Independent auditor's report to the members of Nostrum Oil and Gas PLC

Opinion

In our opinion:

- Nostrum Oil & Gas PLC's group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nostrum Oil & Gas PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated statement of financial position	Parent Company statement of financial position
Consolidated statement of comprehensive income	
Consolidated statement of cash flows	Parent Company statement of cash flows
Consolidated statement of changes in equity	Parent Company statement of changes in equity
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 15 to the Parent Company financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

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 highlights that the following milestones, that are largely outside of the Group's control, need to be achieved for the Group to successfully complete the restructuring of the Group's Existing Notes:

- 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 Court sanctioning the UK scheme of arrangement.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report on page 67, which indicates that an assumption to the statement of viability is that the Group's Notes are successfully restructured on the terms consistent with the Lock-up Agreement. The directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the Group and Parent Company should these events not complete. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Determining if the directors' process was sufficiently rigorous to make the going concern assessment;
- Obtaining the directors' going concern assessment, including the cash flow forecast for the going concern period to 30 June 2023. The directors have modelled a number of adverse scenarios in order to incorporate unexpected changes to the forecast liquidity of the Group. We evaluated the sufficiency of the sensitivities performed, in particular whether the adverse scenarios met the severe but plausible test;

- Auditing the key factors and assumptions adopted in the assessment of going concern and the cash flow model, including considering whether management had exercised any bias in selecting their assumptions, by comparing against past performance and available market data;
- Assessing the appropriateness of the method used to calculate the cash flow forecast. We tested the methodology and calculations;
- Checking the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including the oil and gas asset impairment test;
- Assessing the directors' ability to restructure the Group's Notes. We engaged our Restructuring Specialists to support us in this evaluation. We:
  - Understood the status and expected outcome of the directors' efforts to restructure the Group's Notes and critically examined the implication on the Group's ability to continue as a going concern;
  - Performed direct inquiries of the Group's financial and legal advisor to corroborate management's assertions around the restructuring plan; to understand the approvals that will be required; and to understand the key risks to the execution of the restructuring. We challenged the likelihood that a restructuring could be achieved;
  - Following the Company's General Meeting on 29 April 2022, where shareholders voted in favour of the Restructuring Resolutions, we obtained evidence of the outcome of the General Meeting. We also performed further inquiries of the Group's financial and legal advisors, and those charged with governance, to verify that no further execution risks had arisen;
  - Reviewed the Forbearance Agreement to understand the terms under which the Noteholders agreed to forbear certain rights and remedies under the bond indentures and verified that the Group were in compliance with these conditions;
  - Reviewed the Lock-up Agreement to understand the restructuring terms agreed with Noteholders. Through inquiries of the Group's financial and legal advisors, and consultation with our Restructuring Specialists, we considered the sustainability of these terms and the likelihood that a restructuring would be executed in this form and approved by the relevant stakeholders; and
  - Understood the proposed corporate governance arrangements and cashflow management mechanism that will be implemented after executing the restructuring. Through reviewing the terms of the Lock-up Agreement and inquiries of the Group's legal advisors we assessed the Group's ability to access cash in the Blocked Account.
- Considering the results of the reverse stress test in order to identify what factors would lead to the Group utilising all liquidity during the going concern period. We assessed the likelihood of these factors in the context of the outlook for commodity prices and against historic market lows as well as our own industry experience;
- Challenging the impact of the Russia/Ukraine war on the going concern conclusion, including whether this threatened the Group's ability to achieve forecast production and cash flows, whether there had been a loss of suppliers or customers, or whether sanctions inhibited the Group's ability to execute the restructuring; and;
- Considering whether management's disclosures in the Annual Report and Accounts were appropriate, including those in relation to the material uncertainty in respect of the going concern conclusion, through consideration of the relevant disclosure standards and our understanding of the bond restructuring process.

Going concern has also been determined to be a key audit matter.

Based on the procedures performed, we observed that the directors' going concern assessment, including the cash flow forecast, assumes a successful restructuring of the Group's Notes reflecting the terms of the Lock-up Agreement. We also observed that the cash flow forecast reflects the cash flow management mechanism required by the terms of the Lock-up Agreement, and, particularly relevant to the going concern assessment, assumes the Group have the ability to access cash in the Blocked Account should this be required to fund operations. This assumption has been made on the basis that cash from the Blocked Account can be readily released with approval from the majority of independent non-executive directors.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the directors' identification in the financial statements of any material uncertainties to the Group and Parent Company's ability to continue as a going concern for the period to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of three components in the United Kingdom and Kazakhstan and audit procedures on specific balances for a further two components in Belgium and the Netherlands. The components where we performed full or specific audit procedures accounted for 100% of Adjusted EBITDA, 100% of Revenue and 99% of Total assets.
Key audit matters	We identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the audit team's efforts: • Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision; • Risk of impairment or impairment reversal; and • Revenue recognition. Although going concern was considered to represent a key audit matter, detail on our audit procedures and key observations are summarised in the 'Material uncertainty related to going concern' section of our report as opposed to the key audit matters table below.
Materiality	Overall Group materiality of $2.1 million which represents 2% of the Group's adjusted earnings before interest, tax, depreciation and amortisation, excluding non-recurring items ('Adjusted EBITDA').

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls and changes in the business environment when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the nine reporting components of the Group, we selected five components covering entities within the United Kingdom, Kazakhstan, Belgium and the Netherlands, which represent the principal business units within the Group.

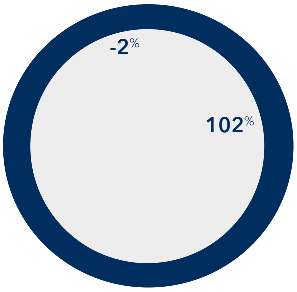
Of the five components selected (2020: five), we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two (2019: two) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit scope of these specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

We also instructed the United Kingdom, Kazakhstan, and Netherlands locations to perform specified procedures on the existence and valuation of cash balances and the completeness of payables. The audit scope for specified procedures are those where we perform procedures that address only specific account assertions rather than the account balance as a whole.

Of the remaining four (2020: five) components that together represent 0% of the Group's Adjusted EBITDA, we performed other procedures, including analytical review, inquiries and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

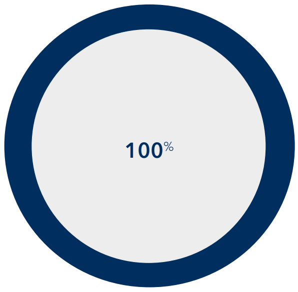
The charts below illustrate the coverage obtained from the work performed by our audit teams.

ADJUSTED EBITDA



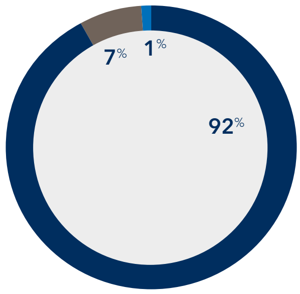
- 102% Full scope components
- -2% Specific scope components
- 0% Other procedures

REVENUE



- 100% Full scope components
- 0% Specific scope components
- 0% Other procedures

TOTAL ASSETS



- 92% Full scope components
- 7% Specific scope components
- 1% Other procedures

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these directly by the primary audit team and one by the component audit team. For one of the specific scope components and one full scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The remainder of the components were audited directly by the primary audit team.

Due to the on-going COVID-19 travel restrictions, consistent with the 2020 audit cycle, it was not possible to complete an in-person visit to the Kazakhstan full scope component. In lieu of a site visit, the primary team designed alternative procedures in our audit strategy to provide sufficient oversight and involvement with the work of the component teams to fulfil its responsibilities under auditing standards to evaluate, review and oversee the work of component teams on a remote basis.

Our remote oversight procedures included:

- An increased frequency of dialogue with our local EY component teams. This included additional meetings with our component teams and local management via video conference;
- Performing remote reviews of the key workpapers associated with the component team's audit procedures, focusing on, but not limited to, areas of significant risk, being oil and gas reserves estimates, impairment and revenue recognition, through the interactive capability of EY Canvas, our global audit workflow tool; and
- Attending the closing meeting between our full scope local EY component team and local management by videoconference, to ensure that we were fully aware of the audit status and results of their audit procedures.

These procedures, together with the additional procedures performed at a Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from potential falls in demand and hydrocarbon prices, disruption in field production and sales to final off-taker customers, investments required to reduce emissions and higher compliance cost arising from regulatory and statutory reporting obligations. These are explained on pages 51 to 59 in the required Task Force for Climate related Financial Disclosures and on pages 62 to 66 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in note 2 and 32 to the Consolidated Financial Statements, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. In note 2 and 32 to the Consolidated Financial Statements narrative disclosure has been provided highlighting the areas of the financial statements that may be impacted from changes in legislation and regulation implemented to address climate change risks.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 54 and 55 have been appropriately reflected in asset values, estimating the recoverable value of non-current assets and associated disclosures where values are determined through modelling future cash flows. Details of our procedures and findings in respect of the risk of impairment or impairment reversal of oil & gas assets are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the 'Material uncertainty related to going concern' section of our report, we identified the following key audit matters:

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision Refer to the Audit Committee Report on page 95; the estimates, assumptions and judgements on page 146; and the disclosures in note 5 of the Consolidated Financial Statements (page 153). As at 31 December 2021, Nostrum reported 34 million barrels of oil equivalent (mmboe) of proved and probable (2P) reserves (2020: 39 mmboe) and 28 mmboe of contingent (2C) resources (2020:146 mmboe). This was a significant risk due to the subjective nature of reserves estimates and the pervasive impact on the financial statements through impairment testing, DD&A calculations and the decommissioning provision estimate. Reserves are also considered a fundamental indicator of the future potential of the Group's performance and its long-term viability. The estimation of oil and gas reserves is a significant area of estimation due to the technical uncertainty in assessing reserves quantities. The estimation is potentially susceptible to management bias, including by recording revisions to estimates in the incorrect period. Management's reserves and resource estimates are prepared by internal specialists and are audited by Ryder Scott, an independent reserves consultant. Reserve estimation includes those contingent resources that impact the financial statements, primarily being those included in management's oil and gas asset impairment test. There is also a risk that management may influence the significant judgements and estimates in respect of commercial assumptions in order to portray favourable reserves disclosure to the market. The risk has remained consistent with the prior year.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. We assessed management's assumptions, including commercial assumptions, to ensure that they are based on supportable evidence. We have: • carried out procedures to walkthrough and understand the Group's internal process and key controls associated with oil and gas reserves estimation; • assessed the competence of internal management's specialists, to satisfy ourselves that they are appropriately qualified to carry out the volumes estimation; • met with management's external specialist during the planning and execution of the audit and assessed their competence and objectivity by enquiry of their qualifications, practical experience and independence. We checked the completeness and accuracy of the data transferred to the external specialist for audit; • reviewed the oil and gas reserves audit report prepared by management's external specialist to understand the conclusion of their audit and verify that management's estimates were within their audit tolerance. We performed direct inquiries of Ryder Scott; • corroborated management's commercial assumptions by checking that they lie within an acceptable range compared to publicly available benchmarks where available. We compared management's internal assumptions to the latest plans and budgets for consistency. We also challenged management's capabilities to execute on such plans by comparison to prior performance; • validated that the updated reserves estimates were appropriately included in the Group's consideration of oil and gas asset impairment testing, in accounting for DD&A and the determination of decommissioning dates; and • reviewed the accuracy of the reserves and resource estimates disclosure in the Annual Report.	Based on the audit procedures performed we concluded that the reserves and resource estimations are reasonable for use in impairment testing, management's going concern assessment, the calculation of DD&A and the determination of decommissioning dates. We also concluded that reserves and resource estimates are appropriately disclosed in the Annual Report. We did not identify any indication of management bias in the estimation process
In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team.		

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of impairment or impairment reversal of oil & gas assets Refer to the Audit Committee Report on page 95; the estimates, assumptions and judgements on page 147 and the disclosures in note 5 of the Consolidated Financial Statements (page 153). An impairment reversal in 2021 of $74 million was recorded. Following the identification of an error during 2021, the previously reported impairment charge in 2020 of $245 million was restated to $287 million. At 31 December 2021, the carrying value of oil & gas assets was $320 million (2020: $298 million, as restated). Owing to the improved commodity prices environment relative to 2020, 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. The risk has remained consistent with the prior year.	In addressing the risk of impairment of oil & gas assets we utilised our valuation specialists and evaluated management's impairment assessment by testing the key assumptions. We have: • evaluated management's assessment of indicators of impairment or impairment reversal; • walked through the controls designed by the Group 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) represents the higher recoverable amount; • tested the integrity of the discounted cash flow model with the assistance of our own specialists. Following the identification of the prior period error, we enhanced the testing performed on the integrity of the model, involving our specialists, with a particular focus on the valuation of contingent resources; • evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, brokers' estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the Group; • considered the existence of any contradictory evidence to challenge the recoverable amount determined on the basis of the discounted cash flow model, including the Group's enterprise value; • assessed the appropriateness of the oil and gas reserves and resources estimates, as described in the key audit matter above in this 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 Group's CGU and the appropriateness of climate-related costs incorporated in the impairment model. This was performed with reference to the Group'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.	Based on the results of the audit procedures performed, we concluded that the impairment reversal recorded in the current year was reasonable. In our view the Group's reserves and resource estimates, forecast costs, discount rate and oil and gas price assumptions are reasonable or within reasonable ranges and there is no evidence of management bias in the determination of significant judgements and estimates. We concluded that the estimated recoverable amount of the CGU fell within the range of acceptable valuations, including implied valuations based on the market value of the Group's equity and debt. We concluded that it was appropriate to correct the error identified in respect of the 2020 impairment assessment retrospectively, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, by restating the prior period comparatives. The related disclosures provided in the Group's financial statements are appropriate, including those in respect of the prior period restatement.

In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team. By performing these procedures, we obtained full coverage of the related balances.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition Refer to the Audit Committee Report on page 96; the Summary of significant accounting policies on page 152 and the disclosures in note 20 of the Consolidated Financial Statements (page 158) Revenue for the year ended 31 December 2021 amounts to $195 million (2020: $176 million). Revenue includes sales of crude oil, gas condensate, dry gas and liquefied petroleum gas ('LPG'). There is the risk of management manipulation to overstate revenue. This could be achieved by potentially recording sales in an incorrect period. The risk has remained consistent with the prior year.	Our component team in Kazakhstan performed procedures to walkthrough and understand the process and key controls associated with the revenue recognition and accounts receivable process. We 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. We have: • 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.	We concluded that revenue is recognised consistently with the terms of sales agreements. We also concluded that the financial statements disclosures with respect to revenue fulfilled the requirements of the accounting standards.
The component team performed full scope audit procedures over this risk area in one location (Kazakhstan). By performing these procedures, we obtained full coverage of the risk amount.		

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $2.1 million, which is 2% of Adjusted EBITDA. Adjusted EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We, therefore, considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the Group. In adjusting EBITDA we have excluded non-recurring items, which in 2021 related to the impairment reversal of $74 million.

We determined materiality for the Parent Company to be $7.9 million, which is based on 1% of the Parent Company's Equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $1.1 million.

We have set performance materiality at this percentage due to our past experience of the audit that indicates a higher risk of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $0.4 million to $1.1 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $106 thousand, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Strategic Report (set out on pages 1 – 78), Corporate Governance (set out on pages 79 – 125), Regulatory Information and Additional Disclosures sections (set out on pages 179 – 188), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Aside from the impact of the matters disclosed in the 'Material uncertainty related to going concern section' of our report, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 142 and 143;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 69;
- Directors' statement on fair, balanced and understandable set out on page 125;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and;
- The section describing the work of the audit committee set out on page 92.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 125, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the group and Parent 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 the directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below and in the key audit matters section above, where those risk areas are susceptible to management bias.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters, data protection, environmental and anti-bribery and corruption practices;
- We understood how the Group is complying with those frameworks by making inquiries of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it considered there was susceptibility to fraud. We considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business, inquiries of those charged with governance, inquiries of both Group and local management, and focused testing, as referred to in the key audit matters section above; and
- Where possible instances of non-compliance with laws and regulations were identified we assessed and challenged management's response. We involved internal forensic specialists to develop responsive audit procedures, to consider the appropriateness of management's response and the conclusions reached.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation from the Audit Committee, we were re-appointed by the Group on 9 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the period from our initial appointment through to the year 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

4 May 2022

Contents

Consolidated 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	5	**320,125**	297,760
Right-of-use assets	6	**–**	2,755
Advances for non-current assets	7	**1,418**	9,034
Restricted cash	11	**30,438**	20,613
		351,981	330,162
Current assets			
Inventories	8	**31,387**	28,805
Prepayments and other current assets	9	**9,735**	12,303
Income tax prepayment		**300**	379
Trade receivables	10	**6,659**	13,540
Cash and cash equivalents	11	**165,246**	78,583
		213,327	133,610
TOTAL ASSETS		**565,308**	463,772
Equity and liabilities			
Share capital and reserves	12		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(824,796)**	(798,228)
		(823,253)	(796,685)
Non-current liabilities			
Long-term lease liabilities	15	**–**	35
Abandonment and site restoration provision	16	**29,008**	28,936
Due to Government of Kazakhstan	17	**4,563**	4,832
Deferred tax liability	28	**34,072**	3,793
		67,643	37,596
Current liabilities			
Current portion of long-term borrowings	14	**1,289,603**	1,186,269
Current portion of lease liabilities	15	**–**	2,790
Employee share option plan liability		**–**	3
Trade payables	18	**8,399**	8,502
Advances received		**9**	186
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	19	**21,876**	24,080
		1,320,918	1,222,861
TOTAL EQUITY AND LIABILITIES		**565,308**	463,772

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

The consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors.

Signed on behalf of the Board:

Arfan Khan

Chief Executive Officer

4 May 2022

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

		For the year ended 31 December	
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
	20	**195,285**	175,939
Cost of sales	21	**(87,849)**	(125,392)
Gross profit		**107,436**	50,547
General and administrative expenses	22	**(12,124)**	(14,671)
Selling and transportation expenses	23	**(23,066)**	(31,037)
Taxes other than income tax	24	**(17,083)**	(14,113)
Finance costs	25	**(116,696)**	(102,067)
Employee share option expense reversals		**247**	496
Impairment reversal / (charge)	4	**74,186**	(286,569)
Foreign exchange loss, net		**(285)**	(1,827)
Interest income		**319**	253
Other income	27	**5,886**	4,757
Other expenses	27	**(13,218)**	(7,606)
Profit / (loss) before income tax		**5,602**	(401,837)
Current income tax expense		**(1,441)**	(1,516)
Deferred income tax (expense) / benefit		**(30,279)**	38,994
Income tax (expense) / benefit	28	**(31,720)**	37,478
Loss for the year		**(26,118)**	(364,359)
Other comprehensive (loss) / income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**(203)**	253
Other comprehensive (loss) / income		**(203)**	253
Total comprehensive loss for the year		**(26,321)**	(364,106)
Loss for the period attributable to the shareholders (in thousands of US dollars)		**(26,118)**	(364,359)
Weighted average number of shares		**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	13	**(0.14)**	(1.97)

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

All items in the above statement are derived from continuing operations.

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December **2021**	2020 (restated*)
Cash flow from operating activities:			
Profit / (loss) before income tax		**5,602**	(401,837)
Adjustments for:			
Depreciation, depletion and amortisation	21,22,23	**57,295**	89,777
Impairment (reversal) / charge	4	**(74,186)**	286,569
Finance costs	25	**116,696**	102,067
Employee share options expense reversals		**(247)**	(496)
Interest income		**(319)**	(253)
Foreign exchange loss on investing and financing activities		**(94)**	(129)
Loss on disposal of property, plant and equipment		**–**	737
Gain on disposal of exploration and evaluation assets		**(749)**	–
Write-off and impairment of new development costs	7	**9,056**	–
Operating profit before working capital changes		**113,054**	76,435
Changes in working capital:			
Change in inventories		**2,451**	7,043
Change in trade receivables		**6,881**	17,699
Change in prepayments and other current assets		**741**	(132)
Change in trade payables		**(1,686)**	(9,171)
Change in advances received		**(177)**	(150)
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(147)**	(5,951)
Cash generated from operations		**120,086**	84,742
Income tax paid		**(2,671)**	(1,996)
Net cash flows from operating activities		**117,415**	82,746
Cash flow from investing activities:			
Interest received		**319**	253
Purchase of property, plant and equipment		**(8,611)**	(25,797)
Exploration and evaluation works		**(226)**	(483)
Advances for non-current assets		**(1,440)**	(622)
Transfer to restricted cash		**(9,820)**	(13,452)
Net cash used in investing activities		**(19,778)**	(40,101)
Cash flow from financing activities:			
Finance costs paid		**–**	(43,000)
Other finance costs		**(9,130)**	(10,013)
Payment of principal portion of lease liabilities		**(1,575)**	(5,064)
Finance charges on lease liabilities		**(157)**	(354)
Net cash used in financing activities		**(10,862)**	(58,431)
Effects of exchange rate changes on cash and cash equivalents		**(112)**	429
Net increase / (decrease) in cash and cash equivalents		**86,663**	(15,357)
Cash and cash equivalents at the beginning of the year	11	**78,583**	93,940
Cash and cash equivalents at the end of the year	11	**165,246**	78,583

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

"Other finance costs" primarily represent bondholder consent fees in the amount of US$1,117 thousand (2020: US$5,585 thousand) and advisor fees of US$8,013 thousand (2020: US$4,428 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreement and ongoing discussions with the bondholders regarding the restructuring of the Group's outstanding bonds. For more details see Note 1.

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Treasury capital	Other reserves	Retained deficit	Total
As at 1 January 2020		**3,203**	**(1,660)**	**263,077**	**(696,704)**	**(432,084)**
Loss for the year		–	–	–	(364,359)	(364,359)
Other comprehensive income		–	–	253	–	253
Total comprehensive loss for the year		**–**	**–**	**253**	**(364,359)**	**(364,106)**
Share based payments under LTIP*		–	–	(495)	–	(495)
As at 31 December 2020 (restated)**		**3,203**	**(1,660)**	**262,835**	**(1,061,063)**	**(796,685)**
Loss for the year		–	–	–	(26,118)	(26,118)
Other comprehensive loss		–	–	(203)	–	(203)
Total comprehensive loss for the year		**–**	**–**	**(203)**	**(26,118)**	**(26,321)**
Share based payments under LTIP*		–	–	(247)	–	(247)
As at 31 December 2021		**3,203**	**(1,660)**	**262,385**	**(1,087,181)**	**(823,253)**

** Long-Term Incentive Plan ("LTIP")*

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

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Financial report

Notes to the consolidated financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 20 Eastbourne Terrace, London, W2 6LG, UK.

These consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas PLC and its following wholly owned subsidiaries:

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London, W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

Nostrum Oil & Gas PLC and its wholly owned subsidiaries are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment including all Group's assets related to its Chinarevskoye field as well as surface facilities, and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

On 30 April 2021, the Group disposed of its entire holding in the equity of Nostrum E&P Services LLP.

As at 31 December 2021 the Group employed 559 employees (2020: 564).

Subsoil use rights terms

Zhaikmunai LLP 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 Zhaikmunai LLP 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 Bobrikovskiy reservoir to 26 May 2018, which was subsequently extended to 26 August 2018, and then followed by the production period.

On 17 August 2012 Zhaikmunai LLP 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 Zhaikmunai LLP has 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

Zhaikmunai LLP 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"

Zhaikmunai LLP 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.

Forbearance and Lock-up agreements

On 31 March 2020, following the collapse in the Global oil price, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's US$725 million 8.0% Senior Notes due July 2022 ("2022 Notes") and/or its US$400 million 7.0% Senior Notes due February 2025 ("2025 Notes") (together, the Notes).

In May 2020, the Group engaged Rothschild & Cie ("Rothschild") as financial advisers and White & Case LLP ("White & Case") as legal advisers to assist in the restructuring of the Existing Notes. Since then, the Company has been in restructuring discussions with an informal ad hoc group of noteholders (the "Ad Hoc Group" or "AHG"), who are advised by PJT Partners ("PJT") (financial) and Akin Gump LLP (legal). The Company has also been in discussions with its largest shareholder ICU, also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

The Group has not made coupon payments due under the Existing Notes since July 2020, which was an event of default under the terms of the indentures governing 2022 Notes and 2025 Notes resulting. However, the Company continued active discussions with the financial and legal advisers to the AHG and signed its First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021. The First and Second FBA were on substantially the same terms and prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. The FBAs were intended to provide the Group with a short-term solution to its liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring.

The Forbearance Agreement was subject to certain conditions, including:

- The opening of a secured account into which a portion of the missed interest payments was paid. A total of US$22,658,980 has been deposited into the secured account under the terms of the FBAs, with the Group having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Group where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The Group agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 25).

On 23 December 2021 the Group entered into a lock-up agreement (the "Lock-up Agreement") and agreed terms of a restructuring with holders of in excess of 54% of the aggregate principal amount of the 2022 Notes and 55% of the aggregate principal amount of the 2025 Notes in each case issued by Nostrum Oil & Gas Finance B.V. In addition, subsidiaries of ICU Holdings Limited ("ICU"), the Parent's largest shareholder, has entered into the Lock-up Agreement in its capacity as a shareholder and holder of the Notes.

Upon signing of the Lock-up Agreement, the Second FBA was extended in parallel. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date (23 August 2022).

Under the terms of the Lock-up Agreement, the Group, the AHG and ICU have agreed to implement a transaction which restructures the Notes (the "Restructuring"). The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes in the form of new: (a) senior secured notes in a principal amount of US$250,000,000 ("SSNs") with cash coupon of 5.00% per annum; and (b) senior unsecured notes in a principal amount of US$300,000,000 ("SUNs") with cash coupon of 1.00% per annum and payment-in-kind interest of 13.00% per annum. The SSNs and SUNs will mature on 30 June 2026;
2. Conversion of the remainder of the Notes into equity through:
   - Preferred restructuring route: Holders of the Existing Notes will own 88.89% of the share capital of the Company and warrants to subscribe for an additional 1.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 11.11% upon closing of the restructuring and will be diluted to 10.00% if the warrants are exercised. Executing the preferred restructuring route will require the approval by shareholders at a general meeting ("GM"); or
   - Alternative restructuring route: If the required approvals are not received from shareholders at the GM, the holders of the Existing Notes will own 98.89% of the share capital of the Company and warrants to subscribe for an additional 0.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 1.11% upon closing of the restructuring and will be diluted to 1.00% if the warrants are exercised; and
3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows, including the proposal to transfer the Parent's listing to the Standard Listing segment of the London Stock Exchange.

A fee of 50 bps (the "Lock-up Fee") will be payable to each Participating Noteholder who was originally party to the Lock-up Agreement or acceded to the Lock-up Agreement within 22 days of its execution (i.e. by 14 January 2022). Noteholders will not be eligible for the Lock-up Fee if they accede to the Lock-up Agreement after 14 January 2022 (save with respect to any Notes acquired by them which were already eligible to receive a Lock-up Fee).

Holders of over 77% of the total aggregate principal amount of the Notes have signed or acceded to the Lock-up Agreement including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU.

Following execution of the Lock-up Agreement, the Company has commenced implementation of the Restructuring, which is expected to become effective in 2022. It is currently expected that implementation will be effected through a process under Part 26 or Part 26A of the Companies Act 2006. Parallel processes in other jurisdictions relevant to the Group and/or the Notes may also be involved.

Consent solicitation for Existing Notes:
On 4 February, the Company received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures. The approved amendments (i) change the governing law and jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) make Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the preferred restructuring route or alternative restructuring route. 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. No consent solicitation payments were made to vote in favour.

On 13 April, the Financial Conduct Authority ("FCA") approved the Company's shareholder circular in relation to the proposed restructuring as outlined above. The Circular is published on the Company's website and has been made available to shareholders for their consideration. Also notice has been provided convening a General Meeting of our shareholders on 29 April 2022 to consider and approve the resolutions in respect of the Restructuring. The Circular and General Meeting also includes 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.

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.

Notes to the consolidated financial statements continued

2. Basis of preparation and consolidation

Basis of preparation

These consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with the UK adopted International Accounting Standards.

The consolidated financial statements have been prepared based on a historical cost basis (Note 4). The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

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

The Group recognises that there may be potential financial implications in the future from changes in legislation and regulation implemented to address climate change risk. Over time these changes may have an impact across a number of areas of accounting including asset impairment, increased costs, provisions, onerous contracts and contingent liabilities. However, as at the reporting sheet date, the Group believes there is no material impact on the balance sheet carrying values of assets or liabilities. This is not considered a significant estimate.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries

Nostrum Oil & Gas UK Ltd. registered and incorporated in the United Kingdom under Companies Number 08071559 is exempt from the requirements of the UK Companies Act 2006 relating to the audit of the individual accounts by virtue of the section 479A of the Act.

Going concern

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 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 (refer to "Update on Bond Restructuring" section and Note 1 to the consolidated financial statements for the latest on the Bond Restructuring process).

The below outlines the key terms of the restructuring as agreed between the Group, acceded noteholders and ICU in the LUA and also voted in favour of by Nostrum shareholders:

- 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 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 and shareholders voting in favour of the Restructuring Resolutions marked key milestones 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 consolidated 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 Company's ability to continue as a going concern for the going concern period to 30 June 2023.

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, 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 been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports and the Group also contracts with a limited number of Russian service companies. The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 June 2023, inclusive of cash swept into the restricted account. There is currently no material impact on the Group's operations and liquidity at the time of publication of these consolidated financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the LUA, advice from our financial and legal advisors, and our assessment of the likelihood that the remaining milestones can be achieved, the Directors have a reasonable expectation that the Group and Company has sufficient resources to continue in operation for the going concern period to 30 June 2023. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 30 June 2023, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 67-69 which highlights that the material uncertainty referred to in respect of the going concern assessment will inevitably cast significant doubt over the future viability of the Group.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

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 consolidated financial statements of the Group. The Group 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 Group has not received Covid-19-related rent concessions.

Standards issued but not yet effective

Amendments to IAS 12

On May 7, 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

Notes to the consolidated financial statements continued

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 January 1, 2023. Early adoption is permitted.

The Group is currently assessing the impact the amendments will have on current practice and whether the amendments will have impact on the consolidated 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 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

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 consolidated financial statements of the Group.

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 Group.

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 Group 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.

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 Group 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 Group 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 Group 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 Group.

Correction of errors and reclassifications

Impairment of property, plant and equipment

When preparing the consolidated financial statements for the year ended 31 December 2020, the Group estimated through its FVLCD discounted cash flow model that the recoverable amount of its property, plant and equipment represented by single CGU was US$339,406 thousand, and, accordingly, recognised an impairment charge of US$244,744 thousand (excluding $179 thousand related to exploration and evaluation assets). During the preparation of the financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error results in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and so a corresponding additional impairment charge of US$41,646 thousand for the year then ended and derecognition of deferred tax liability of US$4,712 thousand.

The Group does not present the statement of financial position as at the beginning of the previous annual period ("opening balance sheet"), since the correction of an error has no effect on the opening balance sheet or the periods preceding the previous annual period.

The abovementioned error has 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
Consolidated statement of financial position			
Property, plant and equipment	339,406	(41,646)	297,760
Non-current assets	**371,808**	**(41,646)**	**330,162**
TOTAL ASSETS	**505,418**	**(41,646)**	**463,772**
Retained deficit and reserves	(761,294)	(36,934)	(798,228)
Share capital and reserves	**(759,751)**	**(36,934)**	**(796,685)**
Deferred tax liability	8,505	(4,712)	3,793
Non-current liabilities	**42,308**	**(4,712)**	**37,596**
TOTAL EQUITY AND LIABILITIES	**505,418**	**(41,646)**	**463,772**
Consolidated statement of comprehensive income			
Impairment reversal / (charge)	(244,923)	(41,646)	(286,569)
Loss before income tax	**(360,191)**	**(41,646)**	**(401,837)**
Deferred income tax benefit	34,282	4,712	38,994
Loss for the year	**(327,425)**	**(36,934)**	**(364,359)**
Consolidated statement of cash flows			
Loss before income tax	(360,191)	(41,646)	(401,837)
Impairment charge	244,923	41,646	286,569
Net cash flows from operating activities	**82,746**	**–**	**82,746**

Reclassifications and comparative figures

Certain reclassifications have been made to the previous year's disclosure of cost of sales to enhance comparability with the current year's presentation following management's periodic assessment of the improvement of the information presentation. As a result, the comparative amounts for the year ended 31 December 2020 in the certain line items within cost of sales disclosure in Note 21 have been amended to conform to the current year's presentation as follows:

In thousands of US dollars	As previously reported	Reclassifi-cation	As adjusted
Depreciation, depletion and amortisation	86,296	–	86,296
Payroll and related taxes	14,083	–	14,083
Repair, maintenance and other services	10,769	(3,052)	7,717
Materials and supplies	3,970	249	4,219
Transportation services	1,907	1	1,908
Well repair and maintenance costs	–	3,360	3,360
Well workover costs	505	(505)	–
Environmental levies	114	–	114
Change in stock	7,279	–	7,279
Other	469	(53)	416
	125,392	–	125,392

Previous period related party disclosures

The Group has policies and procedures in place for the identification of potential related party transactions which are designed to ensure that all required approvals are obtained and all legal obligations are met in relation to any related party transaction. Also, the Group has internal procedures on identification of related party transactions and balances which are designed to ensure that all required disclosures are made in the financial statements. As part of these procedures the Group prepares lists of companies and individuals related to directors and key management personnel.

During 2021 the Group became aware that it had failed to identify the past employment of two persons, each of whom was the spouse of a director of the Company, as potential related party transactions and did not comply with its disclosure obligations in relation thereto. Total remuneration paid to such employees during 2020 amounted to US$666 thousand, and such employment and remuneration should have been disclosed as required under IAS 24 Related parties. Those amounts have been appropriately accounted for and so there is no requirement to make an adjustment of any balances as of 31 December 2020 and any costs for the year then ended.

As a result of the above, management have restated the comparative amounts for remuneration of key management personnel for 2020 within the related party note in the current year. Refer to Note 29. Further disclosure regarding this matter is also set out in the Company's Annual Report for 2021 on pages 87-88. In addition, management has carried out a comprehensive search for any other undisclosed related party transactions and balances and made adjustments to its internal controls to ensure completeness of the relevant disclosures going forward.

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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 Group 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.

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 Group 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.

Significant accounting judgment: oil and gas reserves

Oil and gas reserves are a material factor in the Group'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 Group.

Significant estimates and assumptions: oil and gas reserves

The Group 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 (Proved plus Probable) volume as at 31 December 2021 was 34.3 mmboe requiring 12 capital 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 Company's 2022 and 2025 bonds and the ability to maintain sufficient liquidity to fund such a plan. There is no guarantee that the Group will be able to achieve this, which can have a material impact on the Group's ability to develop the remaining proven and probable reserves at Chinarevskoye. Please refer to Note 1 for further information on the Bond restructuring.

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 Group (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).

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

The Group 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 Group'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 Group 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 an impairment loss is recognised for the excess of carrying amount over recoverable amount.

The 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 Group's non-current assets consisting of all Group's assets related to its Chinarevskoye field and 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, contingent resources 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 cash flows, 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 cash flows 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 into account 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 Group'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; and
- GTU spare capacity utilization – risk-weighted option value from processing under Ural OG contract;
- Post-tax discount rate of 8.5% (2020: 8.0%).

The impairment testing carried out by the Group has resulted in the recoverable amount exceeding the carrying amount of the Group'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 Group recognised a reversal of the previously recognised impairment in the amount of US$74,186 thousand.

As at 31 December 2020 the Group recorded an impairment charge on oil and gas assets in the amount of US$286,569 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	**63,118**	(248,563)
Construction in progress	**9,420**	(31,425)
Other property, plant and equipment	**1,648**	(6,402)
	74,186	(286,390)
Exploration and evaluation assets	–	(179)
Total impairment reversal / (charge)	**74,186**	(286,569)

As at 31 December 2021 the recoverable amount of property, plant and equipment was US$ 320,125 thousand (31 December 2020: US$297,760 thousand).

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 Group'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.

Notes to the consolidated financial statements continued

Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group 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 Group 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 Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 a lease (such as like lease of drilling rigs and rail-tank cars) include various additional services like personnel cost, maintenance, drilling related activities, and other items, the Group 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 Group 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (“NCI”) in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are included in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit (“CGU”) and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. 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 Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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 profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 in current and deferred income tax disclosure as at 31 December 2021 and 2020, please see Note 28.

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 Group 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 Group'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 28.

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 Company is the United States dollar (the "US dollar" or "US$"). The functional currencies of the Group's subsidiaries are as follows:

Company	Functional currency
Nostrum Associated Investments LLP	Tenge
Nostrum Oil & Gas Coöperatief U.A.	US dollar
Nostrum Oil & Gas BV	US dollar
Nostrum Oil & Gas Finance BV	US dollar
Nostrum Oil & Gas UK Ltd.	British Pound
Nostrum Services Central Asia LLP	Tenge
Nostrum Services N.V.	Euro
Zhaikmunai LLP	US dollar

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange 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.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries are translated into US dollars at the spot exchange rate on the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries are translated into US dollars using average rates of exchange. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries are translated into US dollars are reported in the statement of comprehensive income.

Notes to the consolidated financial statements continued

Borrowing costs

The Group 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 Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated 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 Group 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 Group 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 consolidated financial statements.

Provisions and contingencies

Provisions are recognised when the Group 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 Group 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 Group 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 Group does not recognise contingent liabilities but discloses contingent liabilities in Note 31, 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.

For more detail on provisions and contingencies, please refer to Note 31.

Decommissioning

Provision for decommissioning is recognised in full, when the Group 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 Group 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 Group 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 Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Movements in the abandonment and site restoration provision are disclosed in Note 16.

Significant estimates and assumptions: provisions and contingencies

The Group 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, 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 Group 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 16.

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 Group 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group 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 Group'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 Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (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 Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

Derecognition

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

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

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

Impairment of financial assets

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

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

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

Notes to the consolidated financial statements continued

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 Group's financial liabilities include trade and other payables, long-term borrowings, and derivative financial instruments.

Subsequent measurement

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

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

Financial liabilities at 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 Group 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 profit or loss.

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. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. 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 profit or loss.

This category generally applies to interest-bearing borrowings. For more information, refer to Note 14.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

Derivative financial instruments and hedging

The Group from time to time uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

Cash and cash equivalents

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.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group 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 consolidated 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 Group 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 Group 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 Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period can be satisfied with treasury shares.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them.

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	**313,009**	291,389
Other property, plant and equipment	**7,116**	6,371
	320,125	297,760

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*	**594,052**	**42,996**	**637,048**
Additions	1,822	16,285	18,107
Transfers	57,479	(57,479)	–
Disposals	(144)	–	(144)
Disposals depreciation	127	–	127
Depreciation and depletion charge	(83,761)	–	(83,761)
Accumulated impairment transfers	(61,038)	61,038	–
Impairment charge	(248,563)	(31,425)	(279,988)
Balance at 31 December 2020, net* (restated)	**259,974**	**31,415**	**291,389**
Additions	992	7,840	8,832
Transfers	7,664	(6,882)	782
Disposals	(556)	(5,049)	(5,605)
Disposals depreciation	526	–	526
Depreciation and depletion charge	(55,453)	–	(55,453)
Accumulated impairment transfers	(4,221)	4,221	–
Impairment reversal	63,118	9,420	72,538
Balance at 31 December 2021, net*	**272,044**	**40,965**	**313,009**
As at 1 January 2020			
Cost	2,884,519	158,018	3,042,537
Accumulated depreciation**	(2,290,467)	(115,022)	(2,405,489)
Balance*	**594,052**	**42,996**	**637,048**
As at 31 December 2020			
Cost	2,943,678	116,823	3,060,501
Accumulated depreciation** (restated)	(2,683,704)	(85,408)	(2,769,112)
Balance* (restated)	**259,974**	**31,415**	**291,389**
As at 31 December 2021			
Cost	2,951,778	112,732	3,064,510
Accumulated depreciation**	(2,679,734)	(71,767)	(2,751,501)
Balance*	**272,044**	**40,965**	**313,009**

** Balances, net of accumulated depreciation, depletion and impairment*
*** Accumulated depreciation, depletion and impairment*

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 24.7% and 15.39% in 2021 and 2020, respectively. The Group engaged independent petroleum engineers to perform a reserves audit 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 16) 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 Group 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	**103,334**	93,182
Capitalisation rate	**8.44%**	8.44%
Capitalised borrowing costs	**219**	388

Other property, plant and equipment

In thousands of US Dollars	**Buildings**	**Machinery & equipment**	**Vehicles**	**Others**	**Total**
Balance at 1 January 2020*	**8,088**	**1,036**	**182**	**3,875**	**13,181**
Additions	8	1,035	–	438	1,481
Transfers	28	(47)	(9)	28	–
Disposals	(270)	(90)	–	(1,470)	(1,830)
Disposals depreciation	374	242	–	746	1,362
Depreciation	(781)	(188)	(24)	(302)	(1,295)
Impairment charge	(3,954)	(851)	(68)	(1,529)	(6,402)
Impairment transfers	–	–	–	(117)	(117)
Impairment reallocation	(2,436)	751	(41)	1,726	–
Translation difference	–	–	–	(9)	(9)
Balance at 31 December 2020*	**1,057**	**1,888**	**40**	**3,386**	**6,371**
Additions	–	–	–	457	457
Transfers	21	297	–	(1,100)	(782)
Disposals	(10)	(211)	–	(495)	(716)
Disposals depreciation	8	166	–	208	382
Depreciation	(66)	(49)	(3)	(126)	(244)
Impairment reversal	1,648	–	–	–	1,648
Balance at 31 December 2021*	**2,658**	**2,091**	**37**	**2,330**	**7,116**
As at 1 January 2020					
Cost	50,589	20,804	1,660	20,297	93,350
Accumulated depreciation**	(42,501)	(19,768)	(1,478)	(16,422)	(80,169)
Balance	**8,088**	**1,036**	**182**	**3,875**	**13,181**
As at 31 December 2020					
Cost	49,247	21,670	1,591	18,930	91,438
Accumulated depreciation**	(48,190)	(19,782)	(1,551)	(15,544)	(85,067)
Balance	**1,057**	**1,888**	**40**	**3,386**	**6,371**
As at 31 December 2021					
Cost	49,258	21,756	1,591	17,792	90,397
Accumulated depreciation**	(46,763)	(19,611)	(1,544)	(15,363)	(83,281)
Balance	**2,495**	**2,145**	**47**	**2,429**	**7,116**

** Balances, net of accumulated depreciation, amortisation and impairment*
*** Accumulated depreciation, amortisation and impairment*

Notes to the consolidated financial statements continued

6. Right-of-use assets

The movement of right-of-use assets for the years ended 31 December 2021 and 2020 was as follows:

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 1 January 2020, net*	**3,183**	**3,692**	**6,875**
Modification of lease agreements	2,371	(1,858)	513
Depreciation	(2,884)	(1,749)	(4,633)
Balance at 31 December 2020, net*	**2,670**	**85**	**2,755**
Modification of lease agreements	(924)	–	(924)
Termination of lease agreements	(256)	–	(256)
Depreciation	(1,490)	(85)	(1,575)
Balance at 31 December 2021, net*	**–**	**–**	**–**
As at 31 December 2020			
Cost	2,670	698	3,368
Accumulated depreciation	–	(613)	(613)
Balance*	**2,670**	**85**	**2,755**
As at 31 December 2021			
Cost	–	–	–
Accumulated depreciation	–	–	–
Balance*	**–**	**–**	**–**

** Balances, net of accumulated depreciation, depletion and impairment*

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 other non-current assets	**–**	8,444
Advances for construction services	**1,059**	369
Advances for construction materials	**359**	221
	1,418	9,034

The advances for other non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. Such costs included technical, legal, advisory and other professional fees and were capitalized in the course of potential acquisition of assets. During the year ended 31 December 2021 additional expenses in the amount of US$611 thousand were incurred on such activities. Although the Group continues to actively pursue these new opportunities, based on the management assessment it was concluded that it is less than probable that the Group would recover these costs in the future, hence as of 31 December 2021 the total amount of US$8,605 thousand was written off to profit and loss in the reporting period, and advances in the amount of US$450 thousand were impaired.

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	**26,720**	23,735
Gas condensate	**4,265**	2,907
Crude oil	**306**	2,018
LPG	**57**	69
Dry Gas	**32**	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	**4,882**	4,741
Advances paid	**2,370**	5,269
Other taxes receivable	**1,668**	1,502
Other	**815**	791
	9,735	12,303

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: nil). 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 not more than 120 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 Group 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	**157,981**	73,412
Current accounts in Tenge	**5,736**	2,791
Current accounts in Euro	**1,020**	1,862
Current accounts in other currencies	**500**	514
Petty cash	**9**	4
	165,246	78,583

In addition to the cash and cash equivalents in the table above, as at 31 December 2021 the Group had restricted cash accounts as a liquidation fund deposit of 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 are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

During the years ended 31 December 2020 and 2021, the Group transferred funds to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the FBAs (Note 1). As at 31 December 2021 the balance of the secured cash account was US$22,672 thousand (31 December 2020: US$12,900 thousand). The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

12. Share capital and reserves

As at 31 December 2021 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. There were no movements in the number of shares during the years ended 31 December 2020 and 2021 and comprised of the following:

	Number of shares
In circulation	**185,234,079**
Treasury capital	**2,948,879**
	188,182,958

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP. In the case of share-settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

The movements in the Group's other reserves is presented as follows:

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 1 January 2020	**255,459**	**3,052**	**4,566**	**263,077**
Currency translation difference	–	253	–	253
Share based payments under LTIP	–	–	(495)	(495)
As at 31 December 2020	**255,459**	**3,305**	**4,071**	**262,835**
Currency translation difference	–	(203)	–	(203)
Share based payments under LTIP	–	–	(247)	(247)
As at 31 December 2021	**255,459**	**3,102**	**3,824**	**262,385**

Group reorganisation reserve in the amount of US$255,459 thousand represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP.

Distributions

There were no distributions made during the years ended 31 December 2021 and 2020.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 December 2021 the book value per share amounted to US$4.44 negative (31 December 2020: US$4.30 negative).

13. Earnings per share

As at 31 December 2021 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£0.01.

	For the year ended 31 December	
	2021	2020 (restated*)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(26,118)**	(364,359)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.14)**	(1.97)

14. 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 (restated)
Notes issued in 2017 and maturing in 2022	**720,655**	713,823
Notes issued in 2018 and maturing in 2025	**395,022**	393,813
Accrued interest	**173,926**	78,633
	1,289,603	1,186,269
Less amounts due within 12 months	**(1,289,603)**	(1,186,269)
	–	–

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$725,000 thousand notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year.

On and after 25 July 2019, the 2022 Issuer shall be entitled at its option to redeem all or a portion of the 2022 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2022 Note), plus accrued and unpaid interest on the 2022 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 25 July of the years set forth below:

Period	Redemption Price
2020	104.0%
2021 and thereafter	100.0%

The 2022 Notes are jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes are the 2022 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

The issue of the 2022 Notes was used primarily to fund the refinancing of part of the Group's Notes issued in 2012 and 2014.

Notes to the consolidated financial statements continued

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$400,000 thousand notes (the "2025 Notes"). The 2025 Notes bear interest at a rate of 7.00% per year, payable on 16 August and 16 February of each year.

On and after 16 February 2021, the 2025 Issuer shall be entitled at its option to redeem all or a portion of the 2025 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2025 Notes), plus accrued and unpaid interest on the 2025 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 16 February of the years set forth below:

Period	Redemption Price
2021	105.25%
2022	103.50%
2023	101.75%
2024 and thereafter	100.00%

The 2025 Notes are jointly and severally guaranteed (the "2025 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2025 Guarantors"). The 2025 Notes are the 2025 Issuer's and the 2025 Guarantors' senior obligations and rank equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness.

The issue of the 2025 Notes was used primarily to fund the refinancing of the remaining Group's Notes issued in 2012 and 2014.

Reclassification to current liabilities

On 26 August 2020 the Group announced that an event of default had occurred under the terms of the indenture governing 2022 Notes resulting from the Issuer's non-payment of interest due and payable on 25 July 2020 to the holders of the 2022 Notes and the expiration of the 30-day grace period which commenced on the same date. Following this, the Issuer also did not pay interest on 2025 Notes when due and upon the expiration of the 30-day grace period in respect of such payment. On 23 December 2021, the Group announced the execution of a lock-up agreement (the "Lock-up Agreement") and terms of a restructuring agreed with bondholders. More detailed information related to the forbearance agreement and the lock-up agreement is disclosed in the Note 1.

Considering these facts and circumstances, as at 31 December 2021 and 2020 the Group classifies the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and presents them as the current portion of long-term borrowings.

Covenants contained in the 2022 Notes and 2025 Notes

The 2022 and the 2025 Notes contain consistent covenants that, among other things, restrict, subject to certain exceptions and qualifications, the ability of the 2022 Issuer, the 2025 Issuer, the 2022 Guarantors, the 2025 Guarantors and certain other members of the Group to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses; and
- consolidate or merge with other entities.

In addition, the indentures impose certain requirements as to future subsidiary guarantors, and certain customary information covenants and events of default.

Changes in liabilities arising from financing activities

In thousands of US Dollars	1 January	Cash outflows	Borrowing costs including amortisation of arrangement fees	Finance charges under leases	Modification and termination of leases	Reclassification from non-current to current	Other	31 December
2021								
Current portion of long-term borrowings	**1,186,269**	–	103,334	–	–	–	–	**1,289,603**
Long-term lease liabilities	**35**	–	–	–	–	(35)	–	**–**
Current portion of lease liability	**2,790**	(1,732)	–	157	(1,250)	35	–	**–**
2020								
Long-term borrowings	**1,100,453**	–	–	–	–	(1,100,453)	–	**–**
Current portion of long-term borrowings	**35,633**	(43,000)	93,183	–	–	1,100,453	–	**1,186,269**
Long-term lease liabilities	**641**	–	–	–	–	(606)	–	**35**
Current portion of lease liability	**6,735**	(5,418)	–	354	513	606	–	**2,790**

15. Lease liabilities

In thousands of US Dollars	2021	2020
Lease liability as at 1 January	**2,825**	**7,376**
Modification of lease agreements	(955)	513
Termination of lease agreements	(295)	–
Finance charges	157	354
Paid during the period	(1,732)	(5,418)
Lease liability as at 31 December	**–**	**2,825**
Less amounts due within 12 months	–	(2,790)
	–	**35**

The lease liabilities are recognised for leases of vehicles, drilling rigs, and railway cars. The lease was recognised based on the future rentals as determined under IFRS 16. See Note 6 for right-of-use-assets. Short-term lease expenses are disclosed in the Note 22.

As of 31 December 2021, there are no lease liabilities to be recognised under IFRS 16. In 2020, extension of the lease of railway cars has been recognised as additional right-of-use assets in the amount of US$2,371 thousand and respective lease liabilities, which was offset by derecognition of right-of-use assets in the amount of US$1,858 thousand (Note 6) and respective lease liabilities relating to reduction in the scope of vehicles leases during 2020.

The total cash outflows in respect of the Group's lease arrangements was US$1,732 thousand for the year ended 31 December 2021 (2020: US$5,418 thousand).

16. 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
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
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 real discount rate used to determine the abandonment and site restoration provision at 31 December 2021 was 0.92% (31 December 2020: 0.98%).

The change in the discount rate during 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).

17. 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 Group 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
Balance as at 1 January	**5,863**	6,101
Unwinding of discount	**762**	793
Paid during the year	**(1,031)**	(1,031)
Balance as at 31 December	**5,594**	5,863
Less: current portion	**(1,031)**	(1,031)
Non-current portion	**4,563**	4,832

18. 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	**5,433**	4,028
US Dollar denominated trade payables	**1,397**	2,114
Euro denominated trade payables	**464**	2,101
Russian Rouble denominated trade payables	**122**	7
Trade payables denominated in other currencies	**983**	252
	8,399	8,502

19. 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
Taxes payable, including corporate income tax	**6,709**	7,397
Other accruals	**3,318**	3,223
Due to employees	**2,479**	1,852
Accruals under the subsoil use agreements	**–**	993
Other current liabilities	**686**	527
	21,876	24,080

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

Notes to the consolidated financial statements continued

20. Revenue

In thousands of US Dollars	For the year ended 31 December 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 Group'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/bbl (2020: US$43.2/bbl).

The operations of the Group are located in only one geographic location, Kazakhstan.

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 Group's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

21. Cost of sales

In thousands of US Dollars	For the year ended 31 December 2021	2020
Depreciation, depletion and amortisation	**55,569**	86,296
Payroll and related taxes	**14,603**	14,083
Repair, maintenance and other services	**6,610**	7,717
Materials and supplies	**4,561**	4,219
Well repair and maintenance costs	**2,726**	3,360
Transportation services	**2,559**	1,908
Environmental levies	**201**	114
Change in stock	**403**	7,279
Other	**617**	416
	87,849	125,392

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.

22. General and administrative expenses

In thousands of US Dollars	For the year ended 31 December 2021	2020
Payroll and related taxes	**6,123**	7,102
Professional services	**4,113**	4,655
Insurance fees	**601**	633
Short-term leases	**290**	567
Business travel	**204**	128
Communication	**182**	183
Depreciation and amortisation	**170**	600
Materials and supplies	**144**	139
Bank charges	**71**	95
Other	**226**	569
	12,124	14,671

23. Selling and transportation expenses

In thousands of US Dollars	For the year ended 31 December 2021	2020
Transportation costs	**9,545**	12,760
Loading and storage costs	**6,869**	8,813
Marketing services	**2,167**	3,724
Depreciation of right-of-use assets	**1,556**	2,881
Payroll and related taxes	**1,520**	1,501
Other	**1,409**	1,358
	23,066	31,037

24. Taxes other than income tax

In thousands of US Dollars	For the year ended 31 December 2021	2020
Royalties	**7,786**	7,016
Export customs duty	**7,655**	5,017
Government profit share	**1,628**	2,044
Other taxes	**14**	36
	17,083	14,113

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.

25. Finance costs

In thousands of US Dollars	For the year ended 31 December 2021	2020
Interest expense on borrowings	**103,115**	92,794
Other finance costs	**12,386**	7,968
Unwinding of discount on amounts due to Government of Kazakhstan	**762**	793
Unwinding of discount on lease liability	**157**	354
Unwinding of discount on abandonment and site restoration provision	**276**	158
	116,696	102,067

Other finance costs primarily represent bondholder consent fees in the amount of US$2,941 thousands and advisor fees of US$9,324 thousand (2020: US$3,761 thousands and US$4,088 thousand, respectively) incurred by the Group in relation to the forbearance agreements, lock-up agreement and discussions with its bondholders regarding the restructuring of the Group's outstanding bonds. For more details on forbearance agreements, lock-up agreement and the consent fees see Note 1.

Interest expense on borrowings for the year ended 31 December 2021 includes interest on defaulted interest related to prior period in the amount of US$1,373 thousand accrued in accordance with the indentures governing 2022 Notes and 2025 Notes.

26. Employees' remuneration

The average monthly number of employees (including Executive Directors) employed was as follows:

	For the year ended 31 December	
	2021	2020
Management and administrative	**136**	162
Technical and operational	**405**	439
	541	601

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Wages and salaries	**18,740**	19,398
Social security costs	**3,749**	3,791
Share-based payments	**(247)**	(496)
	22,242	22,693

Part of the Group's staff costs shown above is capitalised into the cost of intangible and tangible oil and gas assets under the Group's accounting policy for exploration, evaluation and oil and gas assets.

The amount ultimately remaining in the income statement was US$22,185 thousand (2020: US$22,106 thousand).

Key management personnel remuneration

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Short-term employee benefits	**4,042**	4,314
Share-based payments	**–**	(131)
	4,042	4,183

Directors' remuneration

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Short-term employees benefits	**1,877**	2,657
Share-based payments	**–**	(228)
	1,877	2,429

Employee share option plan (ESOP)

The Group's Phantom Option Plan was adopted by the board of directors of the Company on 20 June 2014 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. The rights and obligations in relation to this option plan were transferred to Nostrum Oil & Gas PLC from Nostrum Oil & Gas LP following the reorganisation.

Employees (including senior executives and executive directors) of members of the Group or their associates received remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

2017 Long-term incentive plan

In 2017 the Group started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group or their associates may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Group has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.For more details please see Note 27 to the Groups' consolidated financial statements for the year ended 31 December 2020.

27. Other income and expenses

For the years ended 31 December 2021 and 2020 other income comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Compensation for damages	**1,549**	12
Reversals of training accruals	**1,490**	950
Reversals of other accruals	**1,244**	1,473
Disposal of exploration assets	**749**	784
Insurance compensation	**162**	116
Currency conversion	**78**	169
Refunds of taxes paid in previous periods	**–**	433
Goods received free of charge	**–**	426
Other	**614**	394
	5,886	4,757

Other expenses comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Write-off of new development costs (Note 7)	**9,055**	–
Other taxes and penalties	**2,613**	3,820
Training	**505**	890
Social program	**312**	337
Currency conversion	**135**	223
Loss on disposal of property, plant and equipment	**58**	812
Loss on disposal of inventories	**–**	392
Compensation	**–**	140
Accruals under subsoil use agreements	**–**	114
Business development	**–**	70
Sponsorship	**26**	–
Other	**514**	808
	13,218	7,606

Other taxes and penalties mainly include additional taxes and penalties assessed in relation to prior periods considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management.

Notes to the consolidated financial statements continued

28. Income tax

The income tax expense comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Deferred income tax expense	**30,279**	(67,423)
Adjustment in respect of the deferred income tax for the prior periods	**–**	28,429
Corporate income tax expense	**751**	755
Withholding tax	**58**	1,146
Adjustment in respect of the current income tax for the prior periods	**632**	(385)
	31,720	(37,478)

The Group's profits are assessed for income taxes mainly 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:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Profit/ (loss) before income tax	5,602	(401,837)
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	**1,681**	**(120,551)**
Effect of exchange rate on the tax base	2,630	15,653
Adjustments in respect of current income tax of previous years	632	(384)
Effect of loss / (income) taxed at different rate[1]	1,529	(128)
Non-deductible interest expense on borrowings	24,782	27,798
Recognition of previously unrecognised deferred tax	(1,312)	–
Deferred tax asset not recognised	–	9,339
Non-deductible taxes and penalties	784	932
Adjustments to tax base balances brought forward	–	28,429
Net foreign exchange gain	95	491
Reversal of training provisions	(296)	–
Non-deductible cost of technological loss	–	133
Non-deductible loss on disposal of PPE	(225)	167
Non-deductible marketing expenses	651	–
Non-deductible unwinding of discount	311	–
Other non-deductible expenses	458	643
Income tax benefit reported in the consolidated financial statements	**31,720**	**(37,478)**

[1] Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 25%.

Certain revisions to previous period tax assessments were made considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management. While there were not adjustments to income taxes of previous periods resulting from such revisions, the tax base of property, plant and equipment has been adjusted to reflect the changes, which are reflected above as adjustments to tax base balances brought forward.

The Group's effective tax rate for the year ended 31 December 2021 is 566.2% (2020: 9.3%). The Group's effective tax rate, excluding effect of movements in exchange rates and non-deductible interest expense on borrowings, for the year ended 31 December 2021 is 76.9% (2020: 20.1%).

As at 31 December 2021 the Group has tax losses of US$113,371 thousand (2020: US$105,432 thousand) that are available to offset against future taxable profits in the companies in which the losses arose within 9 years after generation and will expire in the period 2023-2029. On 21 May 2021, a Royal Decree was issued in the Netherlands, which dictates that the tax losses can now be carried forward indefinitely from 1 January 2022, subject to annual limit on carry back loss utilization. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

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 consolidated financial statements and are comprised of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Deferred tax asset		
Accounts payable and provisions	**4,189**	3,011
Deferred tax liability		
Property, plant and equipment	**(33,630)**	–
Inventories	**(3,183)**	(3,011)
Long-term borrowings	**(1,448)**	(3,793)
Net deferred tax liability	**(34,072)**	(3,793)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	**2021**	2020
Balance as at 1 January	**3,793**	42,787
Current period charge to statement of comprehensive income	**30,279**	(38,994)
Balance as at 31 December	**34,072**	3,793

29. Related party transactions

For the purpose of these consolidated financial statements transactions with related parties mainly comprise transactions between subsidiaries of the Company and the shareholders and/or their subsidiaries or associated companies.

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	**31 December 2020**
Trade payables		
JSC OGCC KazStroyService	**227**	230

On 28 July 2014 the Group entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Group's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014). The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 December 2021 owned approximately 8.56% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$4,042 thousand for the year ended 31 December 2021 (2020 (restated – refer Note 3): US$4,314 thousand, including US$666 thousand paid to the spouse of the executive directors). There was no compensation to close members of the families of the key management personnel for the year ended 31 December 2021.

30. Audit and non-audit fees

During the years ended 31 December 2021 and 2020 audit and non-audit fees comprise the following:

In thousands of US Dollars	For the year ended 31 December 2021	2020
Audit of the financial statements	**1,009**	1,076
Total audit services	**1,009**	1,076
Audit-related assurance services	**–**	–
Services relating to corporate finance transactions	**239**	–
Other non-audit services	**–**	–
Total non-audit services	**239**	–
	1,248	1,076

The audit fees for the year ended 31 December 2021 in the table above include the audit fees of US$10 thousand in relation to the Parent (2020: US$10 thousand).

The audit fees for the year ended 31 December 2021 include fees related to the audit of the 2020 financial statements in the amount of US$92 thousand (2020: US$221 thousand related to audit of 2019 financial statements).

31. 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 and where the tax authorities disagree with the positions taken by the Group the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest penalty 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 Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Group 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 Group 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 Group 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 Group's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

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

Social and education commitments

As required by the Contract (after its amendment on 2 September 2019), the Group 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.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed in October 2020 and the Rostoshinskoye field was disposed in September 2021 (see Note 1). All outstanding obligations under these licences were transferred to the purchaser.

Domestic oil sales

In accordance with Supplement # 7 to the Contract, Zhaikmunai LLP 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.

32. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, payables to the Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets consist of trade and other receivables and cash and cash equivalents that derive directly from its operations.

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

Climate change

Management has considered how the Group's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2021 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

Notes to the consolidated financial statements continued

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Group 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 Group is not exposed to interest rate risk in 2021 and 2020 as the Group 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 Group's operation is Tenge denominated, the Group's statement of financial position can be affected by movements in the US dollar / Tenge exchange rates. The Group 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$1,085 thousand 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 (In thousands of US Dollars)
2021	**13%**	1,085
	-10%	(1,048)
2020	**14%**	1,633
	-11%	(1,644)

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

In thousands of US Dollars	Tenge	Russian Roubles	Euro	Other	**Total**
As at 31 December 2021					
Cash and cash equivalents	5,745	–	1,020	500	7,265
Trade receivables	1,531	–	–	–	1,531
Trade payables	(5,433)	(122)	(464)	(983)	(7,002)
Other current liabilities	(11,273)	–	(299)	(105)	(11,677)
	(9,430)	**(122)**	**257**	**(588)**	**(9,883)**
As at 31 December 2020					
Cash and cash equivalents	2,791	95	1,862	423	5,171
Trade receivables	877	–	–	–	877
Trade payables	(4,028)	(7)	(2,101)	(207)	(6,343)
Other current liabilities	(12,940)	–	(299)	(105)	(13,344)
	(13,300)	**88**	**(538)**	**111**	**(13,639)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Group 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 Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, export financing and leases.

The Group's total outstanding debt consists of two notes: US$725 million issued in 2017 and maturing in 2022 and US$400 million issued in 2018 and maturing in 2025. Based on the assessments and other matters considered by the Board during the year, on the assumption that the Notes are successfully restructured, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its restructured liabilities as they fall due through the three-year viability assessment period ending 31 December 2024. Nevertheless, as highlighted in the Viability assessment, the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group. For more information on analysis of the Group's ability to meet its liabilities on repayment of the Notes please see "Viability statement" section on the Annual report on pages 67-69.

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

In thousands of US Dollars	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	**Total**
As at 31 December 2021						
Borrowings	1,298,926	43,000	43,000	–	–	1,384,926
Trade payables	7,853	–	546	–	–	8,399
Other current liabilities	14,636	–	–	–	–	14,636
Due to Government of Kazakhstan	–	258	773	4,124	4,381	9,536
	1,321,415	**43,258**	**44,319**	**4,124**	**4,381**	**1,417,497**
As at 31 December 2020						
Borrowings	1,203,633	43,000	43,000	–	–	1,289,633
Lease liabilities	–	760	2,279	40	–	3,079
Trade payables	7,774	–	728	–	–	8,502
Other current liabilities	16,491	–	–	–	–	16,491
Due to Government of Kazakhstan	–	258	773	4,124	5,412	10,567
	1,227,898	**44,018**	**46,780**	**4,164**	**5,412**	**1,328,272**

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 Group 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 Group places its cash and deposits primarily with Citibank, N.A., ING Bank N.V. and Halyk bank JSC with most recent credit ratings from Moody's rating agency of Aa3 (Stable), Aa3 (Stable), and Ba1 (Stable), respectively.

The Group 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 Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low. Also, the Group'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 Group does not hold collateral as security. The Group 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 Group's financial instruments, other than those with carrying amounts reasonably approximating their fair values:

Management assessed that cash and cash equivalents, 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
Interest bearing borrowings	1,289,603	1,186,269	303,375	270,000
Total	**1,289,603**	**1,186,269**	**303,375**	**270,000**

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 Group's financial instruments.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

Since the engagement with the AHG in discussions on potential restructuring of the Notes and signing of the FBAs in 2020 (see Note 1), the Group'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 Group to grow its unrestricted cash balances to the level of US$165,246 thousand as at 31 December 2021. After successful implementation of the restructuring, the Group intends to revise and evolve its capital management policy in line with new requirements and shareholder expectations.

33. 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 an 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.

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 the geographical position of the Group's main operating company, 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. Nostrum currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Group contracts with a limited number of Russian service companies. The Group 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 foreseen 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 Group employees were harmed, and the Group experienced no disruptions to its operations in the field or at the head office.

Contents

Parent company 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		**2**	20
		2	20
Current assets			
Prepayments and other current assets		**489**	287
Receivables from related parties	6	**1,000**	1,109
Cash and cash equivalents	7	**549**	615
		2,038	2,011
TOTAL ASSETS		**2,040**	2,031
Equity and liabilities			
Share capital and reserves			
Share capital	8	**3,203**	3,203
Retained deficit and reserves		**(812,101)**	(834,199)
		(808,898)	(830,996)
Current liabilities			
Current portion of financial guarantees	9	**809,812**	831,767
Employee share option plan liability		**–**	3
Payables to related parties	10	**476**	568
Trade payables		**480**	444
Income tax payable		**61**	135
Other current liabilities		**109**	110
		810,938	833,027
TOTAL EQUITY AND LIABILITIES		**2,040**	2,031

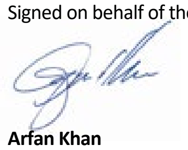
** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in the Company's financial statements.

The Company reported a profit of US$22,342 thousand for the financial year ended 31 December 2021, which includes current income tax expense of US$64 thousand (2020: a loss of US$396,744 thousand including current income tax expense of US$201 thousand). During the reporting periods there were no transactions impacting the statement of other comprehensive income.

The financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors. Signed on behalf of the Board:

Signed on behalf of the Board:



Arfan Khan

Chief Executive Officer

4 May 2022

The accounting policies and explanatory notes on pages 168 through 178 are an integral part of these financial statements

Parent company statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2021	2020 (restated*)
Cash flow from operating activities:			
Profit / (loss) before income tax		**22,406**	(396,543)
Adjustments for:			
Depreciation		**19**	28
Employee share option plan fair value adjustment		**(14)**	(27)
Financial guarantee (gain) / loss	9	**(21,957)**	397,650
Impairment reversal		**(232)**	(469)
Operating profit before working capital changes		**222**	639
Changes in working capital:			
Change in other current assets		**(202)**	(2)
Change in receivables from related parties		**109**	(444)
Change in trade payables		**36**	286
Change in payables to related parties		**(92)**	(595)
Change in other current liabilities		**(1)**	(719)
Cash generated from operations		**72**	(835)
Income tax paid		**(138)**	(66)
Net cash flows from operating activities		**(66)**	(901)
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(1)**	(7)
Net cash used in investing activities		**(1)**	(7)
Cash flow from financing activities:			
Net cash from financing activities		**–**	–
Effects of exchange rate changes on cash and cash equivalents		**1**	1
Net decrease in cash and cash equivalents		**(66)**	(907)
Cash and cash equivalents at the beginning of the year	7	**615**	1,522
Cash and cash equivalents at the end of the year	7	**549**	615

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

As at 31 December 2021 the Company recognised bad debt allowance in the amount of US$93 thousand (2020: US$291 thousand) against the loan receivable from Nostrum employee benefit trust and a similar but opposite amount against its loan payable to its subsidiary Nostrum Oil & Gas Coöperatief U.A. (Notes 6 and 10). These transactions had impact on "change in receivables from related parties" and "change in payables to related parties" above.

The accounting policies and explanatory notes on pages 168 through 178 are an integral part of these financial statements

Parent company statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Other reserves	Retained deficit	Total
As at 1 January 2020		**3,203**	**1,344**	**(438,304)**	**(433,757)**
Loss for the year		–	–	(396,744)	(396,744)
Total comprehensive loss for the year		**–**	**–**	**(396,744)**	**(396,744)**
Share based payments under LTIP	13	–	(495)	–	(495)
As at 31 December 2020 (restated*)		**3,203**	**849**	**(835,048)**	**(830,996)**
Profit for the year		–	–	22,342	22,342
Total comprehensive income for the year		**–**	**–**	**22,342**	**22,342**
Share based payments under LTIP	13	–	(244)	–	(244)
As at 31 December 2021		**3,203**	**605**	**(812,706)**	**(808,898)**

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

The accounting policies and explanatory notes on pages 168 through 178 are an integral part of these financial statements

Financial report

Notes to the parent company financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 20 Eastbourne Terrace, London W2 6LA, United Kingdom.

The subsidiary undertakings of the Company as at 31 December 2021 and the percentage holding of their capital are set out below:

Company	Registered office	Form of capital	Ownership, %
Direct subsidiary undertakings:			
Nostrum Oil & Gas Coöperatief U.A.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Indirect subsidiary undertakings:			
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

The entire holding in the equity of Nostrum E&P Services LLP of the subsidiary was disposed on 30 April 2021.

The Company and its wholly-owned subsidiaries are hereinafter referred to as "the Group".

Forbearance and Lock-up agreements

On 31 March 2020, following the collapse in the oil price, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's US$725 million 8.0% Senior Notes due July 2022 ("2022 Notes") and/or its US$400 million 7.0% Senior Notes due February 2025 ("2025 Notes") (together, the Notes).

In May 2020, the Group engaged Rothschild & Cie ("Rothschild") as financial advisers and White & Case LLP ("White & Case") as legal advisers to assist in the restructuring of the Existing Notes. Since then, the Company has been in restructuring discussions with an informal ad hoc group of noteholders (the "Ad Hoc Group" or "AHG"), who are advised by PJT Partners ("PJT") (financial) and Akin Gump LLP (legal). The Company has also been in discussions with its largest shareholder ICU, also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

The Group has not made coupon payments due under the Existing Notes since July 2020, which was an event of default under the terms of the indentures governing 2022 Notes and 2025 Notes. However, the Company continued active discussions with the financial and legal advisers to the AHG and signed its First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021. The First and Second FBA were on substantially the same terms and prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. The FBAs were intended to provide the Group with a short-term solution to its liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring.

The Forbearance Agreement was subject to certain conditions, including:

- The opening of a secured account into which a portion of the missed interest payments was paid. A total of US$22,658,980 has been deposited into the secured account under the terms of the FBAs, with the Group having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Group where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The Group agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement.

On 23 December 2021 the Group entered into a lock-up agreement (the "Lock-up Agreement") and agreed terms of a restructuring with holders of in excess of 54% of the aggregate principal amount of the 2022 Notes and 55% of the aggregate principal amount of the 2025 Notes in each case issued by Nostrum Oil & Gas Finance B.V. In addition, subsidiaries of ICU Holdings Limited ("ICU"), the Parent's largest shareholder, has entered into the Lock-up Agreement in its capacity as a shareholder and holder of the Notes.

Upon signing of the Lock-up Agreement, the Second FBA was extended in parallel. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date 23 August 2022.

Under the terms of the Lock-up Agreement, the Group, the AHG and ICU have agreed to implement a transaction which restructures the Notes (the "Restructuring"). The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes in the form of new: (a) senior secured notes in a principal amount of US$250,000,000 ("SSNs") with cash coupon of 5.00% per annum; and (b) senior unsecured notes in a principal amount of US$300,000,000 ("SUNs") with cash coupon of 1.00% per annum and payment-in-kind interest of 13.00% per annum. The SSNs and SUNs will mature on 30 June 2026;
2. Conversion of the remainder of the Notes into equity through:
   - Preferred restructuring route: Holders of the Existing Notes will own 88.89% of the share capital of the Company and warrants to subscribe for an additional 1.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 11.11% upon closing of the restructuring and will be diluted to 10.00% if the warrants are exercised. Executing the preferred restructuring route will require the approval by shareholders at a general meeting ("GM"); or

- Alternative restructuring route: If the required approvals are not received from shareholders at the GM, the holders of the Existing Notes will own 98.89% of the share capital of the Company and warrants to subscribe for an additional 0.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 1.11% upon closing of the restructuring and will be diluted to 1.00% if the warrants are exercised; and

3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows, including the proposal to transfer the Parent's listing to the Standard Listing segment of the London Stock Exchange.

A fee of 50 bps (the "Lock-up Fee") will be payable to each Participating Noteholder who was originally party to the Lock-up Agreement or acceded to the Lock-up Agreement within 22 days of its execution (i.e. by 14 January 2022). Noteholders will not be eligible for the Lock-up Fee if they accede to the Lock-up Agreement after 14 January 2022 (save with respect to any Notes acquired by them which were already eligible to receive a Lock-up Fee).

Holders of over 77% of the total aggregate principal amount of the Notes have signed or acceded to the Lock-up Agreement including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU.

Following execution of the Lock-up Agreement, the Company has commenced implementation of the Restructuring, which is expected to become effective in 2022.

Consent solicitation for Existing Notes:
On 4 February 2022, the Company received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures. The approved amendments (i) change the governing law and jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) make Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the preferred restructuring route or alternative restructuring route. 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. No consent solicitation payments were made to vote in favour.

On 13 April 2022, the Financial Conduct Authority ("FCA") approved the Company's shareholder circular in relation to the proposed restructuring as outlined above. The Circular is published on the Company's website and has been made available to shareholders for their consideration. Also notice has been provided convening a General Meeting of our shareholders on 29 April 2022 to consider and approve the resolutions in respect of the Restructuring. The Circular and General Meeting also includes 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.

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.

2. Basis of preparation

Basis of preparation

The Company financial statements for the year ended 31 December 2021 have been prepared on a going concern basis and in accordance with UK Adopted International Accounting Standards.

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

The Company recognises that there may be potential financial implications in the future from changes in legislation and regulation implemented to address climate change risk. Over time these changes may have an impact across a number of areas of accounting including asset impairment, increased costs, provisions, onerous contracts and contingent liabilities. However, as at the reporting sheet date, the Company believes there is no material impact on the balance sheet carrying values of assets or liabilities. This is not considered a significant estimate.

Going concern

These Company financial statements have been prepared on a going concern basis.

The Company is dependent on liquidity generated by its subsidiaries to continue in operation and its ability to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of these financial statements. Respectively, the following Group-level going concern matters and analysis are considered directly relevant for the Company.

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 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 (refer to "Update on Bond Restructuring" section and Note 1 to the financial statements for the latest on the Bond Restructuring process).

The below outlines the key terms of the restructuring as agreed between the Group, acceded noteholders and ICU in the LUA and also voted in favour of by Nostrum shareholders:

- 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

Notes to the parent company financial statements continued

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 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 and shareholders voting in favour of the Restructuring Resolutions marked key milestones 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 Company's ability to continue as a going concern for the going concern period to 30 June 2023.

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, 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 been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports and the Group also contracts with a limited number of Russian service companies. The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 June 2023, inclusive of cash swept into the restricted account. There is currently no material impact on the Group's operations and liquidity at the time of publication of these financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the LUA, advice from our financial and legal advisors, and our assessment of the likelihood that the remaining milestones can be achieved, the Directors have a reasonable expectation that the Group and Company has sufficient resources to continue in operation for the going concern period to 30 June 2023. For these reasons, they continue to adopt the going concern basis in preparing the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 30 June 2023, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 67-69 which highlights that the material uncertainty referred to in respect of the going concern assessment will inevitably cast significant doubt over the future viability of the Group.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company 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 Company. The Company 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 Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards issued but not yet effective

Amendments to IAS 12

On May 7, 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 January 1, 2023. Early adoption is permitted.

The Company is currently assessing the impact the amendments will have on current practice and whether the amendments will have 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 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

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 any impact on the financial statements of the Company.

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 Company.

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 Company 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.

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 Company 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 Company 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 Company 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 Company.

Notes to the parent company financial statements continued

Correction of errors

Financial guarantee

When preparing the consolidated financial statements for the year ended 31 December 2020, the Group estimated through its FVLCD discounted cash flow model that the recoverable amount of its property, plant and equipment was US$339,406 thousand, and recognised an impairment charge of US$244,744 thousand. During the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error results in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and so a corresponding additional impairment charge of US$41,648 thousand for the year then ended and derecognition of deferred tax liability of US$4,712 thousand.

This had an impact on the Company's assessment of the fair value of the guarantees issued under the 2022 and 2025 Notes, which is based on the Group's financial position as at 31 December 2020. As a consequence, the balance of the financial guarantee liability as at 31 December 2020 was understated.

The Company does not present the statement of financial position as at the beginning of the previous annual period ("opening balance sheet"), as the correction of an error has no effect on the opening balance sheet or the periods preceding the previous annual period. This error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Reported	Financial guarantee correction	As adjusted
Statement of financial position			
Retained deficit and reserves	(792,553)	(41,646)	(834,219)
Share capital and reserves	**(789,350)**	**(41,646)**	**(830,996)**
Current portion of financial guarantees	790,121	41,646	831,767
Current liabilities	**791,381**	**41,646**	**833,027**
TOTAL EQUITY AND LIABILITIES	**2,031**	**–**	**2,031**
Statement of cash flows			
Loss before income tax	(354,897)	(41,646)	(396,543)
Financial guarantee loss	356,004	41,646	397,650
Net cash flows from operating activities	**(901)**	**–**	**(901)**

Previous period related party disclosures

The Company has policies and procedures in place for the identification of potential related party transactions which are designed to ensure that all required approvals are obtained and all legal obligations are met in relation to any related party transaction. Also, the Company has internal procedures on identification of related party transactions and balances which are designed to ensure that all required disclosures are made in the financial statements. As part of these procedures the Company prepares lists of companies and individuals related to directors and key management personnel.

During 2021 the Company became aware that it had failed to identify the past employment of two persons, each of whom was the spouse of a director of the Group, as potential related party transactions and did not comply with its disclosure obligations in relation thereto. Total remuneration paid to such employees during 2020 amounted to US$666 thousand, and such employment and remuneration should have been disclosed as required under IAS 24 Related parties. Those amounts have been appropriately accounted for and so there is no requirement to make an adjustment of any balances as of 31 December 2020 and any costs for the year then ended.

As a result of the above, management have restated the comparative amounts for remuneration of key management personnel for 2020 within the employee remuneration note in the current year. Refer to Note 12. Further disclosure regarding this matter is also set out in the Company's Annual Report for 2021 on pages 87-88. In addition, management has carried out a comprehensive search for any other undisclosed related party transactions and balances and made adjustments to its internal controls to ensure completeness of the relevant disclosures going forward.

4. Summary of significant accounting policies

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 Company is the United States dollar (the "US dollar" or "US$").

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange 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.

Investments

Investments in subsidiaries are recorded at cost. Subsequently, the Company determines whether it is necessary to recognise an impairment loss on its investment in a subsidiary. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the impairment loss in the statement of profit or loss.

Significant estimates and assumptions: impairment of investments in subsidiaries

Determination as to whether, and by how much, the investment in a subsidiary is impaired involves management's best estimates on highly uncertain matters such as future revenues of the subsidiary, operating expenses, discount rate, as well as fiscal regimes.

As at 31 December 2019, the Company had recorded impairment for the full amount of the investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. in the amount of US$116,437 thousand and US$222 thousand, respectively. Such impairment has been recognised in view of the decrease in the net assets of these subsidiaries, and the reduction of the 2P reserves expected to be recovered from the main operating subsidiary of the Company over the period of 2020-2032, with the relevant decrease in the expected future net cash proceeds of Nostrum Oil & Gas Coöperatief U.A.

A reversal of impairment in the amount of US$232 thousand (Note 5) was recognised as at 31 December 2021 (31 December 2020: US$469 thousand) corresponding to the decrease in the amount of investment in Nostrum Oil & Gas Coöperatief U.A. resulting from the adjustment under the Long-term Incentive Plan 2017.

As at 31 December 2021, impairment for the full amount of investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. remained appropriate considering further significant reduction in the 2P reserves to be recovered from the main operating subsidiary of the Company.

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 Company 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost include cash and receivables from related parties.

Derecognition

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

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

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

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

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

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

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 Company's financial liabilities include trade payables, payables related parties and financial guarantee liabilities.

Subsequent measurement

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

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

Financial liabilities at 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 Company 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 profit or loss.

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. The Company has not designated any financial liability as at fair value through profit or loss.

Notes to the parent company financial statements continued

Derecognition

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

Financial guarantees

Financial guarantee is initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cashflows required under a debt instrument, and the net present value of the net contractual cashflows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of expected credit losses (ECL). Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cashflows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. Investments in subsidiaries

As at 31 December 2021 and 31 December 2020 Investments of the Company comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Nostrum Oil & Gas Coöperatief U.A.	**116,437,306**	116,669,665
Nostrum Oil & Gas BV	**222,271**	222,271
Impairment of investments	**(116,659,577)**	(116,891,936)
	–	–

The investments in Nostrum & Gas Cooperatief U.A. include the guarantees initial cost in the amount of US$9,881 thousand as described in the Note 9 (2020: US$9,881 thousand) as well as US$789 thousand capitalized costs under the "Long-term Incentive Plan 2017" (2020: US$789 thousand).

As a result of the impairment testing performed at 31 December 2019 the Company recognised an impairment charge of US$117,361 thousand for the full amount of its investments in subsidiaries. For more details, please refer to Note 4. As at 31 December 2021 and 31 December 2021 the Company has partially reversed previously recognised impairment of investments in subsidiaries in the amount of US$232 thousand and US$469 thousand, relatively, corresponding to the adjustment under the "Long-term Incentive Plan 2017".

6. Receivables from related parties

Receivables from related parties 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
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**729**	745
	24,541	24,557
Less: bad debt allowance	**(23,541)**	(23,448)
	1,000	1,109

Receivables from the Nostrum Oil & Gas Benefit Trust ("the Trust") represent the loan provided to support the Company's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan 2017 ("LTIP") (Note 13). The loan is interest free and unsecured. The loan is repayable in the case of an advance used to acquire securities to satisfy the exercise of options granted pursuant to the rules of ESOP, and unless otherwise agreed in writing between the parties, the earlier of 1) ten years from the Date of Grant, or 2) 30 days after the exercise date, and in all other cases any other date agreed in writing between the parties.

Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has recognised a bad debt allowance as at 31 December 2021 in the amount of US$23,541 thousand (2020: US$23,448 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2021.

7. Cash and Cash Equivalents

As at 31 December 2021 and 31 December 2020 cash and cash equivalents comprised the following:

In thousands of US Dollars	31 December 2021	31 December 2020
Current accounts in Pounds Sterling	**319**	340
Current accounts in US Dollars	**230**	207
Current accounts in Euro	**–**	68
	549	615

8. Shareholders' equity

As at 31 December 2021 the ownership interests in Nostrum Oil & Gas PLC consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. There were no movements in the number of shares during the years ended 31 December 2020 and 2021 and comprised of the following:

	Number of shares
In circulation	**185,234,079**
Treasury capital	**2,948,879**
	188,182,958

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP. In the case of share-settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

Group reorganisation reserve in the amount of US$255,459 thousand represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP.

Nostrum Oil & Gas PLC became the new holding company for the business of Nostrum Oil & Gas LP based on the resolution passed by its limited partners on 17 June 2014 followed by the Company reorganisation referred to in that resolution.

Share capital of Nostrum Oil & Gas PLC

As at 31 December 2021 the ownership interests in the Company consist of ordinary shares, which are listed on the London Stock Exchange, these shares have been issued and fully paid. As at 1 January 2014 the Company had subscriber shares and redeemable preference shares, all of which were cancelled on 7 August 2014.

The subscriber and redeemable preference shares had a nominal value of GBP 1 and the ordinary shares have a nominal value of GBP 0.01.

9. Financial guarantees

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

In thousands of US Dollars	2021	2020
Financial guarantee as at 1 January	**831,767**	434,117
Charge for expected credit losses	**(21,955)**	397,650
Financial guarantee as at 31 December	**809,812**	831,767

The Company acts as a guarantor under the Group's US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (the 'Notes'). Since the guarantees are issued in favour of the Company's indirect subsidiaries, related costs at initial recognition are capitalized into the investments in subsidiaries (Note 5).

In 2021 and 2020, the Company performed an assessment of the value of the guarantees issued under the 2022 and 2025 Notes, taking into account the Group's financial position as at 31 December in both years and the fact that the Company is the parent entity in the Group and so would ultimately assume the guarantee obligations of its subsidiaries in the event of their inability to meet such obligations. As a result, the Company has recognised the guarantee liabilities for the total amount of US$ 809,812 thousand as at 31 December 2021 (2020 restated: US$831,767 thousand), representing the amount of expected credit losses as of the reporting date. Further details on the Notes are provided below.

During 2020 the Company engaged with its bondholders regarding a possible restructuring of the Group's Notes. On 23 October 2020 the Company announced that, together with certain of its subsidiaries (the "Note Parties"), it had entered into a forbearance agreement with members of the AHG. On 23 December 2021, the Company announced the execution of a lock-up agreement. Under the terms of the Lock-up Agreement, the Group, ICU and the AHG have agreed to implement a transaction which restructures the Notes. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$ 725,000 thousand notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year, maturing in 2022.

The 2022 Notes are jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes are the 2022 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$ 400,000 thousand notes (the "2025 Notes"). The 2025 Notes bear interest at a rate of 7.00% per year, payable on 16 February and 16 August of each year, maturing in 2025.

The 2025 Notes are jointly and severally guaranteed (the "2025 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2025 Guarantors"). The 2025 Notes are the 2025 Issuer's and the 2025 Guarantors' senior obligations and rank equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness.

Notes to the parent company financial statements continued

Reclassification to current liabilities

On 26 August 2020 the Company announced that an event of default has occurred under the terms of the indenture governing 2022 Notes resulting from the Issuer's non-payment of interest due and payable on 25 July 2020 to the holders of the 2022 Notes and the expiration of the 30-day grace period which commenced on the same date. Following this, the Issuer also did not pay interest on 2025 Notes when due and upon the expiration of the 30-day grace period in respect of such payment. As mentioned above, the Company engaged with its bondholders regarding a possible restructuring of the Group's Notes and entered into Forbearance Agreement. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.

Considering these facts and circumstances, from 2020 the Company has reclassified the balance of the financial guarantees into current liabilities and presented them as the current portion of financial guarantees.

10. Payables to related parties

Payables to related parties 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
Payables to Nostrum Oil & Gas Coöperatief U.A.	**272**	364
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	476	568

As at 31 December 2021 amounts payable to Nostrum Oil & Gas Coöperatief U.A. represent the arrangements in respect of the Nostrum employee benefit trust. For more details, please refer to Note 6. Based on the service agreement, the amounts payable to Nostrum Oil & Gas Coöperatief U.A. in respect to the employee benefit trust, are only repayable to the extent of amounts received (or recovered) from the Trust. Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has remeasured and reduced the loan payable as at 31 December 2021 by US$23,541 thousand (2020: US$23,448 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2021.

As at 31 December 2021 and 2020 amounts payable to Nostrum Oil & Gas Finance B.V. represent interest accrued in the amount US$204 thousand on the loan from Nostrum Oil & Gas Finance B.V. The loan on which the above interest amounts were calculated was settled against the receivables due from Nostrum Oil & Gas Coöperatief U.A. in the amount of $3,000 thousand in 2019.

11. Auditors' remuneration

For the year ended 31 December 2021 the fees for the audit of the Company amount to US$10 thousand (2020: US$10 thousand).

12. Employee's remuneration

The average monthly number of employees employed was as follows:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Executive Directors	**1**	1
Administrative personnel	**4**	7
	5	8

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Wages and salaries	**960**	1,490
Social security costs	**148**	204
Share-based payments	**–**	(28)
Pension contributions	**23**	46
Other benefits	**17**	30
	1,148	1,742

The directors of the Company are also directors of the Group. The aggregate amount of remuneration paid to or receivable by executive directors in respect of qualifying services for the financial year ended 31 December 2021 was US$1,877 thousand (2020 restated: US$2,429 thousand) and also includes remuneration paid by other companies of the Group. In addition, US$280 thousand (2020: US$260 thousand) was paid by the Company to the non-executive directors. The directors do not believe that it is practicable to apportion these amounts between their services as directors of the Company and their services as directors of the Group.

For the year ended 31 December 2021 the Company employed an average of 2 non-executive directors (2020: 2 non-executive directors).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 105-119 of the annual report.

13. Long-term incentive plan

2017 Long-term incentive plan

In 2017 the Company started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group or their associates may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Company has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.

The award ordinarily vests and becomes exercisable as from later of the third anniversary of grant or two years after the date on which the Company determines whether the performance condition has been satisfied, subject to employee's continued service and to the extent to which the performance condition is satisfied, until the end of the contractual life. The contractual life of the share options is ten years.

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element of "shares to be issued under LTIP", which is not remeasured subsequently until the settlement date.

The following table summarizes the movement in the number of outstanding share options capable of vesting during the years ended 31 December 2021 and 31 December 2020:

	Equity-settled awards	Cash-settled awards	TOTAL awards
As at 31 December 2019	**467,110**	**31,557**	**498,667**
Share options forfeited	(248,217)	(4,938)	(253,155)
As at 31 December 2020	**218,893**	**26,619**	**245,512**
Share options forfeited	(62,854)	(26,619)	(89,473)
As at 31 December 2021	**156,039**	**–**	**156,039**

In 2017 the Company granted 1,208,843 share options, of which 344,631 share options remained outstanding as at 31 December 2021 (2020: 542,243 share options). On 23 March 2018 the remuneration committee of the board of the Company determined the level of performance conditions that were met for the performance conditions set upon issue of the share options granted in 2017. After adjusting for the nonachievement of performance conditions, 156,039 share options are capable of vesting as of 31 December 2021 (2020: 245,512 share options) and all of these share options were vested as of 31 December 2021, in accordance with the management's best estimate.

On 28 November 2018 the Company granted a further 1,163,040 share options, however due to the performance conditions not being met none of these share options are capable of vesting.

There were no cash-settled share-options at 31 December 2021 (2020: 26,619 share options with carrying value of US$3 thousand). Based on the estimations of the carrying value of the liability, during the year ended 31 December 2021 the Company recognised a gain of US$3 thousand from employee share options fair value adjustment (2020: loss of US$1 thousand).

The fair value of the equity-settled share options at the valuation dates of 28 November 2018 and 23 March 2018 amounted to US$1.25 and US$2.76 per share option, respectively. Based on these estimations, during the year ended 31 December 2021 the Company recognised income from reversal of employee share option expense in the amount of US$11 thousand (2020: US$27 thousand) and a reduction in the investments in subsidiaries in the amounts of US$244 thousand (2020: US$469 thousand).

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for valuation of the share options at the grant date:

	10 October 2017	11 December 2017
Price at the reporting date (US$)	1.25	2.76
Distribution yield (%)	0%	0%
Expected volatility (%)	43.4%	40.4%
Risk-free interest rate (%)	1.38%	1.45%
Expected life (years)	10	10
Option turnover (%)	10%	10%
Price trigger	2.0	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

14. Related party transactions

Related parties of the Company include its direct and indirect subsidiaries, key management personnel and other entities that are under the control or significant influence of the key management personnel.

Accounts receivable from related parties represented by Company's subsidiaries as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**729**	745
	24,541	24,557
Less: bad debt allowance	**(23,541)**	(23,448)
	1,000	1,109

Accounts payable to related parties represented by Company's subsidiaries as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Payables to Nostrum Oil & Gas Coöperatief U.A.	**272**	364
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	476	568

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

In thousands of US Dollars	**2021**	2020
Financial guarantee as at 1 January	**831,767**	434,117
Charge for expected credit losses	**(21,955)**	397,650
Financial guarantee as at 31 December	**809,812**	831,767

During the years ended 31 December 2021 and 2020 the Company had the following transactions with related parties represented by Company's subsidiaries:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020 (restated*)
Income from provision of services		
Nostrum Oil & Gas Coöperatief U.A.	**5,831**	6,956
Loss from financial guarantee		
Nostrum Oil & Gas Finance B.V. (Note 9)	**21,955**	(397,650)

Financial report

Notes to the parent company financial statements continued

15. Financial risk management objectives and policies

The Company's financial assets consist of receivables from shareholders and cash and cash equivalents. The Company's financial liabilities consist of payables to related parties, trade and other payables and accrued liabilities.

The main risks arising from the Company's financial instruments are foreign exchange risk and credit risk. The Company's management reviews and agrees policies for managing each of these risks, which are summarized below.

Climate change

Management has considered how the Company's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2021 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment and therefore of the finance guarantee provision. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

Foreign currency risk

Most of the Company's operation is denominated in USD, therefore the Company's statement of financial position is not significantly affected by exchange rate movements.

Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of receivables and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Company considers that its maximum exposure is reflected by the amount of receivables from shareholders and cash and cash equivalents.

The Company places its US Dollar, British Pound and Euro denominated cash with ING which has a credit rating of P-1 (upper medium grade) from Moody's rating agency at 31 December 2021.

Receivables are amounts receivable from Group companies, thus risk of credit default is low, except for the loan receivable from the Trust for which loss allowance has been recognised.

Fair values of financial instruments

The fair value of the financial assets represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The management assessed that its assets and liabilities approximate their carrying amounts largely due to their nature or the short-term maturities of these instruments.

Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

16. 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.

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. The given geographical position of the Group's main operating company, 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. Nostrum currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Group contracts with a limited number of Russian service companies. The Group 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 foresees that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct business as normal.

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 Group employees were harmed, and the Group experienced no disruptions to its operations in the field or at the head office.