertain and largely outside of the Group's control. If one or all of the milestones above are not achieved, the restructuring may not proceed on the agreed set of terms. Therefore, the assumption that the Group can successfully complete the restructuring by satisfying the above milestones represents a material uncertainty that the Existing Notes will not be restructured. This may cast a significant doubt on the Group's and the Partnership's ability to continue as a going concern for the going concern period to 30 June 2023.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Partnership

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Partnership. The Partnership intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Partnership has not received Covid-19-related rent concessions.

Standards issued but not yet effective

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

Amendments to IAS 12

On 7 May 2021, the IASB published *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The main change in *Deferred Tax related to Assets and Liabilities* arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The Partnership is currently assessing the impact the amendments will have on current practice and whether the amendments will have any impact on the financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Partnership is currently assessing the impact the amendments will have on current.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. It is not expected that the amendments will have an impact on the financial statements of the Partnership.

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

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits 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. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Partnership.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Partnership will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Partnership does not expect early application of these amendments.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Partnership does not expect early application of these amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Partnership will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Partnership.

Correction of errors

Impairment of property, plant and equipment

When preparing the financial statements as of 31 December 2020, the Partnership estimated through its discounted cash flow model that the recoverable amount of its property, plant and equipment was US$339,406 thousand, and, accordingly, recognised an impairment charge of US$256,207 thousand.

During the preparation of the financial statements for the year ended 31 December 2021, the Partnership noted an error in the calculation for determining the 2020 recoverable amount. The error results in a lower recoverable amount to the value of US$299,006 thousand for the property plant and equipment as at 31 December 2020 and so a corresponding additional impairment charge of US$41,645 thousand for the year then ended and a derecognition of deferred tax liability of US$4,712 thousand.

The Partnership does not provide a third balance sheet (statement of financial position) as at the beginning of the preceding comparative period since the restatement has no effect on the preceding period's opening balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The above mentioned errors have been corrected by restating each of the affected financial statement line items for the prior period, as follows:

In thousands of US Dollars	Reported	Impairment correction	As adjusted
Statement of financial position			
Property, plant and equipment	339,406	(41,645)	297,761
Non-current assets	350,464	(41,645)	308,819
TOTAL ASSETS	414,500	(41,645)	372,855
Accumulated losses and reserves	(845,518)	(36,933)	(882,451)
Share capital and reserves	(808,820)	(36,933)	(845,753)
Deferred tax liability	4,712	(4,712)	–
Non-current liabilities	1,175,053	(4,712)	1,170,341
TOTAL EQUITY AND LIABILITIES	414,500	(41,645)	372,855
Statement of comprehensive income			
Impairment reversal/(charge)	(256,386)	(41,645)	(298,031)
Profit/(loss) before income tax	(364,800)	(41,645)	(406,445)
Deferred income tax benefit	36,212	4,712	40,924
Profit/(loss) for the year	(328,727)	(36,933)	(365,660)
Statement of cash flows			
Profit/(loss) before income tax	(364,800)	(41,645)	(406,445)
Impairment charge	256,386	41,645	298,031
Operating profit before working capital changes	82,658	–	82,658

Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following management's periodic assessment of the improvement of the information presentation. As a result, certain line items within cost of sales in the statement of comprehensive income have been amended.

Comparative figures for the year ended 31 December 2020 have been adjusted to conform to the current year's presentation as follows:

In thousands of US dollars	As previously reported	Reclassification	As adjusted
Depreciation, depletion and amortisation	86,296	–	86,296
Payroll and related taxes	10,885	–	10,885
Repair, maintenance and other services	10,789	(3,072)	7,717
Management fees	4,103	–	4,103
Materials and supplies	3,974	245	4,219
Transportation services	1,908	–	1,908
Well repair and maintenance costs	–	3,360	3,360
Well workover costs	493	(493)	–
Environmental levies	114	–	114
Change in stock	7,279	–	7,279
Other	467	(40)	427
	126,308	–	126,308

4. Summary of significant accounting policies

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligations, if any.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments. All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the Partnership depreciates its oil pipeline and oil loading terminal on a straight-line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight-line method is applied.

Significant accounting judgment: oil and gas reserves

Oil and gas reserves are a material factor in the Partnership's computation of depreciation, depletion and amortisation (the "DD&A"). Management used significant accounting judgement in selecting proved developed hydrocarbon reserves for calculating the unit-of-production depletion rate, as it reflects the expected pattern of consumption of future economic benefits by the Partnership.

Significant estimates and assumptions: oil and gas reserves

The Partnership uses internal estimates to assess the oil and gas reserves of its fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "SPE") and are confirmed or audited by independent reserve engineers. All reserve estimates involve some degree of uncertainty, which depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, as well as long-term hydrocarbon pricing, which may affect classification of reserves.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Reserves estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy.

Management's estimates of the Chinarevskoye 2P (Proven plus Probable) volume as at 31 December 2021 was 34.3 mmboe requiring 12 interventions (2020: 39.0 mmboe requiring 16 interventions). The reduction was primarily due to 2021 production of 6.3 mmboe, which was offset by 1.6 mmboe increase due to better than forecasted performance of certain wells.

The field development plan assumed in the estimations did not take into account any restructuring or repayment of the Group's 2022 and 2025 bonds and ability to maintain sufficient liquidity to fund such a programme. There is no guarantee that the Partnership will be able to achieve this, which can have a material impact on the Partnership's ability to develop the remaining proven and probable reserves at Chinarevskoye. Please refer to Note 2 for further information on the Bond Restructuring.

Further downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $596 thousand in Q4 2021.

Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Partnership (see Impairment related significant judgements, estimates and assumptions for further details).

Details on carrying values of oil and gas properties and related depreciation, depletion and amortization are shown in Note 5.

In addition, provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities (see Decommissioning related significant judgements, estimates and assumptions for further details).

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Partnership and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

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

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property, plant and equipment, please refer to Note 5.

Impairment of property, plant and equipment, exploration and evaluation assets

The Partnership assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the Partnership's business plans, significant decreases in the market commodity prices, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the Partnership makes an estimate of the asset's recoverable amount. Individual assets are grouped into CGU for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

The Group's business cash flow internal model, which is approved on an annual basis by senior management, is the primary source of information for the determination of the recoverable amount. It contains forecasts for oil and gas production, sales volumes for various types of products, revenues, costs and capital expenditure. As an initial step in the preparation of this model, various assumptions are set by senior management. These assumptions take account of commodity prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing the recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate.

Significant accounting judgment: identification of cash-generating unit

Judgement is required to identify cash-generating units for the purpose of testing the assets for impairment. Management has determined a single cash-generating unit within the Partnership's non-current assets consisting of all Partnership's assets related to its Chinarevskoye field as well as facilities. This is mainly based on the fact that hydrocarbons extracted from the Chinarevskoye field are processed and passed through a combination of various facilities.

Significant estimates and assumptions: impairment of property, plant and equipment, exploration and evaluation assets

Determination as to whether, and by how much, the CGU is impaired involves management's best estimates on highly uncertain matters such as future commodity prices, operating expenses and capital expenditures estimates, discount rate, fiscal regimes, proved and probable reserves and respective future production profiles.

Based on the management assessment the recoverable amount was determined by the fair value less costs of disposal (FVLCD) of the CGU, which was higher than its value-in-use. FVLCD was based on the discounted cash flow model as no recent third-party transactions existed on which a reliable market-based fair value could be established.

The discounted cash flow model takes into consideration cashflows, which are expected to arise until 2032, i.e. during the licence term of the Chinarevskoye field, and is considered a level 3 valuation under the fair value hierarchy. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers. The model also takes into account risked-value cashflows from contingent resources on the basis a market participant would place value on these resources.

The key assumptions used in the Group's discounted cash flow model reflecting past experience and taking in account of external factors are subject to periodic review. These assumptions are:

- Oil prices (in real terms): US$72.3/bbl for 2022, US$67.6/bbl for 2023, US$67.3/bbl for 2024, US$67.2/bbl for 2025, and US$65/bbl throughout 2026-2032 (2020: US$50/bbl for 2021 and US$55/bbl for 2022-2032);
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Contingent resources as confirmed by independent reserve engineers split into risk categories for valuation purposes;
- Production profiles based on Partnership's internal estimates confirmed by independent reserve engineers;
- All cash flows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles;
- GTU spare capacity utilization – risk-weighted option value from processing under UOG contract;
- Post-tax discount rate of 8.5% (2020: 8%).

The impairment testing carried out by the Partnership has resulted in the recoverable amount exceeding the carrying amount of the Partnership's property, plant and equipment. This has primarily resulted from the upward revision of the product price assumptions, as described above. Hence, as of 31 December 2021 the Partnership recognised a reversal of the previously recognised impairment in the amount of US$74,186 thousand.

As at 31 December 2020 the Partnership recorded an impairment charge on oil and gas assets in the amount of US$291,506 thousand (restated), in addition to the US$1,301,640 thousand and US$150,000 thousand impairment charge recognized in 2019 and 2018, respectively.

The impairment reversal as at 31 December 2021 and charge as at 31 December 2020 has been allocated as follows:

In thousands of US Dollars	31 December 2021	31 December 2020 (restated)
Working oil and gas assets	59,005	258,968
Construction in progress	14,189	32,538
Other property, plant and equipment	992	6,346
	74,186	297,852
Exploration and evaluation assets	–	179
	74,186	298,031

More detailed information on carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 5.

The following table summarizes sensitivity of the recoverable amount and respective additional impairment charges that would result from changes in the key assumptions:

Key assumption	Change	Impairment sensitivity
Oil price assumption	$10/bbl	52,595
Reserves downgrade by	10.0%	79,821
Contingent resources downgrade by	10.0%	1,995
Post-tax discount rate increase by	4.0%	48,568
Operating costs increase by	10.0%	37,072

On the other hand, certain positive development like successful mitigation of reservoir risks in the future and respective changes in the drilling plans and results, with the relevant increase in 2P reserves, or increase in utilisation of the Partnership's processing facilities, could have the effect of reversing the impairment. Any reversal would be limited so that the carrying amount of the CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the CGU in prior years.

Leases

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Partnership recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance 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 Partnership and payments of penalties for terminating a lease, if the lease term reflects the Partnership exercising the option to terminate.

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

In calculating the present value of lease payments, the Partnership uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Separation of lease and non-lease components

When contracts for lease (like lease of drilling rigs and rail-tank cars) include various additional services like personnel cost, maintenance, drilling related activities, and other items, the Partnership splits such non-lease components and recognises them separately. Where the additional services are not separately priced, the consideration paid is allocated based on the relative stand-alone prices of the lease and non-lease components.

Distinguishing fixed and variable lease payment elements

Certain lease contracts include fixed rates for when the asset is in operation, and various alternative rates (like "cold-stack rates" for leases of drilling rigs) for periods where the asset is engaged in specified activities or idle, but still under contract. In general, variability in lease payments under these contracts has its basis in different use and activity levels, and the variable elements have been determined to relate to non-lease components only. Consequently, the lease components of these contractual payments are considered fixed for the purposes of IFRS 16.

Short-term leases and leases of low-value assets

The Partnership applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). 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.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Partnership establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Partnership and the tax authority.

Current income tax

Current income tax assets and liabilities 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 apply to the relevant taxable income.

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

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax 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.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

For more detailed information on current and deferred income tax disclosure as at 31 December 2021 and 2020, please see Note 24.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting judgment: 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. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021.

The Partnership is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for taxes for which it is considered probable will be payable, based on professional advice and consideration of the nature of current discussions with the tax authority.

As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information, see Note 24.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash. The functional currency of the Partnership is the United States dollar (the "US dollar" or "US$").

Transactions in foreign currencies are initially recorded by the Partnership at their respective functional currency rates prevailing at the date of the transaction. 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 are taken to the profit or loss. 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 items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing costs

The Partnership capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Partnership's borrowings that are outstanding during the period. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 5.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Partnership as non-current assets and are not discounted.

For more detailed information in relation to advances for non-current assets, please refer to Note 7.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

For more information in relation to the breakdown of inventories as at 31 December 2021 and 2020, please see Note 8.

Other current liabilities

The Partnership makes accruals for liabilities related to the underperformance and/or adjustments of work programs under subsoil use agreements (SUA) on a regular basis. When evaluating the adequacy of an accrual, management bases its estimates on the latest work program included in the SUA, and relevant signed supplements and potential future changes in payment terms (including the currency in which these liabilities are to be settled).

Future changes in the work programs may require adjustments to the accrual recorded in the financial statements.

Provisions and contingencies

Provisions are recognised when the Partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Partnership at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Partnership classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Partnership does not recognise contingent liabilities but discloses contingent liabilities in Note 26, unless the possibility of an outflow of resources embodying economic benefits is remote.

Significant accounting judgment: provisions and contingencies

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

Significant management judgment is required to evaluate any claims and actions to determine whether a provision relating to a specific litigation should be recognized or revised, or a contingent liability is required to be disclosed, since the outcome of litigation is difficult to predict.

Decommissioning

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

The Partnership estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation at current year prices discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to liability.

The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

The Partnership reviews site restoration provisions at each financial reporting date and adjusts them to reflect current best estimates in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

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

Movements in the abandonment and site restoration provision are disclosed in Note 13.

Significant estimates and assumptions: provisions and contingencies

The Partnership holds provision for the future decommissioning of oil and gas properties and site restoration. The estimation of the future dismantlement and site restoration costs involves use of significant estimates and assumptions by management, specifically for determining the timing of the future cash outflows and discount rate.

Management made its estimates based on the assumption that cash flow will take place at the expected end of the subsoil use rights. Therefore, the most decommissioning events are many years in the future and the precise date of wells abandonment and site restoration may change with the relative impact on the cash outflows. Management of the Partnership believes that the long-term US treasury real yield curve rates adjusted for country risk premium of Kazakhstan provides the best estimates of applicable real discount rate. Any changes in the expected future costs are reflected in both the provision and the asset. Moreover, actual decommissioning costs can differ from estimates because of constantly changing decommissioning technologies as well as changes in environmental laws and regulations and public expectations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. For more details on abandonment and site restoration provision please refer to Note 13.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Partnership determines the classification of its financial assets at initial recognition.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Partnership's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Partnership 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 (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

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

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

The Partnership's financial assets at amortised cost include cash, long-term and short-term deposits, trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Partnership 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 Partnership has transferred substantially all the risks and rewards of the asset, or (b) the Partnership has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Partnership has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Partnership continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Partnership 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 Partnership has retained.

Impairment of financial assets

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

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

For trade receivables and contract assets, the Partnership applies a simplified approach in calculating ECLs. Therefore, the Partnership does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

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

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

The Partnership's financial liabilities include trade and other payables, long-term borrowings and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Partnership that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial liabilities at amortised cost (loans and borrowings)

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

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

This category generally applies to interest-bearing borrowings. For more information, refer to Note 12.

Derecognition

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

Offsetting of financial instruments

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

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Partnership and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations or as required by the forbearance agreement.

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

For more detailed information in relation to cash and cash equivalents as at 31 December 2021 and 2020, please see Note 11.

Revenue recognition

The Partnership sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Partnership sells gas under agreements at fixed prices.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer. For sales of crude oil, gas condensate and LPG, this generally occurs when the product is physically transferred into a vessel, pipe, railcar, trucks or other delivery mechanism; for sales of gas, it is when the product is physically transferred into a pipe.

The Partnership has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

5. Property, plant and equipment

As at 31 December 2021 and 31 December 2020 property, plant and equipment comprised the following:

In thousands of US Dollars	31 December 2021	31 December 2020 (restated)*
Oil and gas properties	313,644	291,365
Other property, plant and equipment	6,506	6,396
	320,150	297,761

Oil and gas properties

The category "Oil and Gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2021 and 2020 was as follows:

In thousands of US Dollars	Working assets	Construction in progress	Total
Balance at 1 January 2020, net of accumulated depreciation, depletion and impairment	594,237	54,258	648,495
Additions	1,641	16,511	18,152
Transfers	68,971	(68,971)	–
Disposals	(144)	–	(144)
Disposals depreciation	127	–	127
Depreciation and depletion charge	(83,878)	–	(83,878)
Impairment transfer	(60,923)	61,042	119
Impairment charge	(258,968)	(32,538)	(291,506)
Balance at 31 December 2020, net of accumulated depreciation, depletion and impairment (restated)	261,063	30,302	291,365
Additions	992	7,841	8,833
Transfers	7,664	(6,882)	782
Disposals	(558)	(5,025)	(5,583)
Disposals depreciation	506	–	506
Depreciation and depletion charge	(55,453)	–	(55,453)
Impairment transfer	(4,033)	4,033	–
Impairment charge	59,005	14,189	73,194
Balance at 31 December 2021, net of accumulated depreciation, depletion and impairment	269,186	44,458	313,644
As at 31 December 2019			
Cost	2,883,423	167,684	3,051,107
Accumulated depreciation and depletion	(2,289,186)	(113,426)	(2,402,612)
Balance, net of accumulated depreciation, depletion and impairment	594,237	54,258	648,495
As at 31 December 2020			
Cost	2,953,891	116,800	3,070,691
Accumulated depreciation and depletion	(2,692,828)	(86,498)	(2,779,326)
Balance, net of accumulated depreciation, depletion and impairment (restated)	261,063	30,302	291,365
As at 31 December 2021			
Cost	2,961,989	112,734	3,074,723
Accumulated depreciation and depletion	(2,692,803)	(68,276)	(2,761,079)
Balance, net of accumulated depreciation, depletion and impairment	269,186	44,458	313,644

The category "Construction in progress" is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 24.71% and 12.02% in 2021 and 2020, respectively.

The Partnership engaged independent petroleum engineers to perform a reserves evaluation as at 31 December 2021. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the discount rate used to determine the abandonment and site restoration provision (Note 13) in the year ended 31 December 2021 resulted in the increase of the oil and gas properties by US$112 thousand (31 December 2020: an increase of US$1,537 thousand). The Partnership incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	31 December 2021	31 December 2020
Borrowing costs including amortisation of arrangement fee	(96,779)	(102,877)
Capitalisation rate	8.44%	9.26%
Capitalised borrowing costs	219	426

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other property, plant and equipment

In thousands of US Dollars	Buildings	Machinery & equipment	Vehicles	Others	Total
Balance at 1 January 2020, net of accumulated depreciation, depletion and impairment	8,203	1,163	166	3,158	12,690
Additions	8	1,035	–	441	1,484
Transfers	28	(47)	–	19	–
Disposals	(385)	(249)	–	(260)	(894)
Disposals depreciation	376	242	–	232	850
Depreciation	(782)	(188)	(23)	(276)	(1,269)
Impairment reallocation	(2,439)	754	(41)	1,607	(119)
Impairment charge	(3,954)	(837)	(61)	(1,494)	(6,346)
Balance at 31 December 2020, net of accumulated depreciation and impairment (restated)	1,055	1,873	41	3,427	6,396
Additions	–	(25)	–	454	429
Transfers	21	297	–	(1,100)	(782)
Disposals	(12)	(186)	–	(428)	(626)
Disposals depreciation	12	181	–	166	359
Depreciation	(66)	(49)	(5)	(142)	(262)
Impairment charge	992	–	–	–	992
Balance at 31 December 2021, net of accumulated depreciation and impairment	2,002	2,091	36	2,377	6,506
As at 31 December 2019					
Cost	49,598	20,931	1,551	18,239	90,319
Accumulated depreciation	(41,395)	(19,768)	(1,385)	(15,081)	(77,629)
Balance, net of accumulated depreciation and impairment	8,203	1,163	166	3,158	12,690
As at 31 December 2020					
Cost	49,249	21,670	1,551	18,439	90,909
Accumulated depreciation	(48,194)	(19,797)	(1,510)	(15,012)	(84,513)
Balance, net of accumulated depreciation and impairment (restated)	1,055	1,873	41	3,427	6,396
As at 31 December 2021					
Cost	49,258	21,756	1,551	17,365	89,930
Accumulated depreciation	(47,256)	(19,665)	(1,515)	(14,988)	(83,424)
Balance, net of accumulated depreciation and impairment	2,002	2,091	36	2,377	6,506

6. Right-of-use assets

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 31 December 2019, net of accumulated depreciation	3,183	3,692	6,875
Modification of lease agreements	2,370	(1,857)	513
Depreciation	(2,883)	(1,750)	(4,633)
Balance at 31 December 2020, net of accumulated depreciation	2,670	85	2,755
Modification of lease agreements	(955)	–	(955)
Termination of lease agreements	(170)	(69)	(239)
Depreciation	(1,545)	(16)	(1,561)
Balance at 31 December 2021, net of accumulated depreciation	–	–	–
As at 31 December 2019			
Cost	7,643	7,339	14,982
Accumulated depreciation	(4,460)	(3,647)	(8,107)
Balance, net of accumulated depreciation	3,183	3,692	6,875
As at 31 December 2020			
Cost	2,670	698	3,368
Accumulated depreciation	–	(613)	(613)
Balance, net of accumulated depreciation	2,670	85	2,755
As at 31 December 2021			
Cost	–	–	–
Accumulated depreciation	–	–	–
Balance, net of accumulated depreciation	–	–	–

The right-of-use assets are recognized for leases of vehicles and railway cars based on the amount equal to the lease liabilities.

7. Advances for non-current assets

As at 31 December 2021 and 31 December 2020 advances for non-current assets comprised the following:

In thousands of US Dollars	31 December 2021	31 December 2020
Advances for construction services	359	480
Advances for pipes and construction materials	1,059	110
	1,418	590

8. Inventories

As at 31 December 2021 and 31 December 2020 inventories comprised the following:

In thousands of US Dollars	31 December 2021	31 December 2020
Spare parts and other inventories	26,707	23,735
Gas condensate	4,310	2,907
Crude oil	306	2,018
LPG	57	69
Dry Gas	–	63
Sulphur	7	13
	31,387	28,805

As at 31 December 2021 and 31 December 2020 inventories are carried at cost.

9. Prepayments and other current assets

As at 31 December 2021 and 31 December 2020 prepayments and other current assets comprised the following:

In thousands of US Dollars	31 December 2021	31 December 2020
VAT receivable	4,511	4,521
Advances paid	1,860	2,781
Other taxes receivable	1,675	1,502
Other	246	376
	8,292	9,180

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2021 the impaired advances paid amounted to US$41 thousand (31 December 2020: zero). In 2020 the advances paid in amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the years ended 31 December 2021 and 2020.

10. Trade receivables

As at 31 December 2021 and 31 December 2020 trade receivables were not interest-bearing and were mainly denominated in US Dollars and Tenge. Their average collection period is 30 days.

As at 31 December 2021 and 31 December 2020 there were neither past due nor impaired trade receivables. Based on the assessments made, the Partnership concluded that no provision for expected credit losses should be recognized as at 31 December 2021 and 31 December 2020.

11. Cash and cash equivalents

In thousands of US Dollars	31 December 2021	31 December 2020
Current accounts in US Dollars	48,186	9,980
Current accounts in Tenge	5,539	2,527
Petty cash	8	4
	53,733	12,511

NOTES TO THE FINANCIAL STATEMENTS (continued)

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as a liquidation fund deposit for US$47 thousand with Sberbank in Kazakhstan and US$7,719 thousand with Halyk bank (31 December 2020: US$446 thousand and US$7,267 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

12. Borrowings

Borrowings are comprised of the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	31 December 2021	31 December 2020
Notes issued in 2012 and maturing 2033	559,937	559,820
Notes issued in 2014 and maturing in 2033	399,581	399,472
Nostrum Oil & Gas Finance B.V.	207,523	186,812
	1,167,041	1,146,104
Less amounts due within 12 months	(11,537)	(11,125)
Amounts due after 12 months	1,155,504	1,134,979

2012 and 2014 Notes

On 13 November 2012, Zhaikmunai International B.V. issued US$560,000 thousand notes (the "2012 Notes"). On 24 April 2013 Zhaikmunai LLP replaced Zhaikmunai International B.V. as issuer of the 2012 Notes and assumed all of the obligations of the issuer under the 2012 Notes.

On 14 February 2014, Nostrum Oil & Gas Finance B.V., a subsidiary of Nostrum Oil & Gas PLC, issued US$400,000 thousand notes (the "2014 Notes"). On 6 May 2014, Zhaikmunai replaced Nostrum Oil & Gas Finance B.V. as issuer of the 2014 Notes and assumed all of the obligations of the issuer under the 2014 Notes.

On 25 July 2017, Nostrum Oil & Gas Finance B.V. (the "2017 Issuer") issued US$725,000 thousand notes (the "2017 Notes"). The issue of the 2017 Notes was used primarily to fund the purchases from bondholders US$390,884 thousand in principal amount of the outstanding 2012 Notes and US$215,924 thousand in principal amount of the outstanding 2014 Notes.

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2018 Issuer") issued US$400,000 thousand notes (the "2018 Notes"). On 17 February 2018, the outstanding 2012 Notes and the 2014 Notes held by persons other than Nostrum Oil & Gas PLC and its subsidiaries were purchased from the bondholders by Nostrum Oil & Gas Finance B.V.

On 2 May 2018, certain amendments to the terms and conditions of the 2012 and 2014 Notes became effective, whereby the interest rate on the 2012 and 2014 Notes was changed to 9.5%, being effective from 19 February 2018. The maturity dates of the 2012 and 2014 were moved to 25 June 2033 and 14 January 2033, respectively.

Interest on the 2012 and 2014 Notes is payable on 14 June and 14 December of each year.

Guarantee of 2017 Notes

The 2017 Notes are jointly and severally guaranteed on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V.

As at 25 July 2017, the Partnership recognised the granted guarantee liability at the fair value of US$5,177 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2017 Issuer. The present value of the estimated guarantee premium is discounted by the 2017 Notes' interest rate. During the year ended 31 December 2021, the Partnership recognised guarantee gain in the amount of US$1,143 thousand and the outstanding balance as at 31 December 2021 of the guarantee, both current and non-current totaled US$686 thousand (31 December 2020: US$1,829 thousand).

Guarantee of 2018 Notes

The 2018 Notes are jointly and severally guaranteed on a senior basis by Zhaikmunai LLP, Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V.

As at 16 February 2018, the Partnership recognised the granted guarantee liability at the fair value of US$2,057 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2018 Issuer. The present value of the estimated guarantee premium is discounted by the 2018 Notes' interest rate. During the year ended 31 December 2021, the Partnership recognized guarantee gain in the amount of US$288 thousand and the outstanding balance of the guarantee as at 31 December 2021, both current and non-current totaled US$1,037 thousand (31 December 2020: US$1,324 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans due to Nostrum Oil & Gas B.V.

On 1 July 2008 the Partnership signed a loan agreement with Nostrum Oil & Gas B.V. (previously Frans van der Schoot B.V. and Zhaikmunai Netherlands BV) under which the latter provided the Partnership with a US$90,276 thousand loan at an annual interest rate of two times LIBOR.

On 15 September 2009 Frans van der Schoot B.V. provided an additional loan of US$261,650 thousand at then prevailing interest rate of 2.6% per year.

Subsequently, the interest rate was changed to 6.625% and the maturity date was moved to 31 December 2032.

With effect from 1 October 2019, under the intra-group loan agreement, the rights in respect of outstanding nominal amounts and unpaid interest were transferred from Nostrum Oil & Gas B.V. to Nostrum Oil & Gas Finance B.V.

Effective 1 May 2021, the interest rate was changed to 2.8%. Effective 14 July 2021, the interest rate of the intra-group loan with Nostrum Oil & Gas Finance B.V. was changed to 2.8% in respect of interest periods starting on or after 1 May 2020. The modification of the loan resulted in gain amounted to US$4,896 thousand recognised as part of finance costs in 2021.

The outstanding balance of the loan as at 31 December 2021 has an interest rate of 2.8% (31 December 2020: 6.625%).

Changes in borrowings arising from financing activities are as follows:

In thousands of US Dollars	1 January 2021	Cash inflows	Cash outflows	Borrowing costs including amortisation of arrange-ment fees	Finance charges under leases	Modification and termination of leases	Other	31 December 2021
Long-term borrowings	1,134,979	20,300	–	225	–	–	–	1,155,504
Current portion of long-term borrowings	11,125	–	(91,200)	96,018	–	–	(4,406)	11,537
Long-term lease liability	35	–	–	–	–	–	(35)	–
Current portion of long-term lease liability	2,790	–	(1,732)	–	157	(1,250)	35	–
	1,148,929	20,300	(92,932)	96,243	157	(1,250)	(4,406)	1,167,041

In thousands of US Dollars	1 January 2020	Cash inflows	Cash outflows	Borrowing costs including amortisation of arrange-ment fees	Finance charges under leases	Modification and termination of leases	Other	31 December 2020
Long-term borrowings	1,100,573	34,200	–	206	–	–	–	1,134,979
Current portion of long-term borrowings	4,013	–	(94,770)	102,672	–	–	(790)	11,125
Long-term lease liability	641	–	–	–	354	513	(1,473)	35
Current portion of long-term lease liability	6,735	–	(5,418)	–	–	–	1,473	2,790
	1,111,962	34,200	(100,188)	102,878	354	513	(790)	1,148,929

13. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2021 and 2020 is as follows:

In thousands of US Dollars	2021	2020
Abandonment and site restoration provision as at 1 January	28,936	27,502
Unwinding of discount	276	158
Additional provision	85	115
Provision disposed	(401)	(376)
Change in estimates	112	1,537
Abandonment and site restoration provision as at 31 December	29,008	28,936

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2032. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The discount rate used to determine the abandonment and site restoration provision at 31 December 2021 was 0.92%, respectively (31 December 2020: 0.98%).

The change in the long-term inflation rate and discount rate in the year ended 31 December 2021 resulted in the increase of the abandonment and site restoration provision by US$112 thousand (31 December 2020: US$1,537 thousand).

14. Due to government of Kazakhstan

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Partnership to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$258 thousand until 26 May 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2021 and 31 December 2020 is as follows:

In thousands of US Dollars	2021	2020
Due to Government of Kazakhstan as at 1 January	5,863	6,101
Unwinding of discount	762	793
Paid during the year	(1,031)	(1,031)
	5,594	5,863
Less: current portion of due to Government of Kazakhstan	(1,031)	(1,031)
Due to Government of Kazakhstan as at 31 December	4,563	4,832

15. Trade payables

Trade payables comprise the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	31 December 2021	31 December 2020
Tenge denominated trade payables	5,873	4,295
US Dollar denominated trade payables	597	1,776
Russian Rouble denominated trade payables	122	6
Euro denominated trade payables	118	2,023
	6,710	8,100

16. Other current liabilities

Other current liabilities comprise the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	31 December 2021	31 December 2020
Training obligations accrual	8,684	10,088
Other accruals	5,425	3,026
Tax accruals and payables, including corporate income tax	3,922	7,238
Due to employees	1,701	1,548
Accruals under the subsoil use agreements	–	993
Other current liabilities	701	548
	20,433	23,441

Accruals under subsoil use agreements were derecognised upon disposal of the Rostoshinskoye field in September 2020 (Note 1).

Other current financial liabilities amounted to US$14,307 thousand as at 31 December 2021 (31 December 2020: US$16,087 thousand).

17. Revenue

In thousands of US Dollars	2021	2020
Revenue from oil and gas condensate sales	150,290	123,861
Revenue from gas and LPG sales	44,978	52,078
Revenue from sulphur sales	17	–
	195,285	175,939

The pricing for all of the Partnership's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price the year ended 31 December 2021 was US$71.0 (2020: US$43.2).

During the year ended 31 December 2021 the revenue from sales to three major customers amounted to US$143,054 thousand, US$18,207 thousand and US$8,704 thousand respectively (2020: US$118,861 thousand, US$29,748 thousand and US$7,386 thousand respectively). The Partnership's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

18. Cost of sales

In thousands of US Dollars	2021	2020
Depreciation, depletion and amortisation	55,569	86,296
Payroll and related taxes	11,356	10,885
Repair, maintenance and other services	6,436	7,717
Materials and supplies	4,561	4,219
Management fees	3,419	4,103
Well repair and maintenance costs	2,726	3,360
Transportation services	2,559	1,908
Environmental levies	201	114
Change in stock	402	7,279
Other	655	427
	87,884	126,308

Certain reclassifications have been made to the prior year's disclosure of the cost of sales to enhance comparability with the current year's financial statements, please refer to Note 3 for more detail.

19. General and administrative expenses

In thousands of US Dollars	2021	2020
Payroll and related taxes	2,866	2,734
Management fees	1,343	1,620
Professional services	665	869
Insurance fees	238	465
Communication	182	183
Depreciation and amortisation	146	483
Materials and supplies	144	139
Business travel	90	66
Bank charges	50	53
Other	153	280
	5,877	6,892

20. Selling and transportation expenses

In thousands of US Dollars	2021	2020
Transportation costs	9,545	12,760
Loading and storage costs	6,869	8,813
Marketing services	2,690	4,260
Depreciation	1,556	2,881
Payroll and related taxes	1,135	1,077
Other	1,409	1,359
	23,204	31,150

21. Taxes other than income tax

In thousands of US Dollars	2021	2020
Export customs duty	7,655	5,017
Royalties	7,786	7,016
Government profit share	1,628	2,044
Other taxes	12	35
	17,081	14,112

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations and temporary warehousing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Finance costs

In thousands of US Dollars	2021	2020
Interest expense on borrowings	96,560	102,451
Unwinding of discount on amounts due to Government of Kazakhstan	762	793
Unwinding of discount on abandonment and site restoration provision	276	158
Finance charges under lease liability	157	354
Gain on modification of the loan	(4,896)	–
	92,859	103,756

23. Other expenses and other income

For the year ended 31 December 2021 and 2020 other expenses comprise the following:

In thousands of US Dollars	2021	2020
Other taxes and penalties	2,613	3,820
Training	505	890
Loss on disposal of property, plant and equipment	58	521
Social program	312	337
Currency converting	135	196
Accruals under subsoil use agreements	–	113
Loss on disposal and impairment of inventories	–	392
Sponsorship	26	–
Other	345	616
	3,994	6,885

For the year ended 31 December 2021 and 2020 other income comprise the following:

In thousands of US Dollars	2021	2020
Compensation for damages	1,549	–
Reversals of training accruals	1,490	950
Finance guarantee income	1,431	1,328
Reversals of other accruals	1,244	1,033
Disposal of exporation assets	749	754
Catering and accommodation	218	95
Currency conversion	78	169
Other	356	1,175
Insurance compensation	162	116
	7,277	5,620

24. Income tax

The income tax expense/(benefit) comprised the following:

In thousands of US Dollars	2021	2020
Deferred income tax expense/(benefit)	32,885	(40,924)
Corporate income tax expense	594	596
Adjustment in respect of the current income tax for the prior periods	584	(457)
Total income tax expense/(benefit)	34,063	(40,785)

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Partnership's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US Dollars	2021	2020 (restated)
Profit/(loss) before income tax	45,866	(406,445)
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	13,760	(121,934)
Effect of exchange rate on the tax base	2,630	15,653
Adjustments in respect of current income tax of previous years	584	(458)
Non-deductible interest expense on borrowings	23,313	27,798
Non-deductible penalties	784	932
Tax losses assets (recovered) / not recognised	(7,782)	7,782
Net foreign exchange gain	94	337
Previous period tax base adjustment	–	28,429
Financial guarantee income	(429)	(398)
Other non-deductible expenses	1,109	1,074
Income tax expenses/(benefit) reported in the financial statements	34,063	(40,785)

The Partnership's effective tax rate for the year ended 31 December 2021 is 158.5% (2020: negative 10.1%). The Partnership's effective tax rate, excluding effect of movements in exchange rates, non-deductible interest expense on borrowings and impairment, for the year ended 31 December 2021 is 39.5% (2020: 22.6%).

Deferred tax liability is calculated by applying the Kazakhstani statutory tax rate applicable to the Chinarevskoye subsoil use rights to the temporary differences between the tax amounts and the amounts reported in the financial statements and are comprised of the following:

In thousands of US Dollars	2021	2020
Deferred tax asset		
Accounts payable and provisions	4,190	3,778
Deferred tax liability		
Property, plant and equipment	(33,820)	7,015
Inventories	(3,255)	(3,011)
Net deferred tax (liability)/asset	(32,885)	7,782
Unrecognized deferred tax asset	–	(7,782)
	(32,885)	–

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	31 December 2021	31 December 2020
Balance as at 1 January	–	40,924
Current period charge to statement of comprehensive income	32,885	(40,924)
Balance as at 31 December	32,885	–

25. Related party transactions

For the purpose of these financial statements transactions with related parties mainly comprise transactions between the Partnership and the participants and/or the subsidiaries or associated companies of the Nostrum Oil & Gas Group.

Accounts payable to and borrowings from related parties as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	31 December 2021	31 December 2020
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	207,523	186,812
Trade payables		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	227	236
Under common control:		
Nostrum Services N.V.	467	263

During the years ended 31 December 2021 and 2020 the Partnership had the following transactions with related parties:

In thousands of US Dollars	2021	2020
Received borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	20,300	34,200
Interest paid		
Under common control:		
Nostrum Oil & Gas Finance B.V.	–	3,213
Purchases		
Under common control:		
Nostrum Services N.V.	5,329	6,680

On 28 July 2014 the Partnership entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Partnership's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014, the "Construction Contract").

The Contractor is an affiliate of Steppe Resources Investments FZE and FRASELI Investments S.à r.l., each of which as at 31 December 2021 owned approximately 8.56% of the ordinary shares of Nostrum Oil & Gas PLC.

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership and Nostrum Services Central Asia LLP and Nostrum Services N.V. related to the rendering of geological, geophysical, drilling, technical and other consultancy services. Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$1,658 thousand for the year ended 31 December 2021 (2020: US$1,341 thousand). Other key management personnel were employed and paid by Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

26. Contingent liabilities and commitments

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. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021. As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Partnership may incur future costs, the amount of which is currently indeterminable. Such costs, when known, will be provided for as new information, legislation and estimates evolve.

Environmental obligations

The Partnership may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Partnership may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation.

However, depending on any unfavourable court decisions with respect to any claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Partnership's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at 31 December 2021, the Partnership had contractual capital commitments in the amount of $10,029 thousand (31 December 2020: US$6,167 thousand), mainly in respect to the Partnership's oil field development activities.

Social and education commitments

As required by the Contract (after its amendment on 2 September 2019), the Partnership is obliged to:

- Spend US$300 thousand per annum to finance social infrastructure;
- Make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and
- Adhere to a spending schedule on education which lasts until (and including) 2020.

Domestic oil sales

In accordance with Supplement No. 7 to the Contract, the Partnership is required to deliver at least 15% of produced oil to the domestic market on a monthly basis for which prices are materially lower than export prices.

27. Financial risk management objectives and policies

The Partnership's principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations as well as exploration of the Rostoshinskoye field. The Partnership's financial assets consist of trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Partnership is exposed to commodity price risk, foreign currency risk, liquidity risk and credit risk. The Partnership's senior management oversees the management of these risks. The Partnership's senior management ensures that the v's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Partnership's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

Commodity price risk

The Partnership is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Partnership prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Partnership is not exposed to interest rate risk in 2021 and 2020 as the Partnership had no financial instruments with floating rates as at years ended 31 December 2021 and 2020.

Foreign currency risk

As a significant portion of the Partnership's operation is the tenge denominated, the Partnership's statement of financial position can be affected by movements in the US dollar / tenge exchange rates. The Partnership mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. A devaluation of Tenge against US dollar by 13% would lead to decrease in the net Tenge liability position by US$1,305 as of 31 December 2021 and respective reduction of the loss before income tax for the year ended 31 December 2021. The impact on equity is the same as the impact on profit before tax.

	Change in Tenge to US Dollar exchange rate	Effect on profit before tax
2021		
US Dollar thousand	13.00%	(1,305)
US Dollar thousand	(10.00)%	1,004
2020		
US Dollar thousand	14.00%	(1,924)
US Dollar thousand	(11.00)%	1,512

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Partnership's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2021	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	5,547	–	–	–	5,547
Trade receivables	1,531	–	–	–	1,531
Trade payables	(5,873)	(122)	(118)	–	(6,113)
Other current liabilities	(11,247)	–	–	–	(11,247)
	(10,042)	(122)	(118)	–	(10,282)

As at 31 December 2020	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	2,531	–	–	–	2,531
Trade receivables	877	–	–	–	877
Trade payables	(4,295)	(6)	(2,023)	–	(6,324)
Other current liabilities	(12,904)	–	–	–	(12,904)
	(13,742)	(8)	(2,070)	–	(15,820)

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Partnership monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Partnership's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, export financing and leases.

The Partnership's total outstanding debt consists of US$200,000 thousand of loan due to Nostrum Oil & Gas Finance B.V. and two notes: US$560 million issued in 2012 and maturing on 25 June 2033 and US$400 million issued in 2014 and maturing on 14 January 2033.

As of 31 December 2021, the current amount of the financial liabilities of the Partnership amounted to US$1,195,375 thousand (31 December 2020: US$1,179,307 thousand).

The table below summarizes the maturity profile of the Partnership's financial liabilities at 31 December 2021 and 31 December 2020 based on contractual undiscounted payments:

As at 31 December 2021	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	–	91,200	394,723	1,538,827	2,024,750
Finance guarantee	–	–	725,000	400,000	–	1,125,000
Trade payables	6,164	–	546	–	–	6,710
Other current liabilities	14,307	–	–	–	–	14,307
Due to Government of Kazakhstan	–	258	773	4,124	4,381	9,536
	20,471	258	817,519	798,847	1,543,208	3,180,303

As at 31 December 2020	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	7,112	27,536	79,583	556,405	1,625,739	2,296,375
Finance guarantee	–	–	–	1,125,000	–	1,125,000
Lease liability	–	760	2,279	40	–	3,079
Trade payables	7,372	–	728	–	–	8,100
Other current liabilities	16,087	–	–	–	–	16,087
Due to Government of Kazakhstan	–	258	773	4,124	5,412	10,567
	30,571	28,554	83,363	1,685,569	1,631,151	3,459,208

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Partnership is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

The Partnership places its Tenge denominated cash with Halyk, which had a credit rating of Ba2 from Moody's rating agency and Citibank, which had a credit rating of Aa3 from Moody's rating agency at 31 December 2020. The Partnership does not guarantee obligations of other parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Partnership sells its products and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Partnership's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low. Also, the Partnership's policy is to mitigate the payment risk on its off-takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Partnership does not hold collateral as security. The Partnership evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Fair values of financial instruments

Set out below, is a comparison by class of the carrying amounts and fair value of the Partnership's financial instruments, other than those with carrying amounts reasonably approximating their fair values:

Management assessed that cash and cash equivalents, current investments, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The table below presents carrying amounts and fair values of financial liabilities measured at amortised cost:

	Carrying amount		Fair value	
In thousands of US Dollars	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities measured at amortised cost				
Interest bearing borrowings	(1,167,041)	(1,146,104)	(466,228)	(417,212)
Finance guarantee	(1,581)	(3,153)	(1,723)	(3,153)
Lease liability	–	(2,825)	–	(2,825)
Total	(1,168,622)	(1,152,082)	(467,951)	(423,190)

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

During the years ended 31 December 2021 and 2020 there were no transfers between the levels of fair value hierarchy of the Partnership's financial instruments.

Capital management

For the purpose of the Partnership's capital management, capital includes Partnership capital, other reserves and accumulated losses. The primary objective of the Partnership's capital management is to maximise the value of the Partnership's Participant.

The Partnership's focus was on maintaining short-term liquidity and preserving cash. Successful cost optimisation programme, favourable hydrocarbon pricing and forbearance of making interest payments during 2020 and 2021 enabled the Partnership to grow its unrestricted cash balances to the level of US$53,733 thousand as at 31 December 2021. After successful implementation of restructuring, the Group and therefore the Partnership intend to revise and evolve its capital management policy in line with new requirements.

28. Events after the reporting period

Lock-up agreement accession

On 18 January 2022, the Group announced that following the original accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes.

2022 supplemental indentures

As part of the restructuring implementation plan, on 7 February 2022, the Group announced receipt of required consents in respect of solicitation and provided update on Lock-Up Agreement Accessions relating to the 2022 Notes and 2025 Notes.

The Group solicited consents to the Proposed Amendments in order to facilitate the implementation of a scheme of arrangement or a restructuring plan by helping to establish a sufficient connection with England, such that the High Court of England and Wales will accept jurisdiction with respect to the scheme of arrangement or the restructuring plan. Holders were not offered a consent payment to vote in favour of the Proposed Amendments. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes have provided consents. Holders can no longer revoke their consents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Shareholder Circular and General Meeting Vote

On 13 April 2022, the Company issued a Circular and gave notice convening a General Meeting of its shareholders on 29 April 2022, at which shareholders voted on the terms of the restructuring (the "Restructuring Resolution"). The Circular and General Meeting also included a resolution to vote in favour of the Related Party Transactions with ICU in respect of new ordinary shares being issued to ICU pursuant to the restructuring – only independent shareholders (excluding ICU) are required to vote on this specific resolution (the "RPT Resolution").

At the General Meeting, 99.99% voted for the implementation of the restructuring which means the restructuring will proceed under a UK scheme of arrangement under Part 26 of the Companies Act 2006. Further, 99.89% voted in favour of the RPT Resolution, allowing ICU as a related party to receive the issuance of new securities under the scheme.

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding. Given geographical position of the Partnership, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions impacted upon on it, the country is connected to Russia through infrastructure, banking, and other business links. The Partnership currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Partnership contracts with a limited number of Russian service companies. The Partnership will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if it is foresee that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct ordinary course of business.

Political and civil unrest in the Republic of Kazakhstan

In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan that culminated in significant loss of life, arrests and property damage and resulted in a state of emergency being declared and military units from surrounding former CIS countries being called in to assist the local security forces. During this period no Partnership employees were harmed and we experienced no disruptions to our operations in the field or at the head office.

Such political and civil unrest and the occurrence of any such factors could result in new regulatory requirements that can be onerous and expensive, and other related changes that could have a material and adverse effect on the Partnership's business, results of operations, financial condition and prospects.