KazTransOil JSC

Separate financial statements

For the year ended 31 December 2021
with the independent auditor's report

Building a better working world

CONTENTS

Independent auditor's report

To the Shareholders and Board of Directors of KazTransOil JSC

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter	*How our audit addressed the key audit matter*
Fair value of property, plant and equipment	
Property, plant and equipment makes up a significant portion of the Company's assets as at 31 December 2021. In accordance with the accounting policy of the Company, property, plant and equipment is measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. At each reporting date management of the Company assesses how significantly the fair value of its property, plant and equipment differs from the carrying value. For the assessment of the possible changes in fair value of the assets, management of the Company determines the present value of expected future cash flows from the use of property, plant and equipment. We believe that this matter was the most significant in our audit due to the significance of the carrying value of property, plant and equipment and the high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment. Information about the assessment of the changes in fair value of property, plant and equipment is disclosed in Note 4 to the separate financial statements.	We obtained from the management of the Company its assessment of the possible changes in fair value of property, plant and equipment. In the analysis of the present value of expected future cash flows from the use of property, plant and equipment, we compared input data used by management with the Company's most recent business plans. We assessed underlying assumptions and compared them with historical data. We compared discount rate and long-term growth rate used in the calculations with available external information. We checked arithmetical accuracy of the calculations of the present value of expected future cash flows.

Other information included in the Company's Annual report 2021

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

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

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

Responsibilities of management and the committee on internal audit of the board of directors for the separate financial statements

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

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

The committee on internal audit of the board of directors is responsible for overseeing the Company's financial reporting process.

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

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

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

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ernst & Young LLP

Adil Syzdykov Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor Qualification Certificate No. МФ - 0000172 dated 23 December 2013	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

050060, Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

5 March 2022

SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	5	**681,122,195**	587,192,417
Right-of-use assets	6	**1,111,472**	2,547,819
Intangible assets	7	**1,227,448**	1,355,213
Investments in subsidiaries	8	**79,914,012**	69,854,721
Investments in joint ventures	9	**12,504,945**	12,504,945
Advances to suppliers for property, plant and equipment	10	**6,366,865**	–
Bank deposits	16	**1,424,328**	3,569,402
Investments in bonds	19	**–**	913,746
Other long-term accounts receivable	12	**913,384**	983,401
		784,584,649	678,921,664
Current assets			
Inventories	11	**6,755,533**	6,032,645
Trade and other accounts receivable	12	**4,201,037**	2,760,044
Advances to suppliers	13	**344,299**	687,582
Prepayment for income tax		**1,701,325**	1,240,992
VAT recoverable and other prepaid taxes	14	**1,676,788**	2,218,608
Other current assets	15	**5,849,143**	8,235,791
Bank deposits	16	**8,665,145**	27,342,909
Investments in bonds	19	**753,707**	–
Cash and cash equivalents	17	**33,605,655**	38,297,169
		63,552,632	86,815,740
Non-current assets held for sale	18	**602,408**	630,839
		64,155,040	87,446,579
Total assets		**848,739,689**	766,368,243

SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	20	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders	20	**(9,549)**	(9,549)
Asset revaluation reserve	20	**244,149,477**	175,588,847
Other capital reserves	20	**(4,307,809)**	(5,997,772)
Retained earnings		**346,371,687**	346,119,511
Total equity		**648,141,373**	577,638,604
Non-current liabilities			
Employee benefit obligations	21	**21,423,341**	21,553,238
Deferred tax liabilities	35	**81,124,746**	63,095,307
Provision for asset retirement and land recultivation obligation	26	**34,547,151**	33,688,837
Lease liabilities	23	**267,714**	1,415,473
Contract liabilities to customers		**31,516**	32,976
		137,394,468	119,785,831
Current liabilities			
Current part of employee benefit obligations	21	**719,470**	690,087
Trade and other accounts payable	22	**16,459,803**	20,944,553
Lease liabilities	23	**1,393,200**	1,994,823
Contract liabilities to customers	24	**18,816,589**	20,190,207
Other taxes payable	25	**1,181,299**	1,210,017
Other current liabilities	27	**24,633,487**	23,914,121
		63,203,848	68,943,808
Total liabilities		**200,598,316**	188,729,639
Total equity and liabilities		**848,739,689**	766,368,243
Book value per ordinary share (in Tenge)	20	**1,682**	1,498

Signed and approved for issue on 5 March 2022.

General Director (Chairman of the Management Board) *Kurmanbayev T.N.*

Chief Accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 7 through 55 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the year ended 31 December 2021	2020
Revenue	28	**214,832,985**	215,491,851
Cost of sales	29	**(148,937,822)**	(143,480,195)
Gross profit		**65,895,163**	72,011,656
General and administrative expenses	30	**(10,988,469)**	(12,647,072)
Other operating income	31	**2,015,315**	2,831,741
Other operating expenses	32	**(917,800)**	(2,602,117)
Impairment of investments in a subsidiary	8	**(4,540,709)**	(3,534,256)
Operating profit		**51,463,500**	56,059,952
Net foreign exchange gain		**240,116**	4,696,214
Dividend income	9	**1,800,000**	–
Finance income	33	**2,554,600**	2,545,783
Finance costs	34	**(4,116,014)**	(3,774,886)
Profit before income tax		**51,942,202**	59,527,063
Income tax expense	35	**(13,429,793)**	(13,911,276)
Net profit for the year		**38,512,409**	45,615,787
Earnings per share (in Tenge)	20	**100**	119
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation and impairment of property, plant and equipment, net	5	**101,153,661**	(65,719,882)
Income tax effect	35	**(20,230,732)**	13,143,976
		80,922,929	(52,575,906)
Reversal/(charge) of provision for asset retirement and land recultivation obligation	26	**185,471**	(4,516,118)
Income tax effect	35	**(37,094)**	903,224
		148,377	(3,612,894)
Actuarial income/(loss) from employee benefit obligations	21	**1,737,723**	(4,220,893)
Income tax effect	35	**(47,760)**	116,009
		1,689,963	(4,104,884)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net		**82,761,269**	(60,293,684)
Total other comprehensive income/(loss) for the year, net of tax		**82,761,269**	(60,293,684)
Total comprehensive income/(loss) for the year, net of tax		**121,273,678**	(14,677,897)

Signed and approved for issue on 5 March 2022.

General Director (Chairman of the Management Board) — *Kurmanbayev T.N.*

Chief Accountant — *Sarmagambetova M.K.*

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SEPARATE STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the year ended 31 December 2021	2020
Cash flows from operating activities			
Profit before income tax		**51,942,202**	59,527,063
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	29, 30	**46,239,689**	49,305,697
Impairment of investment in subsidiary	8	**4,540,709**	3,534,256
Finance costs	34	**4,116,014**	3,774,886
Finance income	33	**(2,554,600)**	(2,545,783)
Reversal and revision of estimates on provision on asset retirement and land recultivation obligation, net	31	**(1,528,063)**	(1,112,046)
Employee benefit obligations, current and past services costs	29, 30	**973,861**	1,021,455
Charge of impairment of property, plant and equipment, net	32	**336,434**	35,182
Loss on disposal of property, plant and equipment and intangible assets, net	32	**267,473**	1,946,478
Net foreign exchange gain		**(240,116)**	(4,696,214)
Write-off of VAT recoverable	30	**73,188**	119,938
Income from recognition of inventories	31	**(65,752)**	(8,512)
Gain on disposal of non-current assets held for sale, net	31	**(46,677)**	(63,446)
Actuarial loss	32	**20,748**	188,150
Charge of expected credit losses, net	30	**17,207**	67,268
Impairment of non-current assets held for sale	32	**7,942**	232,631
Others		**1,859**	(38,397)
Operating cash flows before working capital changes		**104,102,118**	111,288,606
(Increase)/decrease in operating assets			
Inventories		**574,579**	(1,937,483)
Trade and other accounts receivable		**(1,213,180)**	1,483,942
Advances to suppliers		**343,292**	427,884
VAT recoverable and other prepaid taxes		**468,632**	(2,993,930)
Other current assets		**496,803**	(1,358,843)
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**(695,876)**	1,087,878
Advances received		**(1,693,886)**	1,775,535
Other taxes payable		**(28,718)**	(53,749)
Other current and non-current liabilities and employee benefit obligations		**(1,597,893)**	(1,195,192)
Cash generated from operating activities		**100,755,871**	108,524,648
Income taxes paid		**(15,835,416)**	(16,385,086)
Interest received		**1,931,523**	1,831,141
Net cash flows from operating activities		**86,851,978**	93,970,703

The accounting policy and explanatory notes on pages 7 through 55 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2021	2020
Cash flows from investing activities			
Withdrawal of bank deposits		**51,499,583**	56,416,891
Purchase of property, plant and equipment and intangible assets		**(48,111,603)**	(39,077,445)
Placement of bank deposits		**(30,111,954)**	(37,281,605)
Contributions to charter capital of a subsidiary	8	**(14,600,000)**	(10,036,244)
Dividends received	36	**1,800,000**	–
Proceeds from disposal of non-current assets held for sale		**412,510**	137,449
Proceeds from bonds redemption	19	**182,430**	227,749
Contribution to charter capital of a joint venture	36	**–**	(5,000,000)
Repayment of interest-free loan	36	**–**	605,520
Net cash flows used in investing activities		**(38,929,034)**	(34,007,685)
Cash flows from financing activities			
Dividends paid	20	**(50,770,909)**	(45,386,116)
Payment of lease liabilities	23	**(2,031,517)**	(2,047,939)
Net cash flows used in financing activities		**(52,802,426)**	(47,434,055)
Net change in cash and cash equivalents		**(4,879,482)**	12,528,963
Effect of foreign exchange changes on cash and cash equivalents		**189,080**	2,382,335
Change in allowance for expected credit losses	17	**(1,112)**	10,552
Cash and cash equivalents at the beginning of the year		**38,297,169**	23,375,319
Cash and cash equivalents at the end of the year	17	**33,605,655**	38,297,169

Signed and approved for issue on 5 March 2022.

General Director (Chairman of the Management Board) *Kurmanbayev T.N.*

Chief Accountant *Sarmagambetova M.K.*

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SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2020	61,937,567	(9,549)	175,588,847	(5,997,772)	346,119,511	577,638,604
Net profit for the year	–	–	–	–	**38,512,409**	**38,512,409**
Other comprehensive income	–	–	**81,071,306**	**1,689,963**	–	**82,761,269**
Total comprehensive income for the year	–	–	**81,071,306**	**1,689,963**	**38,512,409**	**121,273,678**
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	**(12,510,676)**	–	**12,510,676**	–
Dividends *(Note 20)*	–	–	–	–	**(50,770,909)**	**(50,770,909)**
As at 31 December 2021	**61,937,567**	**(9,549)**	**244,149,477**	**(4,307,809)**	**346,371,687**	**648,141,373**
As at 31 December 2019	61,937,567	(9,549)	247,417,084	(1,892,888)	330,250,403	637,702,617
Net profit for the year	–	–	–	–	45,615,787	45,615,787
Other comprehensive loss	–	–	(56,188,800)	(4,104,884)	–	(60,293,684)
Total comprehensive loss for the year	–	–	(56,188,800)	(4,104,884)	45,615,787	(14,677,897)
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	(15,639,437)	–	15,639,437	–
Dividends *(Note 20)*	–	–	–	–	(45,386,116)	(45,386,116)
As at 31 December 2020	61,937,567	(9,549)	175,588,847	(5,997,772)	346,119,511	577,638,604

Signed and approved for issue on 5 March 2022.

General Director (Chairman of the Management Board) *Kurmanbayev T.N.*

Chief Accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 7 through 55 form an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter − "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the "KazTransOil" NOTC CJSC shares to TNG, and, as a result, "KazTransOil" NOTC CJSC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated 20 February 2002, on the basis of closed joint-stock companies, National Oil and Gas Company "Kazakhoil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

On 31 May 2004 in accordance with the requirements of Kazakhstani legislation, "KazTransOil" CJSC was re-registered as "KazTransOil" JSC (hereinafter − "Company").

As at 31 December 2021 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter − "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2021 and 2020 the Company had ownership interest in the following companies:

			Ownership	
	Place of incorporation	**Principal activities**	**31 December 2021**	31 December 2020
"MunaiTas" LLP (hereinafter − "MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP (hereinafter − "KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Oil Terminal" (hereinafter − "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	**100%**	100%
"Petrotrans Limited" (hereinafter − "PTL")	United Arab Emirates	Forwarding of oil and oil products	**100%**	100%
"Main Waterline" LLP (hereinafter − "Main Waterline")	Kazakhstan	Water transportation	**100%**	100%

* *BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter − "BSP").*

The Company's head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North − Kazakhstan regions of Republic of Kazakhstan and in Shymkent, also the Company has branches, which are located in Almaty (Research and Development Centre) and in Nur-Sultan (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Company operates network of main oil pipelines of 5,373 km.

The Company provides services for the transportation of oil through main oil pipelines, a transport expedition of Kazakhstani oil through pipelines of other states, services for the operation and maintenance of oil pipelines of other organizations, including joint venture of the Company. The Company's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter − "CRNM"). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

1. GENERAL (continued)

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2021 to 30 November 2021, the approved temporary tariff for pumping oil to the domestic market was 4,355.57 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 December 2021 to 31 December 2021, the approved temporary tariff for pumping oil to the domestic market was 4,328.04 Tenge per ton for 1,000 kilometers without VAT (from 1 January to 31 December 2020 – 4,109.50 Tenge per ton for 1,000 kilometers without VAT).

Starting from 1 January 2022 to 31 December 2022, the approved temporary tariff for pumping oil to the domestic market will be 3,728.82 Tenge per ton for 1,000 kilometers without VAT.

Starting from 1 April 2018 to 29 February 2020 tariff for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 March 2020, the tariff for this service was increased to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy − Omsk − Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Starting from 1 January 2019 tariff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) − Atasu (Republic of Kazakhstan) − Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk − Atasu sector).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These separate financial statements for the year ended 31 December 2021 were approved by Internal Audit Committee of the Company's Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 5 March 2022.

2. BASIS OF PREPARATION

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

The separate financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts, and other items described in the accounting policies and notes to the separate financial statements.

The separate financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except when otherwise indicated.

The separate financial statements provide comparative information in respect of the previous period.

These separate financial statements were issued in addition to the consolidated financial statements of the Company and its subsidiaries. These consolidated financial statements were approved by internal audit committee of the Company's Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant of the Company on 5 March 2022.

Consolidated financial statements are available on the Company's corporate internet resource.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investment in a subsidiary

Investment in a subsidiary is accounted for at cost less any impairment in value in the separate financial statements.

The Company assesses at each reporting date whether there is any objective evidence that an investment in a subsidiary may be 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 recognizes the loss within the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Interest in joint ventures

Investments in joint ventures are accounted for in these separate financial statements at initial cost less impairment. As discussed in *Note 1*, the Company participates in two jointly controlled entities: KCP and MunaiTas *(Note 9)*.

3.3 Foreign currency translation

These separate financial statements are presented in Tenge, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency rate prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of functional currency ruling at the reporting date.

All exchange differences arising from repayment and recalculation of monetary items, are included in the separate statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Exchange rates

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

Weighted average currency exchange rates for the year ended 31 December 2021 and 2020 are as follows:

	For the year ended 31 December	
Tenge	**2021**	2020
US Dollars	**426.06**	413.46
Russian Rubles	**5.78**	5.73
Euro	**503.96**	472.05

As at 31 December exchange rates established by KASE are as follows:

Tenge	**2021**	2020
US Dollars	**431.80**	420.91
Russian Rubles	**5.76**	5.62
Euro	**489.10**	516.79

3.4 Current versus non-current classification of assets and liabilities

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

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

All other assets are classified as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Current versus non-current classification of assets and liabilities (continued)

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

3.5 Fair value measurement

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company and external appraisers also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of the disclosure of the fair value the Company classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as the applicable level in the fair value hierarchy, as described above.

An analysis of the fair value of property, plant and equipment and additional information about the methods of its definition are provided in *Note 4*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the separate statement of comprehensive income.

Additional disclosures are provided in *Note 18*. All other notes to the separate financial statements include amounts for continuing operations, unless indicated otherwise.

3.7 Property, plant and equipment

Property, plant and equipment initially are recognized at cost. The subsequent accounting is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

In identifying excess of technological oil the Company assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment. At initial recognition such property, plant and equipment is measured at zero cost and revalued at each reporting date.

The Company periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued each 3 years (except for technological oil, which is revalued during the period when the fair value changes) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation and impairment as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Property, plant and equipment (continued)

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Further detailed information about the asset retirement and land recultivation obligation disclosed in *Notes 4, 26*.

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

	Years
Buildings and constructions	5-50
Machinery and equipment	3-30
Pipeline systems	15-30
Other transportation assets	5-12
Other	2-10

According to the Company's accounting policy technological oil, construction in progress and land are not subject to depreciation.

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

Residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognised in the separate statement of comprehensive income in the expense category consistent with the function of the intangible assets.

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

3.9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (hereinafter – "CGU") fair value less costs to sell and its value in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of non-financial assets (continued)

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less selling costs, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the separate statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for the previously overvalued property, plant and equipment when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount previously conducted revaluation.

At each reporting date the Company makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. Previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognized through profit or loss, unless the asset is carried at revalued amount. In the latter case the reversal is treated as a revaluation increase.

Information on impairment of non-financial assets is disclosed in *Notes 4, 5*.

3.10 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 and fair value through profit or loss.

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

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers*.

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

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.

The Company's financial assets include cash and short-term bank deposits, trade and other receivables, investments in bonds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial assets (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost includes trade and other accounts receivables and funds in credit institutions (bank deposits, cash and cash equivalents).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company includes bonds of "Special financial company DSFK" LLP to this category *(Note 19)*.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company doesn't have financial assets of this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company doesn't have financial assets of this category.

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.11 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade and other accounts receivable *(Note 12)*;
- Bank deposits *(Note 16)*;
- Cash and cash equivalents *(Note 17)*.

The Company recognises an allowance for expected credit losses (ECLs) for all loans and other debt financial assets that are 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. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit raiting.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of financial assets (continued)

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

For funds in credit institutions (cash and cash equivalents, bank deposits), investments in bonds, the Company calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

3.12 Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other accounts payable and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Trade and other accounts payable and lease liabilities

After initial recognition, trade and other accounts payable and lease liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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

3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the separate 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.

3.14 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is determined by using of FIFO basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Cash and cash equivalents

Cash and cash equivalents in the separate statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

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

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss excluding any reimbursement.

The Company records a provision on asset retirement and land recultivation obligation. Provisions on asset retirement and land recultivation obligation are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the separate statement of comprehensive income as a finance cost.

The estimated future costs on asset retirement and land recultivation obligation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset *(Notes 4, 26)*.

3.17 Employee benefits

The Company provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreement between the Company and its employees and Company's Rule of social support of non-working pensioners and disabled people. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements. The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the separate statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The results of the revaluation of employee benefits obligations, including actuarial gains and losses, are recognized by the Company as follows:

- Remuneration after termination of employment through other comprehensive income. In subsequent periods, the revaluation results will not be reclassified to profit or loss;
- Other long-term benefits through profit or loss.

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset, The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'finance expenses' in separate statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Employee benefits (continued)

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

Further detailed information is disclosed in *Notes 4, 21*.

3.18 Revenue and other income recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Company has concluded that it is acting as a principal in all of its revenue arrangements (as it is the main party that has assumed the obligations under the contracts, receives benefits and accepts the risks associated with the contracts), except for transportation expedition contracts where the Company is acting as an agent for which the Company recognizes revenue commission for its services.

In the separate financial statements, the Company generally recognizes revenue for the following types:

Rendering of transportation services

Revenue from rendering of transportation and transshipment services is recognized at a point in time on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of pipeline operation and maintenance services

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Company's contractual obligations.

Rendering of other services

Revenue from rendering of other services is recognized as services are provided.

Interest income

For all financial instruments measured at amortized cost and at fair value through profit or loss, as well as at fair value through other comprehensive income, interest income or expense are recognized using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the separate statement of comprehensive income.

Dividends

Dividend income is recognized when the Company's right to receive the payment is established (on the date of dividends approval).

Fees for undelivered oil volumes

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Revenue and other income recognition (continued)

Fees for undelivered oil volumes (continued)

In preparing to adopt IFRS 15, the Company is considering the following:

Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The variable consideration is absent in contracts with customers, due to the absence of discounts, credit payment, concessions in price, incentives, bonuses for results or other similar items. This update will have no effect on revenue recognition.

Principal versus agent considerations

IFRS 15 requires assessment of whether the Company controls a specified good or service before it is transferred to the customer / customer’s buyer.

The Company determined that it acts as a principal for all contracts under which revenue is recognized (since it controls the promised service before it is transferred to customer or to customer’s buyer), except for contracts on oil transportation coordination services where Company determined that it does not control the services before they are accepted by the customer’s buyer. Hence, Company is an agent, rather than principal in these contracts on oil transportation coordination services.

Advances received from customers

Advance payments received from customers are contractual obligations. The contractual obligations are the obligation to transfer to the buyer the goods or services for which the Company has received compensation from the buyer. If the buyer pays compensation before the Company transfers the product or service to the buyer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Company fulfills its contractual obligations.

Under IFRS 15, the Company must determine whether there is a significant financing component in its contracts.

The Company receives only short-term advances from its customers. They are presented as part of advances received. The Company determined that the length of time between the delivery of the services to the customer by the Company and the time when the customer pays for such services is relatively short. Therefore, the Company has concluded that given contracts do not contain significant financing component.

In accordance with the requirements for the separate financial statements, the Company has detailed information on revenue recognized under contracts with customers in categories reflecting how economic factors influence the nature, size, timing and uncertainty of revenue and cash flows. Disclosure of detailed revenue is discussed in *Note 28.*

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. These changes did not affect to the separate financial statements of the Company.

3.19 Taxes

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 are enacted or substantively enacted, at the reporting date in Republic of Kazakhstan, where the Company operates and generates taxable income.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Taxes (continued)

Deferred tax

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

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

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

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

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

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

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

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

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

Value added tax (VAT)

VAT related to sales is payable to the budget of Republic of Kazakhstan when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the separate statement of financial position on a net basis.

Due to specifics of tax legislation and the Company's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the separate statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from shares issue in equity.

Treasury shares repurchased from shareholders

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 Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Dividends

The Company recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the separate statement of comprehensive income.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

3.21 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new IFRS or IFRS effective as at 1 January 2021.

New standards, interpretations and amendments adopted by the Company

Some amendments are applied for the first time in 2021. The nature and the impact of each new standard/amendment are described below:

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 interim condensed consolidated 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Changes in accounting policies and disclosures (continued)

New standards, interpretations and amendments adopted by the Company (continued)

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

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 Company 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

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

IFRS 17 Issuance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

In January 2020, the IASB issued amendments to paragraphs 69 and 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

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 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.

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 − Cost 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 executed 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.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Standards*. The amendments permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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. Earlier application is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IAS 41 Agriculture − Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Financial risk management and policies *(Note 38)*;
- Sensitivity analyses disclosures *(Note 38)*.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Such changes are reflected in the assumptions when they occur.

Fair value measurement of the property, plant and equipment

During 2019 the Company engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Company in assessment and analyses of the fair value of property, plant and equipment are considered from the perspective of the best and most efficient use of the valued asset. The best and most efficient use of the Company's assets is their use in operating activities.

The initial data used to determine the fair value of the Company's office buildings in the cities of the Republic of Kazakhstan with the relevant land plots, as well as vehicles and other non-specialized assets, refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The remaining property, plant and equipment of the Company are specialized and the initial data used for determining their fair value refer to Level 3 in the fair value hierarchy (unobservable inputs).

The methodology used in valuation of the specialized assets of the Company's companies, was initially based on the valuation of the depreciable replacement cost ("cost method").

As part of the valuation of the fair value, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Company 's specialized items of property, plant and equipment. The recoverable amount of the property, plant and equipment of the Company was determined by the discounted cash flow model. Cash flow forecasting was based on business plans of the Company approved by the management of the Company. The following main assumptions were applied in the income approach:

Discount rate (WACC)	13.94%
Long-term growth rate	3.29%

The 2019 assessment results obtained from the income approach were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Company's corresponding property, plant and equipment. The results of assessing by the income approach are most sensitive to the changes of discount rate and long-term growth rate indicators and also to the forecasts regarding the volumes of sales of services provided and the level of tariffs for services provided.

According to the results of an independent assessment in 2019, the carrying value of property, plant and equipment of the Company (excluding technological oil) increased by 79,804,912 thousand Tenge.

At each reporting date the Company assesses if there is any difference between the carrying amount of property, plant and equipment and the amount which was determined using the fair value at the reporting date. As at 31 December 2021, the Company's management revised its estimates in relation to the fair value of property, plant and equipment. To assess possible fluctuations in the fair value of the Company's specialized assets, the Company's management calculated the present value of expected future cash flows from the use of property, plant and equipment. To assess possible fluctuations in the fair value of the Company's non-specialized assets, the Company's management determined the market prices for similar assets.

Based on the results of the analysis, the Company's management determined that at the end of 2021 there were no significant differences between the carrying amount of the Company's property, plant and equipment and their fair value.

Revaluation of technological oil

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil of the Company was revalued on each reporting date of interim periods and on 31 December 2021 and 2020.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of technological oil (continued)

The following judgments were taken into account by the Company's management when determining fair value of technological oil:

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNM;
- Tariffs are being closely monitored by CRNM and the Government of the Republic of Kazakhstan (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- And if the Company needs to buy additional oil to fill in new parts of pipeline, it would use the terms of the transportation agreements, according to which the oil extracting entities, upon the request of the Company, provide oil to fill the system of the Company's main pipelines,
- For the oil extracting entities there is an internal or tolling price for oil, which is delivered to the refineries of the KMG Group.

Taking into account all these factors as at 31 December 2021 the fair value of the Company's technological oil was determined based on the price of 76,648 Tenge per ton (as at 31 December 2020: 38,336 Tenge per ton). Other comprehensive income from the effect of the change in fair value of the technological oil during 2021 was equal to 100,258,238 thousand Tenge (during 2020: other comprehensive loss of 66,267,938 thousand Tenge). In addition, during 2021 other comprehensive income from the revaluation of technological oil surplus (net of with the oil shortage write-off in 230,517 thousand Tenge) in the amount 998,073 thousand Tenge (during 2020: 492,886 thousand Tenge) and a loss from the write-off of oil shortage in the amount of 183,922 thousand Tenge were recognized *(Note 5)*. During 2021 as a result of revaluation the net other comprehensive income was equal to 101,256,311 thousand Tenge (during 2020: other comprehensive loss for 65,775,052 thousand Tenge) *(Note 5)*.

The volume of oil in the pipeline as at 31 December 2021 amounted to 2,628 thousand tons (31 December 2020: 2,618 thousand tons). According to the results of stock count of oil held at the end of 2021 the surpluses in the amount of 16,029 tons (for 2020: 12,857 tons) and shortage in the amount of 5,730 tons in the reporting period (for 2020: 176 tons) were recognized.

Impairment of investments in subsidiaries and jointly controlled entities

Due to the presence of impairment indicators as at 31 December 2021, the Company recognised an impairment of its investment in Main Waterline in the amount of the excess of the carrying amount of the investment over its recoverable amount, which amounted to 4,540,709 thousand Tenge (as at 31 December 2020: 3,534,256 Tenge) *(Note 8)*.

As at 31 December 2021 and 2020 there were impairment indicators of investments in BOT, PTL, KKT and MunaiTas.

Useful lives of items of property, plant and equipment

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

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan *About the Main Pipeline* which came into force on 4 July 2012, the Company has a legal obligation to decommission its oil pipelines at the end of their operating life and to implement subsequent measures to restore the environment, including land recultivation. Activities on land recultivation are carried out when replacing the pipelines at the end of their useful life.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Company in accordance with the technical regulations of the Republic of Kazakhstan. Pipeline decommission expense is equal to 6,922 thousand Tenge per kilometer as at 31 December 2021 (as at 31 December 2020: 6,560 thousand Tenge per kilometer).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Asset retirement and land recultivation obligation (continued)

Reserve on liquidation of landfills and waste management is also reflected within the asset retirement and land recultivation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for recultivation of land and for monitoring of environmental impact right after the closure of the landfill.

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below.

As a percentage	**2021**	2020
Discount rate	**6.72%**	6.71%
Inflation rate	**5.49%**	5.54%
Period of fulfillment of obligations	**13 year**	14 year

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions of government bonds, the Company uses risk-free rates of US government treasury bonds as an estimated discount rate, with maturities corresponding to the expected term of the asset retirement and land recultivation, adjusted for country risk and inflation rates of the Republic of Kazakhstan.

As at 31 December 2021 the carrying amount of the asset retirement and land recultivation obligation was 34,547,151 thousand Tenge (as at 31 December 2020: 33,688,837 thousand Tenge) *(Note 26)*.

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore, uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Sensitivity analysis of asset retirement and land recultivation obligation for the change in significant assumptions as at 31 December 2021 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**Increase/ (decrease) in liability**
Discount rate	-0.5%	2,156,637
	+0.5%	(2,019,710)
Inflation rate	-0.5%	(2,051,842)
	+0.5%	2,171,926

Reserves for the impairment of advances to suppliers

The Company recognized reserve for the impairment of long-term and short-term advances to suppliers. In estimating the reserve historical and anticipated suppliers performance are considered. Changes in the economy, industry and specific characteristics may affect the reserves recorded in the separate financial statements.

As at 31 December 2021 and 2020 these reserves have been created for the amount of 53,896 thousand Tenge and 53,905 thousand Tenge, respectively *(Notes 10, 13)*.

Allowances for financial assets

The Company recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Company used a provision model that is prepared taking into account Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Allowances for financial assets (continued)

For funds in credit institutions (cash and cash equivalents, bank deposits), the Company calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Thus, as at 31 December 2021 and 2020 allowance for expected credit losses was created in the amount of 1,058,613 thousand Tenge and 1,139,588 thousand Tenge, respectively *(Notes 12, 16, 17)*. Changes in the economy, industry, or specific customer conditions would have impact to these allowance recorded in the separate financial statements.

Tax provision

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 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 income and expense already recorded.

The Company establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2021 was 10,009,835 thousand Tenge (as at 31 December 2020: 10,344,600 thousand Tenge) *(Note 35)*, net off with the amount of deferred tax liabilities. As at 31 December 2021 and 2020 the Company did not have unrecognized deferred tax assets.

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds, the Company uses risk-free rates of US government treasury bonds an estimated discount rate, with extrapolated maturities corresponding to the expected term for fulfilling of employee benefits obligations, adjusted for country risk and inflation rates of the Republic of Kazakhstan.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Employee benefits (continued)

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2021 and 2020 were as follows:

	2021	2020
Discount rate	**6.72%**	6.71%
Future salary increase	**5.43%**	5.34%
Mortality rate	**5.81%**	5.81%

As at 31 December 2021 the average period of post-retirement benefit obligations were 18.2 years (as at 31 December 2020: 18.8 years).

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2021 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**Increase/ (decrease) in liability**
Discount rate	-0.5%	1,368,887
	+0.5%	(1,251,836)
Future financial aid increase	-1%	(2,526,064)
	+1%	2,748,735
Future salary increase	-1%	(235,735)
	+1%	274,217
Life duration	-1 year	(227,745)
	+1 year	226,774

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2020 and 2021 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Gross carrying amount as at 1 January 2020	5,517,608	233,126,279	14,887,276	74,585,449	136,020,596	166,121,927	9,759,624	47,342,414	687,361,173
Additions	–	23,130	3,025,871	211,674	1,708,006	–	246,410	41,812,640	47,027,731
Additions of estimates on asset retirement and land recultivation obligation *(Note 26)*	–	410,941	–	–	–	–	–	–	410,941
Disposals	(2,185)	(330,858)	(7,093)	(38,917)	(174,972)	(1,064)	(236,679)	(16,715)	(808,483)
Reversal/(charge) of impairment (through revaluation reserve) *(Note 20)*	–	65,834	–	–	–	(65,775,052)	–	–	(65,709,218)
Transfers to non-current assets held for sale *(Note 18)*	–	–	(51,399)	(5,867)	–	–	–	–	(57,266)
Transfers from construction-in-progress	–	22,171,009	135,461	6,630,840	9,952,851	–	298,634	(39,188,795)	–
Contribution to charter capital of a subsidiary	–	–	–	(1,700)	(15,949)	–	–	(15,139,495)	(15,157,144)
Transfers to intangible assets *(Note 7)*	–	–	–	–	–	–	–	(216,879)	(216,879)
Transfers and reclassifications	–	(100,889)	(84,688)	52,494	112,641	–	20,442	–	–
Gross carrying amount as at 31 December 2020	5,515,423	255,365,446	17,905,428	81,433,973	147,603,173	100,345,811	10,088,431	34,593,170	652,850,855
Additions	–	**12,750**	**1,521,354**	–	**1,234,288**	–	**437,739**	**36,153,504**	**39,359,635**
Additions of estimates on asset retirement and land recultivation obligation *(Note 26)*	–	**340,189**	–	–	–	–	–	–	**340,189**
Disposals	**(4,057)**	**(3,373,320)**	**(97,284)**	**(207,789)**	**(539,104)**	**(183,922)**	**(338,374)**	**(64,680)**	**(4,808,530)**
Revaluation (through revaluation reserve) *(Note 20)*	–	–	–	–	–	**101,256,311**	–	–	**101,256,311**
Transfers to non-current assets held for sale *(Note 18)*	**(31,068)**	–	**(4,631)**	**(13,495)**	–	–	–	–	**(49,194)**
Transfers from construction-in-progress	–	**24,370,001**	**94,030**	**3,945,551**	**13,305,723**	–	**743,461**	**(42,458,766)**	–
Transfers to intangible assets *(Note 7)*	–	–	–	–	–	–	–	**(290,240)**	**(290,240)**
Transfers and reclassifications	–	–	–	–	–	–	**(8,171)**	**8,171**	–
Gross carrying amount as at 31 December 2021	**5,480,298**	**276,715,066**	**19,418,897**	**85,158,240**	**161,604,080**	**201,418,200**	**10,923,086**	**27,941,159**	**788,659,026**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Accumulated depreciation and impairment as at 1 January 2020	–	(5,385,402)	(937,877)	(2,252,269)	(8,735,671)	–	(1,571,668)	–	(18,882,887)
Depreciation charge	–	(14,227,091)	(2,266,741)	(5,730,763)	(22,050,367)	–	(3,052,849)	–	(47,327,811)
Disposals	–	155,266	3,477	11,252	170,027	–	236,439	–	576,461
Impairment (through profit and loss) *(Note 32)*	–	(1,068)	(2,663)	–	–	–	–	(31,451)	(35,182)
Impairment (through revaluation reserve) *(Note 20)*	–	(4,209)	(2,267)	(1,627)	–	–	–	(2,561)	(10,664)
Transfers to non-current assets held for sale *(Note 18)*	–	–	18,000	2,466	–	–	–	–	20,466
Contribution to charter capital of a subsidiary	–	–	–	119	1,060	–	–	–	1,179
Transfers and reclassifications	–	10,508	1,356	(364)	(11,473)	–	(27)	–	–
Accumulated depreciation and impairment as at 31 December 2020	–	(19,451,996)	(3,186,715)	(7,971,186)	(30,626,424)	–	(4,388,105)	(34,012)	(65,658,438)
Depreciation charge	**–**	**(14,981,193)**	**(2,235,165)**	**(6,021,438)**	**(19,041,798)**	**–**	**(2,107,791)**	**–**	**(44,387,385)**
Disposals	**–**	**1,773,496**	**95,946**	**202,299**	**512,438**	**–**	**337,883**	**–**	**2,922,062**
Impairment (through profit and loss) *(Note 32)*	**–**	**(11,387)**	**–**	**–**	**(709)**	**–**	**–**	**(324,338)**	**(336,434)**
Impairment (through revaluation reserve) *(Note 20)*	**(14,838)**	**(31,127)**	**–**	**–**	**(2,643)**	**–**	**–**	**(54,042)**	**(102,650)**
Transfers to non-current assets held for sale *(Note 18)*	**14,838**	**–**	**1,822**	**7,458**	**–**	**–**	**–**	**–**	**24,118**
Transfers to intangible assets *(Note 7)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,896**	**1,896**
Accumulated depreciation and impairment as at 31 December 2021	**–**	**(32,702,207)**	**(5,324,112)**	**(13,782,867)**	**(49,159,136)**	**–**	**(6,158,013)**	**(410,496)**	**(107,536,831)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2021									
Gross carrying amount	**5,480,298**	**276,715,066**	**19,418,897**	**85,158,240**	**161,604,080**	**201,418,200**	**10,923,086**	**27,941,159**	**788,659,026**
Accumulated depreciation and impairment	**–**	**(32,702,207)**	**(5,324,112)**	**(13,782,867)**	**(49,159,136)**	**–**	**(6,158,013)**	**(410,496)**	**(107,536,831)**
Net book value	**5,480,298**	**244,012,859**	**14,094,785**	**71,375,373**	**112,444,944**	**201,418,200**	**4,765,073**	**27,530,663**	**681,122,195**
As at 31 December 2020									
Gross carrying amount	5,515,423	255,365,446	17,905,428	81,433,973	147,603,173	100,345,811	10,088,431	34,593,170	652,850,855
Accumulated depreciation and impairment	–	(19,451,996)	(3,186,715)	(7,971,186)	(30,626,424)	–	(4,388,105)	(34,012)	(65,658,438)
Net book value	5,515,423	235,913,450	14,718,713	73,462,787	116,976,749	100,345,811	5,700,326	34,559,158	587,192,417

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the separate financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2021	**1,023,070**	**184,673,989**	**13,394,362**	**53,705,468**	**92,532,261**	**30,324,713**	**4,159,327**	**27,218,660**	**407,031,850**
As at 31 December 2020	1,027,351	171,142,946	13,604,564	53,617,487	91,530,753	30,405,235	4,608,941	34,207,190	400,144,467

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2021 and 2020 construction in progress mainly includes the following production projects:

- Replacement of pipeline sections of main oil pipelines;
- Replacement, reconstruction and construction of the objects of main oil pipelines (pumping stations, roads along the highways, communication lines, power supply).

As at 31 December 2021:

- The gross carrying amount and corresponding accumulated depreciation of fully depreciated property, plant and equipment still in use were 2,520,878 thousand Tenge (31 December 2020: 3,352,587 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,563,507 thousand Tenge (as at 31 December 2020: 3,426,287 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2021 capitalized in the cost of construction in progress amounted to 20,337 thousand Tenge (for the year ended 31 December 2020: 22,253 thousand Tenge).

6. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2020 and 2021 are as follows:

	Right-of-use assets				
In thousands of Tenge	**Land**	**Transportation assets**	**Buildings and constructions**	**Machinery, equipment and transfer devices**	**Total**
Net book value as at 1 January 2020	86,468	3,257,637	288,488	269,451	3,902,044
Additions *(Note 23)*	216,948	–	119,511	–	336,459
Disposals	–	–	(1,009)	(30,554)	(31,563)
Transfer to intangible assets *(Note 7)*	(117,514)	–	–	–	(117,514)
Amortization charge	(106,950)	(1,254,808)	(115,286)	(64,563)	(1,541,607)
Net book value as at 31 December 2020	78,952	2,002,829	291,704	174,334	2,547,819
Additions *(Note 23)*	**–**	**–**	**4,407**	**–**	**4,407**
Disposals	**–**	**–**	**(4,748)**	**–**	**(4,748)**
Revaluation *(Note 23)*	**–**	**–**	**7,071**	**–**	**7,071**
Amortization charge	**(5,722)**	**(1,254,808)**	**(122,732)**	**(64,563)**	**(1,447,825)**
Amortization on disposals	**–**	**–**	**4,748**	**–**	**4,748**
Net book value as at 31 December 2021	**73,230**	**748,021**	**180,450**	**109,771**	**1,111,472**
As at 31 December 2021					
At cost	**127,453**	**6,106,397**	**521,187**	**303,459**	**7,058,496**
Accumulated amortization	**(54,223)**	**(5,358,376)**	**(340,737)**	**(193,688)**	**(5,947,024)**
Net book value	**73,230**	**748,021**	**180,450**	**109,771**	**1,111,472**
As at 31 December 2020					
At cost	131,814	6,106,397	514,457	303,459	7,056,127
Accumulated amortization	(52,862)	(4,103,568)	(222,753)	(129,125)	(4,508,308)
Net book value	78,952	2,002,829	291,704	174,334	2,547,819

7. INTANGIBLE ASSETS

Intangible assets as at 31 December 2020 and 2021 are as follows:

In thousands of Tenge	Licenses	Software	Other	Total
Net book value as at 1 January 2020	445,715	1,001,681	26,622	1,474,018
Additions	4,071	1,263	–	5,334
Transfers from construction-in-progress *(Note 5)*	102,574	114,305	–	216,879
Transfers from right-of-use assets *(Note 6)*	117,514	–	–	117,514
Disposals	(10,251)	(57,954)	–	(68,205)
Amortization charge	(132,527)	(322,497)	(3,508)	(458,532)
Accumulated depreciation on disposal	10,251	57,954	–	68,205
Transfers and reclassifications	1,935	(1,935)	–	–
Net book value as at 31 December 2020	539,282	792,817	23,114	1,355,213
Additions	**–**	**–**	**8,707**	**8,707**
Transfers from construction-in-progress *(Note 5)*	**4,833**	**142,181**	**141,330**	**288,344**
Disposals	**(10,357)**	**(299,001)**	**(42,021)**	**(351,379)**
Amortization charge	**(161,367)**	**(260,611)**	**(2,838)**	**(424,816)**
Accumulated depreciation on disposal	**10,357**	**299,001**	**42,021**	**351,379**
Net book value as at 31 December 2021	**382,748**	**674,387**	**170,313**	**1,227,448**
As at 31 December 2021				
At cost	**1,148,860**	**4,809,473**	**201,124**	**6,159,457**
Accumulated amortization and impairment	**(766,112)**	**(4,135,086)**	**(30,811)**	**(4,932,009)**
Net book value	**382,748**	**674,387**	**170,313**	**1,227,448**
As at 31 December 2020				
At cost	1,154,384	4,966,293	93,108	6,213,785
Accumulated amortization and impairment	(615,102)	(4,173,476)	(69,994)	(4,858,572)
Net book value	539,282	792,817	23,114	1,355,213

8. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2021 and 2020 investments in subsidiaries are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Main Waterline	**67,910,580**	57,851,289
BOT	**9,182,546**	9,182,546
PTL	**2,820,886**	2,820,886
Total	**79,914,012**	69,854,721

As at 31 December 2021 and 2020 the movement of investments in subsidiaries are as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**69,854,721**	48,195,522
Contribution to the charter capital of the Main Waterline	**14,600,000**	25,193,455
Impairment of investments *(Note 4)*	**(4,540,709)**	(3,534,256)
As at 31 December	**79,914,012**	69,854,721

During 2021 the Company made a contribution to the charter capital of the Main Waterline by transferring the cash contribution in the amount of 14,600,000 thousand Tenge. The contribution to the charter capital for 2020 was made by transferring property plant and equipment in the amount of 15,157,211 thousand Tenge and by transferring the cash contribution in the amount of 10,036,244 thousand Tenge.

9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2021 and 2020 include investments in KCP in the amount of 6,500,000 thousand Tenge and in MunaiTas in the amount of 6,044,945 thousand Tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES (continued)

On 19 July 2021, by the decision of General meeting of participants, KCP paid dividends to the Company in the amount of 1,800,000 thousand Tenge based on the 2020 results.

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Advances to third parties for property, plant and equipment and construction services	**6,420,123**	53,258
Less: allowance for impairment	**(53,258)**	(53,258)
Total	**6,366,865**	–

11. INVENTORIES

Inventories as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Spare parts	**3,032,601**	3,117,843
Goods	**1,506,774**	424,731
Fuel	**825,499**	901,999
Overalls	**539,608**	700,453
Construction materials	**484,759**	526,269
Chemical reagents	**156,135**	155,437
Other	**210,157**	205,913
Total	**6,755,533**	6,032,645

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable

Other long-term accounts receivable as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Other accounts receivable from third parties	**1,059,900**	1,146,596
Less: allowance for expected credit losses	**(146,516)**	(163,195)
Total	**913,384**	983,401

Movement in allowance for expected credit losses related to other long-term accounts receivables is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**163,195**	77,485
(Reversal)/charge for the year, net *(Note 30)*	**(16,679)**	85,710
As at 31 December	**146,516**	163,195

12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Current trade and other accounts receivable

Current trade and other accounts receivable as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Trade accounts receivable from related parties *(Note 36)*	**2,223,558**	1,516,451
Trade accounts receivable from third parties	**2,147,306**	1,388,542
Other accounts receivable from third parties	**710,537**	701,529
Other accounts receivable from related parties *(Note 36)*	**509**	509
Less: allowance for expected credit losses	**(880,873)**	(846,987)
Total	**4,201,037**	2,760,044

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**846,987**	865,429
Charge/(reversal) for the year, net *(Note 30)*	**33,886**	(18,442)
As at 31 December	**880,873**	846,987

Trade and other accounts receivable as at 31 December 2021 and 2020 are denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**4,198,876**	2,757,931
Russian Rubles	**2,161**	2,113
Total	**4,201,037**	2,760,044

Information on the Company's exposure to credit risk from trade and other accounts receivable using the estimated reserves matrix is provided below:

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
As at 31 December 2021						
Estimated total gross carrying value at default	**4,891,442**	**435,722**	**786**	**20**	**813,840**	**6,141,810**
Expected credit losses	**(178,972)**	**(34,441)**	**(133)**	**(3)**	**(813,840)**	**(1,027,389)**

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	Unexpired	Less than 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
As at 31 December 2020						
Estimated total gross carrying value at default	3,924,943	4,161	686	3,123	820,714	4,753,627
Expected credit losses	(189,475)	(6)	(125)	(572)	(820,004)	(1,010,182)

13. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Advances to third parties	**343,868**	292,789
Advances to related parties *(Note 36)*	**1,069**	395,440
	344,937	688,229
Less: impairment	**(638)**	(647)
Total	**344,299**	687,582

14. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
VAT recoverable	**1,410,050**	1,884,638
Property tax	**229,878**	295,646
Withholding tax	**27,705**	28,469
Other taxes prepaid	**9,155**	9,855
Total	**1,676,788**	2,218,608

15. OTHER CURRENT ASSETS

Other current assets as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Due for oil transportation coordination services	**5,378,118**	8,150,231
Deferred income of third parties	**281,337**	–
Prepaid insurance	**171,623**	70,638
Due from employees	**17,188**	14,291
Other	**877**	631
Total	**5,849,143**	8,235,791

16. BANK DEPOSITS

Bank deposits as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Short-term bank deposits − US Dollars	**8,636,000**	27,359,150
Long-term bank deposits − Tenge	**1,426,867**	3,588,695
Accrued interest on deposits − Tenge	**31,380**	35,293
Accrued interest on deposits − US Dollars	**1,583**	34,824
Less: allowance for expected credit losses	**(6,357)**	(105,651)
Total	**10,089,473**	30,912,311

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**86,358**	59,604
(Reversal)/charge for the year, net *(Notes 33, 34)*	**(82,540)**	26,754
As at 31 December	**3,818**	86,358

16. BANK DEPOSITS (continued)

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**19,293**	18,413
(Reversal)/charge for the year, net *(Notes 33, 34)*	**(16,754)**	880
As at 31 December	**2,539**	19,293

As at 31 December 2021 and 2020 bank deposits comprised of the following:

- US Dollars denominated deposits with maturity from 3 to 12 months, with interest 0.6% per annum (as at 31 December 2020: from 0.5% to 0.55% per annum), maturing in June 2022 (as at 31 December 2020: from January to June 2021);

  Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, respectively, arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property (as at 31 December 2020: from 2% to 3.5% per annum maturing in 2028 and in 2030, respectively).

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Time deposits with banks − Tenge	**20,630,285**	34,440,034
Current accounts with banks − US Dollars	**12,743,812**	3,581,575
Current accounts with banks − Tenge	**201,373**	247,159
Current accounts with banks − Russian Rubles	**29,900**	26,260
Other current accounts with banks	**24,923**	25,639
Cash in hand	**229**	257
Less: allowance for expected credit losses	**(24,867)**	(23,755)
Total	**33,605,655**	38,297,169

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**23,755**	34,307
Charge/(reversal) for the year, net *(Notes 33, 34)*	**551**	(8,389)
Foreign currency translation	**561**	(2,163)
As at 31 December	**24,867**	23,755

As at 31 December 2021 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.75% to 9.05% per annum (as at 31 December 2020: from 6.75% to 8.40% per annum).

Interest for current accounts placed in US dollars is as at 31 December 2021 and 2020 0.25% per annum.

18. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the twelve months ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**630,839**	879,814
Transferred from property plant and equipment *(Note 5)*	**25,076**	36,800
Sold	**(45,565)**	(53,144)
Impairment for the year *(Note 32)*	**(7,942)**	(232,631)
As at 31 December	**602,408**	630,839

18. NON-CURRENT ASSETS HELD FOR SALE (continued)

As at 31 December 2021 and 2020 non-current assets held for sale are represented by property of the administrative building in Almaty, as well as unused vehicles. The Company intends to recover their carrying amount through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition. At the end of the reporting period, the carrying amount of the given assets does not exceed their fair value less costs to sell.

The net amount of income from the sale of specified assets during 12 month 2021 amounted to 46,677 thousand Tenge (during 12 month 2020: 63,446 thousand Tenge) *(Note 31)*.

19. INVESTMENTS IN BONDS

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Company purchased bonds of "Special Financial Company DSFK" LLP (hereinafter − "DSFK bonds") using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of "Kazakhmys Corporation" LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Company not earlier than the fifth anniversary after the inception of the bonds. As the guarantee expires in December 2022 and the Company intends to immediately exercise the right to claim it, the carrying amount of the investment in the bonds was reclassified to current assets as at 31 December 2021.

In 2021 the Company revised the fair value of bonds based on a market lending rate of 13.05% and, as a result, recognized income from a review of the fair value of bonds in the amount of 22,391 thousand Tenge. (2020: the Company revised the fair value of bonds based on the market interest rate of 12.29% and, as a result, recognized income from revision of bond's fair value in the amount of 221,984 thousand Tenge) *(Note 33).* So, the carrying value of investments in bonds as of 31 December 2021 amounted to 753,707 thousand Tenge (as at 31 December 2020: 913,746 thousand Tenge).

During the 2021 and 2020 years the issuer repurchased 182,430 thousand units of bonds and 227,749 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively.

20. EQUITY

Share capital

As at 31 December 2021 and 2020 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2021 and 2020 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Treasury shares repurchased from shareholders

In 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand Tenge.

Asset revaluation reserve

As at 31 December 2021, asset revaluation reserve of the Company amounted to 244,149,477 thousand Tenge (as at 31 December 2020: 175,588,847 thousand Tenge). Change in this reserve is related to revaluation of property plant and equipment in the amount of 101,153,661 thousand Tenge (in 2020: impairment of 65,719,882 thousand Tenge) *(Note 5)*, income from revision of asset retirement and land recultivation obligation in the amount of 185,471 thousand Tenge (in 2020: loss in the amount of 4,516,118 thousand Tenge) *(Note 26)*, net of deferred income tax in the amount of 20,267,826 thousand Tenge (in 2020: 14,047,200 thousand Tenge) *(Note 35)*, as well as depreciation of the revaluation reserve of property plant and equipment in the amount 12,510,676 thousand Tenge (in 2020: 15,639,437 thousand Tenge).

20. EQUITY (continued)

Other capital reserves

As at 31 December 2021 other capital reserves represent an accumulated loss amounted to 4,307,809 thousand Tenge (31 December 2020: 5,997,772 thousand Tenge). Change in this reserve is due to recognition of actuarial income from revaluation of the Company's employee benefit obligations under defined benefit plans in the amount of 1,737,723 thousand Tenge *(Note 21)*, income tax effect of which amounted to 47,760 thousand Tenge *(Note 35)*. For the same period of 2020 actuarial loss from revaluation of the Company's employee benefit obligations under defined benefit plans amounted to 4,220,893 thousand Tenge *(Note 21)*, income tax effect of which amounted to 116,009 thousand Tenge *(Note 35)*.

Dividends

During 2021 the Company accrued and paid dividends as the result of 2020 year to the shareholders based on the decision of the general meeting of shareholders dated 26 May 2021 in the amount 50,770,909 thousand Tenge (calculated as 132 Tenge per 1 share), including 45,694,709 thousand Tenge *(Note 36)* related to KMG and 5,076,200 thousand Tenge related to minority shareholders.

During 2020 the Company accrued and paid dividends as the result of 2019 year to the shareholders based on the decision of the general meeting of shareholders dated 27 May 2020 in the amount 45,386,116 thousand Tenge (calculated as 118 Tenge per 1 share), including 40,848,301 thousand Tenge *(Note 36)* related to KMG and 4,537,815 thousand Tenge related to minority shareholders.

Earning per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

As the Company does not issue convertible financial instruments, basic earnings per share of the Company are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

In thousands of Tenge	**2021**	2020
Net profit for the period attributable to ordinary equity holders of the Company	**38,512,409**	45,615,787
Weighted average number of ordinary shares for the year for basic earnings per share	**384,628,099**	384,628,099
Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company (in Tenge)	**100**	119

Book value per ordinary share

Book value per ordinary share of the Company calculated in accordance with the requirements of KASE is as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Total assets	**848,739,689**	766,368,243
Less: intangible assets *(Note 7)*	**(1,227,448)**	(1,355,213)
Less: total liabilities	**(200,598,316)**	(188,729,639)
Net assets for calculation of book value per ordinary share	**646,913,925**	576,283,391
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share (in Tenge)	**1,682**	1,498

21. EMPLOYEE BENEFIT OBLIGATIONS

The Company has employee benefit obligations, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit obligations as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Non-current portion of employee benefit obligations	**21,423,341**	21,553,238
Current portion of employee benefit obligations	**719,470**	690,087
Total	**22,142,811**	22,243,325

Changes in the present value of employee benefit obligations for the years ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
Employee benefit obligations as at 1 January	**22,243,325**	16,404,279
Interest cost *(Note 34)*	**1,464,938**	1,166,637
Current services cost *(Notes 29, 30)*	**973,861**	1,021,455
Actuarial loss through profit and loss *(Note 32)*	**20,748**	188,150
Actuarial (income)/loss through other comprehensive income *(Note 20)*	**(1,737,723)**	4,220,893
Benefits paid	**(822,338)**	(758,089)
Employee benefit obligations as at 31 December	**22,142,811**	22,243,325

22. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Accounts payable to third parties for goods and services	**12,729,991**	16,646,276
Accounts payable to related parties for goods and services *(Note 36)*	**2,553,807**	3,701,503
Other accounts payable to third parties	**1,176,005**	596,774
Total	**16,459,803**	20,944,553

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction-in-progress in the amount of 9,531,536 thousand Tenge (as at 31 December 2020: 14,369,330 thousand Tenge).

Trade and other accounts payables as at 31 December 2021 and 2020 are in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**16,426,354**	20,913,425
US Dollars	**25,569**	25,972
Russian Rubles	**7,880**	5,156
Total	**16,459,803**	20,944,553

23. LEASE LIABILITIES

Lease liabilities as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Current portion of obligations	**1,393,200**	1,994,823
Non-current portion of obligations	**267,714**	1,415,473
Total	**1,660,914**	3,410,296

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

23. LEASE LIABILITIES (continued)

Changes in the present value of obligations for the twelve months ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**3,410,296**	4,803,665
Revaluation *(Note 6)*	**7,071**	–
Payments for the period	**(2,031,517)**	(2,047,939)
Unwinding of discount on obligations *(Note 34)*	**270,657**	494,662
Additions for the period *(Note 6)*	**4,407**	336,459
Transfer to trade payables	**–**	(141,081)
Disposals	**–**	(35,470)
As at 31 December	**1,660,914**	3,410,296

The information below describes the cost of expenses related to lease reflected in the separate statement of comprehensive income for the years ended 31 December 2021 and 2020:

In thousands of Tenge	**For the year ended 31 December 2021**	For the year ended 31 December 2020
Right-of-use assets amortization *(Note 6)*	**1,447,825**	1,541,607
Unwinding of discount on obligations *(Note 34)*	**270,657**	494,662
Low-value assets lease expenses *(Note 29)*	**16,091**	2,383
Total	**1,734,573**	2,038,652

24. CONTRACT LIABILITIES TO CUSTOMERS

Contract liabilities to customers as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Advances received from related parties *(Note 36)*	**11,075,142**	13,063,600
Advances received from third parties	**7,739,965**	7,125,103
Other contract liabilities to customers	**1,482**	1,504
Total	**18,816,589**	20,190,207

Revenue recognized in respect of contracts with customers

During the current reporting period, the revenue in the amount of 19,150,937 thousand Tenge was recognized in respect of contract liabilities to customers as at the beginning of the reporting period (2020: 17,352,749 thousand Tenge).

25. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Personal income tax	**606,773**	590,488
Social tax	**527,900**	582,560
Property tax	**15,338**	7,939
VAT payable	**6,129**	5,624
Other taxes	**25,159**	23,406
Total	**1,181,299**	1,210,017

26. PROVISIONS

Asset retirement and land recultivation obligation

As at 31 December 2021 and 2020 the Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to change in the discount and inflation rates are reflected in *Note 4*.

Movement in provisions for the years ended 31 December 2021 and 2020 are as follow:

In thousands of Tenge	**2021**	2020
As at 1 January	**33,688,837**	27,780,887
Revision of estimates through other comprehensive loss *(Note 20)*	**(185,471)**	4,516,118
Unwinding of discount *(Note 34)*	**2,231,659**	2,092,937
Charge for the year through asset *(Note 5)*	**340,189**	410,941
Revision of estimates through profit or loss, net *(Note 31)*	**(205,769)**	83,695
Reversal of reserve *(Note 31)*	**(1,322,294)**	(1,195,741)
As at 31 December	**34,547,151**	33,688,837

27. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Salaries and other compensations	**10,611,504**	10,278,781
Accounts payable for oil transportation coordination services to related parties *(Note 36)*	**8,873,343**	7,701,845
Accounts payable for oil transportation coordination services to third parties	**4,163,649**	4,878,213
Accounts payable to pension fund	**852,769**	888,788
Other accruals	**132,222**	166,494
Total	**24,633,487**	23,914,121

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

28. REVENUE

Revenue for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Crude oil transportation	**191,849,479**	194,051,103
Pipeline operation and maintenance services	**18,892,611**	17,835,299
Fees for undelivered oil volumes	**3,407,088**	2,790,960
Oil transportation coordination services	**581,187**	686,051
Oil storage services	**52,925**	80,927
Other	**49,695**	47,511
Total	**214,832,985**	215,491,851
Geographical regions		
Kazakhstan	**188,871,905**	190,057,412
Russia	**25,961,080**	25,434,439
Total revenue from contracts with customers	**214,832,985**	215,491,851
Timing of revenue recognition		
At a point in time	**195,940,374**	197,656,552
Over time	**18,892,611**	17,835,299
Total revenue under contracts with customers	**214,832,985**	215,491,851

For the year ended 31 December 2021 revenue from the five major customers amounted to 48,807,792 thousand Tenge, 31,154,096 thousand Tenge, 12,279,512 thousand Tenge, 11,403,005 thousand Tenge and 5,669,602 thousand Tenge (for 2020: 49,310,766 thousand Tenge, 33,747,370 thousand Tenge, 12,399,989 thousand Tenge, 11,120,462 thousand Tenge and 6,081,249 thousand Tenge, respectively).

29. COST OF SALES

Cost of sales for the years ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
Personnel costs	**55,897,979**	51,715,275
Depreciation and amortization	**45,042,365**	47,965,352
Taxes other than corporate income tax	**8,324,358**	7,838,289
Repair and maintenance	**7,745,874**	7,754,037
Materials and fuel	**7,487,281**	7,048,584
Electric energy	**5,644,696**	4,956,880
Security services	**5,474,223**	5,094,266
Gas expense	**2,427,446**	2,270,190
Environmental protection	**2,306,810**	1,605,896
Food and accommodation	**2,116,263**	1,920,742
Post-employment benefits *(Note 21)*	**919,049**	970,552
Business trip expenses	**834,339**	628,201
Insurance	**632,176**	578,046
Outstaffing services	**483,052**	424,592
Diagnostics of production assets	**344,270**	327,212
Communication services	**341,298**	349,039
Transportation services	**127,848**	150,251
Air services	**481,475**	–
Lease of low-valued assets *(Note 23)*	**16,091**	2,383
Other	**2,290,929**	1,880,408
Total	**148,937,822**	143,480,195

The increase in personnel costs in the reporting period is mainly due to the indexation of salary, as well as changes in the wage system for employees of the Company's production divisions.

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
Personnel costs	**7,119,052**	7,327,842
Depreciation and amortization	**1,197,324**	1,340,345
Office maintenance	**536,651**	529,813
Repair and maintenance	**237,543**	234,937
Outstaffing services	**234,840**	234,897
Taxes other than income tax	**212,048**	202,949
Business trip expenses	**153,914**	50,715
Information services	**136,447**	151,033
Social sphere expenses	**127,621**	65,412
Auditing and consulting services	**125,209**	134,875
Communication services	**110,117**	98,807
Write-off of VAT recoverable	**73,188**	119,938
Bank costs	**63,905**	63,315
Post-employment benefits *(Note 21)*	**54,812**	50,903
Materials and fuel	**42,080**	32,161
Charge of allowance for expected credit losses, net *(Note 12)*	**17,207**	67,268
Charity expenses	**–**	1,405,809
Other	**546,511**	536,053
Total	**10,988,469**	12,647,072

Charity expenses for 2020 are associated with the purchase in August of 2020 of artificial lung ventilation devices for the amount of 1,000,000 thousand Tenge, which were donated as sponsorship to health care organizations of the Republic of Kazakhstan in order to support government policy in the fight against coronavirus infection with Covid-19 and also are associated with the sponsorship assistance provided by the Company in 2020 in the amount of 405,809 thousand Tenge as additional financing for the construction of an object in the city of Turkestan in pursuance of the instructions of the Head of the Country dated 29 September 2018.

31. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Income from revision and reversal of provision on asset retirement and land recultivation obligation, net *(Note 26)*	**1,528,063**	1,112,046
Income from fines and penalties	**210,383**	1,493,183
Income from sale of inventories, net	**78,691**	114,290
Income from recognition of inventories	**65,752**	8,512
Insurance payments	**60,010**	496
Income from sale of non-current assets held for sale, net *(Note 18)*	**46,677**	63,446
Income from reversal of short-term allowance	**–**	37,500
Other income	**25,739**	2,268
Total	**2,015,315**	2,831,741

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

32. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
Impairment of property, plant and equipment *(Note 5)*	**336,434**	35,182
Loss from disposal of property, plant and equipment and intangible assets, net	**267,473**	1,946,478
Expenses for liquidation of production facilities	**167,099**	71,378
Actuarial loss *(Note 21)*	**20,748**	188,150
Impairment expenses of non-current assets held for sale *(Note 18)*	**7,942**	232,631
Other expenses	**118,104**	128,298
Total	**917,800**	2,602,117

Loss on disposal of property, plant and equipment and intangible assets for 2020 includes VAT in the amount of 1,823,703 thousand Tenge, which is excluded, in accordance with the requirements of tax legislation, from the offset as a result of the transfer of the Company's fixed assets to the authorized capital of a subsidiary *(Notes 5, 8)*.

33. FINANCE INCOME

Finance income for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Interest income on bank deposits and current accounts	**2,235,726**	2,110,771
Unwinding of discount on long-term accounts receivable	**197,740**	13,736
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net *(Notes 16, 17)*	**98,743**	–
Income from revision the fair value of bond's *(Note 19)*	**22,391**	221,984
Other finance income	**–**	199,292
Total	**2,554,600**	2,545,783

34. FINANCE COSTS

Finance costs for the years ended 31 December 2021 and 2020 are as follows:

In thousands of Tenge	**2021**	2020
Unwinding of discount on asset retirement and land recultivation obligation *(Note 26)*	**2,231,659**	2,092,937
Interest cost on employee benefit obligations *(Note 21)*	**1,464,938**	1,166,637
Amortisation of discount on lease liabilities *(Note 23)*	**270,657**	494,662
Charge of allowance for expected credit losses of cash and cash equivalents, bank deposits, net *(Notes 16, 17)*	**–**	19,245
Amortization of discount on short-term liability	**148,760**	1,405
Total	**4,116,014**	3,774,886

35. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Current income tax expense	**15,424,965**	17,177,189
Deferred income tax benefits	**(2,286,147)**	(3,335,866)
Prior years adjustments	**290,975**	69,953
Income tax expense	**13,429,793**	13,911,276

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2021 and 2020 is as follows:

In thousands of Tenge	**2021**	2020
Profit before income tax	**51,942,202**	59,527,063
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**10,388,440**	11,905,413
Prior years adjustments	**290,975**	69,953
Impairment of investment in subsidiary	**908,142**	706,851
Income of joint foreign entities	**934,840**	582,337
Non-deductible expense on long-term employee benefit obligations	**424,310**	409,939
Non-deductible loss on write of VAT recoverable	**14,638**	388,728
Gain on surplus of technological oil	**254,487**	123,695
Non-deductible expenses on disposal of property, plant and equipment	**320,782**	32,978
Dividends received	**(360,000)**	–
Revision of estimates on taxable temporary differences related to property, plant and equipment	**(147,200)**	(212,064)
Other non-deductible expenses	**400,379**	(96,554)
Income tax expense reported in the separate statement of comprehensive income	**13,429,793**	13,911,276

Starting from 1 January 2020 amendments to the Tax Code of the Republic of Kazakhstan came into force in terms of taxation of controlled foreign companies (hereinafter – “CFC”).

According to the Tax Code a CFC is an entity which meets the following conditions at the same time: 1) a non-resident legal entity; 2) 25 and more percent of the participation interest (voting shares) in the entity directly or indirectly, or constructively belong to a legal entity or an individual which is the resident of the Republic of Kazakhstan; 3) the effective income tax rate of a non-resident legal entity is less than 10 percent.

The profit of CFC indicated in its separate financial statements is a subject of income tax for resident company of the Republic of Kazakhstan.

The Company’s management has analysed and determined that the following companies fall under the definition of CFC: BOT, PTL and BSP. In this regard, the Company, as a parent company of the Group, has included in its taxable income for 2021 the profits of BSP, BOT and PTL. The taxable income of the Company for 2020 included the profit of individual BSP and PTL companies, BOT’s figures were not included in the Company’s taxable income as BOT recognized a net loss in its separate financial statements for 2020.

In accordance with provisions of the Tax Code of the Republic of Kazakhstan that was effective until 1 January 2020, the profits of non-resident companies were not included in the taxable income of the Company since the Republic of Kazakhstan has international treaties concluded with Georgia and the United Arab Emirates that regulate issues of double taxation.

35. INCOME TAX EXPENSE (continued)

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

In thousands of Tenge	**31 December 2021**	**Charged to profit and loss**	**Charged to other capital reserves**	**Other**	31 December 2020	Charged to profit and loss	Charged to other capital reserves	Other	1 January 2020
Deferred tax assets									
Employee benefits and other employee compensation and related costs	**2,238,441**	**109,787**	**(47,760)**	**–**	2,176,414	(32,954)	116,009	–	2,093,359
Reserve for impairment of advances to suppliers	**40,082**	**(3,338)**	**–**	**–**	43,420	17,142	–	–	26,278
Allowance for expected credit losses	**182,419**	**(12,860)**	**–**	**–**	195,279	(272)	–	–	195,551
Provision for obsolete and slow-moving inventories	**1,034**	**(36)**	**–**	**–**	1,070	(3,387)	–	–	4,457
Provision for assets retirement and land recultivation obligation and other provisions	**6,909,433**	**140,661**	**(37,094)**	**68,038**	6,737,828	187,420	903,224	82,188	5,564,996
Taxes payable	**138,148**	**(3,669)**	**–**	**–**	141,817	22,652	–	–	119,165
Lease liabilities	**292,202**	**(392,152)**	**–**	**2,295**	682,059	(280,486)	–	39,076	923,469
Discount on long-term accounts receivable	**188,397**	**(39,533)**	**–**	**–**	227,930	(4,051)	–	–	231,981
Revaluation of investments in bonds	**19,679**	**(119,104)**	**–**	**–**	138,783	61,538	–	–	77,245
Less: deferred tax assets net off deferred tax liabilities	**(10,009,835)**	**–**	**–**	**334,765**	(10,344,600)	–	–	(1,108,099)	(9,236,501)
Deferred tax assets	**–**	**(320,244)**	**(84,854)**	**405,098**	–	(32,398)	1,019,233	(986,835)	–
Deferred tax liabilities									
Investments in joint ventures	**–**	**–**	**–**	**–**	–	176,032	–	–	(176,032)
Right-of-use assets	**(222,294)**	**289,565**	**–**	**(2,295)**	(509,564)	314,634	–	(43,789)	(780,409)
Property, plant and equipment	**(90,912,287)**	**2,316,826**	**(20,230,732)**	**(68,038)**	(72,930,343)	2,877,598	13,143,976	(77,475)	(88,874,442)
Less: deferred tax assets net off deferred tax liabilities	**10,009,835**	**–**	**–**	**(334,765)**	10,344,600	–	–	1,108,099	9,236,501
Deferred tax liabilities	**(81,124,746)**	**2,606,391**	**(20,230,732)**	**(405,098)**	(63,095,307)	3,368,264	13,143,976	986,835	(80,594,382)
Net deferred income tax liabilities	**(81,124,746)**	**2,286,147**	**(20,315,586)**	**–**	(63,095,307)	3,335,866	14,163,209	–	(80,594,382)

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

36. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2021 and 2020 and the related balances as at 31 December 2021 and 2020.

Trade and other accounts receivables from related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2021**	31 December 2020
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		**1,169,519**	969,932
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**949,952**	458,566
Trade accounts receivable from entities under common control of KMG		**104,087**	87,953
Total trade accounts receivable from related parties	12	**2,223,558**	1,516,451
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		**509**	509
Total other accounts receivable from related parties	12	**509**	509
Less: allowance for expected credit losses		**(6,175)**	(3,950)
Total		**2,217,892**	1,513,010

Advances provided to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2021**	31 December 2020
Advances paid to related parties			
Advances paid to entities under common control of Samruk-Kazyna Group		**1,069**	1,104
Advances paid to entities under common control of KMG		**–**	394,336
Total advances paid to related parties	13	**1,069**	395,440

Trade and other accounts payable to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2021**	31 December 2020
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of KMG		**2,059,872**	2,602,729
Trade accounts payable to entities under common control of Samruk-Kazyna Group		**482,390**	1,086,014
Trade accounts payable to joint ventures		**11,545**	12,760
Total trade accounts payable to related parties for goods and services	22	**2,553,807**	3,701,503

36. RELATED PARTY TRANSACTIONS (continued)

Advances received from related parties are as follows:

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Advances received from related parties			
Advances from entities under common control of KMG		**10,905,582**	12,807,654
Advances from entities under common control of Samruk-Kazyna Group		**169,560**	255,946
Total advances received from related parties	24	**11,075,142**	13,063,600

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		**8,873,343**	7,701,845
Total of accounts payable for oil transportation coordination services to related parties	27	**8,873,343**	7,701,845
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**26,649**	62,412
Total employee benefits obligation of key management personnel		**26,649**	62,412
Total other current liabilities to related parties		**8,899,992**	7,764,257

During the years ended 31 December the Company had the following transactions with the related parties:

	For the year ended 31 December	
In thousands of Tenge	**2021**	2020
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**110,911,041**	113,195,003
Revenue from main activities with joint ventures	**10,807,469**	10,147,818
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**7,519,497**	7,367,069
Revenue from main activities with subsidiary	**805,240**	771,041
Income from other activities with entities under common control of Samruk-Kazyna Group	**22,351**	42,856
Income from other activities with entities under common control of KMG	**3,297**	65,916
Income from other activities with subsidiaries	**7,993**	86,942
Total	**130,076,888**	131,676,645

Revenue from main activities with entities under common control of KMG is related to the services of oil transportation.

36. RELATED PARTY TRANSACTIONS (continued)

Purchases of services and assets from related parties is as follows:

In thousands of Tenge	For the year ended 31 December 2021	2020
Purchases from related parties		
Purchases of services from entities under common control of KMG	**5,587,009**	5,443,268
Purchases of inventory from subsidiary (PTL)	**3,290,152**	4,629,241
Purchases of property, plant and equipment from a subsidiary (PTL)	**2,664,513**	3,075,363
Purchases of services from entities under common control of Samruk-Kazyna Group	**2,005,002**	1,847,221
Purchases of services from subsidiary	**685,866**	666,729
Purchases of services from joint ventures	**83,678**	134,193
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**14,825**	180
Purchases of inventory from entities under common control of KMG	**166**	153
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	**–**	2,665,102
Total	**14,331,211**	18,461,450

Dividend and financial income of the Company's transactions with related parties is as follows:

In thousands of Tenge	For the year ended 31 December 2021	2020
Dividend and financial income from related parties		
Dividend income from joint venture	**1,800,000**	–
Write-off of discount on interest-free loan to subsidiary (BOT), net	**–**	26,102
Reversal of allowance for expected credit losses on interest-free loan	**–**	27,558
Total	**1,800,000**	53,660

Cash flow are presented as follows:

In thousands of Tenge	Notes	For the year ended 31 December 2021	2020
Cash flows to related parties			
Dividends paid to the KMG	20	**(45,694,709)**	(40,848,301)
Contribution to the share capital of the subsidiary	8	**(14,600,000)**	(10,036,244)
Dividends received	9	**1,800,000**	–
Repayment of contribution liability to charter capital of KCP		**–**	(5,000,000)
Return of interest free loan to BOT		**–**	605,520
Total		**(58,494,709)**	(55,279,025)

Total accrued compensation to key management personnel for the year ended 31 December 2021 amounts to 740,492 thousand Tenge (for the year ended 31 December 2020: 793,977 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

37. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

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

Kazakhstan economy continued to be impacted by a volatility in crude oil prices and a continuing devaluation of Kazakhstani Tenge. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Coronavirus pandemic (Covid-19)

In December 2019, news from China emerged regarding the outbreak of a new virus. In March 2020, the World Health Organization declared the outbreak of a new type of coronavirus Covid-19 as pandemic. In response to the pandemic, Kazakh authorities launched a range of measures to constrain the spread and mitigate the impact of Covid-19, such as movement prohibitions and restrictions, quarantine, self-isolation and restrictions on commercial activities, including business closures. Some of the specified above measures were subsequently moderated. The Group's activities were not suspended during the quarantine period, the work of office employees was organized remotely.

The Covid-19 epidemic spreads globally, having a drastic negative effect on the entire global economy. As at the date of issuance of these financial statements, the situation is still developing, to date there has been no significant effect on the Group's revenue. Management will continue to monitor the potential effects of the specified above events and will take all necessary measures to prevent negative impacts on the business.

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 usual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years proceeding 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 as at 31 December 2021. As at 31 December 2021 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in these separate financial statements.

Transfer pricing control

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

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

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Company's position, which could result in additional taxes, fines and interest as at 31 December 2021.

As at 31 December 2021 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Company's positions with regard to transfer pricing will be sustained.

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Company's financial position or results of operations, except for those disclosed in these separate financial statements *(Notes 4, 26)*.

37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Company has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Company's operations.

Contractual obligations

As at 31 December 2021 the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 49,049,831 thousand Tenge (as at 31 December 2020: 25,286,425 thousand Tenge).

Investment program commitments of the Company

In November 2020, by a joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNM, an investment program for the period 2021-2025 was approved, according to which the Company has an obligation to fulfill the investment program in the period from 2021 to 2025 for the total amount of 214.2 billion Tenge. As at 31 December 2021, the balance of obligation under the investment program to be fulfilled was 184.5 billion Tenge.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade receivables and cash and cash equivalents that arise directly from its operations.

The Company is exposed to market risk, which consists of: credit risk, currency risk and liquidity risk.

The Company's management reviews and approves the following measures taken to manage these risks.

Credit risk

The Company enters into transactions with creditworthy counterparties only. The clients wishing to trade on a commercial loan terms are subject to a credit check procedure.

The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Company.

The Company places deposits with Kazakhstani banks *(Notes 16, 17)*. Management of the Company reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. In accordance with IFRS 9, the Company accruals allowances for expected credit losses in respect of funds with credit institutions.

The table below shows the balances of deposits and cash and cash equivalents in second-tier banks at the separate statement of financial position date using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

In thousands of Tenge	**Location**	**Rating: 31 December 2021**	Rating: 31 December 2020	**31 December 2021**	31 December 2020
Bank					
"ForteBank" JSC	Kazakhstan	**B+/Stable**	B/Stable	**16,309,521**	–
SB "Sberbank" JSC	Kazakhstan	**BBB-/Stable**	BB+/Positive	**14,740,294**	–
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	**BB+/Stable**	BB+/Stable	**12,639,252**	69,205,810
"Sberbank" PJSC	Russia	**Baa3**	BBB-	**5,832**	3,413
Total				**43,694,899**	69,209,223

Liquidity risks

The Company monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risks (continued)

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

In thousands of Tenge	On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 31 December 2021						
Trade and other payables	**–**	**16,459,803**	**–**	**–**	**–**	**16,459,803**
Lease liabilities	**–**	**1,434,031**	**216,564**	**79,630**	**384,927**	**2,115,152**
Total	**–**	**17,893,834**	**216,564**	**79,630**	**384,927**	**18,574,955**
As at 31 December 2020						
Trade and other payables	–	20,944,553	–	–	–	20,944,553
Lease liabilities	–	2,049,633	1,404,906	264,618	251,585	3,970,742
Total	–	22,994,186	1,404,906	264,618	251,585	24,915,295

Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that increase foreign exchange exposure.

In thousands of Tenge	US Dollar	Russian Ruble	Total
As at 31 December 2021			
Assets	**21,377,577**	**32,061**	**21,409,638**
Liabilities	**25,569**	**7,880**	**33,449**
As at 31 December 2020			
Assets	30,889,191	28,373	30,917,564
Liabilities	25,972	5,156	31,128

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, euro and Russian ruble exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Company's equity.

In thousands of Tenge	Increase/ decrease in exchange rate	Effect on profit before tax
2021		
US Dollar	**+13.00%**	**2,775,761**
	-10.00%	**(2,135,201)**
Russian Ruble	**+13.00%**	**3,144**
	-13.00%	**(3,144)**
2020		
US Dollar	+14.00%	4,320,851
	-11.00%	(3,394,954)
Russian Ruble	+15.00%	3,483
	-15.00%	(3,483)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020 the Company does not have significant debts. In addition, the Company has sufficient cash, exceeding its debt as at the reporting date.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

39. SUBSEQUENT EVENTS

On 2 January 2022 protests started in Mangystau region of the Republic of Kazakhstan related to significant increase in the liquified natural gas retail price. These protests spread to other cities and resulted in riots, damage to property and loss of life. On 5 January 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of the Republic of Kazakhstan has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and Tenge exchange rate.

On 19 January 2022 the state of emergency was lifted. These events have not materially impacted the Company's operations. The impact on the Company's operations of any new measures that may be taken by the Government cannot be estimated.

On 20 January and 16 February 2022, based on the decision of the Board of Directors dated 15 October 2021, the Company made additional contributions to the charter capital of the Main Waterline in the amount of 400,000 thousand Tenge and 200,000 thousand Tenge, respectively.

Due to the hostilities started on the territory of Ukraine in February 2022, new economic sanctions against the Russian Federation have been tightened and introduced by the European Union, the United States of America and other countries. As at the date of issuance of the separate financial statements, the management of the Company jointly with the authorized bodies of the Republic of Kazakhstan and KMG has been assessing the possible impact of these sanctions on the Company's operations related to the export of Kazakhstani oil through Russian pipelines and/or the transit of Russian oil through the Company's pipelines.

In addition, due to the growth of geopolitical tensions, there is a significant volatility increase in the stock and currency markets, as well as a significant depreciation of Tenge against major world currencies.

As at 5 March 2022, the exchange rate of US Dollar at the end of the session on the KASE amounted to 503.30 Tenge per 1 US Dollar.