KazTransOil JSC

Consolidated financial statements

For the year ended 31 December 2023
with the independent auditor's report

Building a better
working world

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Independent auditor's report

To the Shareholders and Board of Directors of KazTransOil JSC

Opinion

We have audited the consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Fair value of property, plant and equipment	
The Group has property, plant and equipment in Kazakhstan and in Georgia. Property, plant and equipment located in Kazakhstan and in Georgia makes up a significant portion of total assets of the Group as at 31 December 2023. In accordance with the accounting policy of the Group, property, plant and equipment is measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. At each reporting date management of the Group assesses how significantly the fair value of its property, plant and equipment differs from the carrying value. Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment, we believe that this matter is of the most significance in our audit. The fair value of the Group's assets in Kazakhstan was appraised using income approach under the economic impairment test for specialized oil transportation assets, cost approach for specialized water transportation assets and the market approach for non-specialized assets. Significant assumptions used in calculating the fair value included future transportation volumes, tariffs, discount rate and long-term growth rate. The assets in Georgia were divided into two groups for revaluation purposes: the "Batumi Sea Port" (BSP) and the "Batumi Oil Terminal" (BOT). Fair value of all BOT's assets and BSP's non-specialized assets was determined using market approach. Fair value of specialized BSP's assets has been determined using income approach. Significant assumptions used in calculating the fair value of BSP included expected volume of transshipment services provided, tariffs, the amount of capital and operating expenditures, discount rate and long-term growth rate.	We obtained from the management of the Group its assessment of the possible changes in fair value of property, plant and equipment. For assets revalued using the income and the cost approaches, and assets to which an economic impairment was applied, we compared input data used by the management with the Group's most recent business plans. We assessed underlying assumptions and compared them with historical data. We compared data used in discount rate and long-term growth rate calculations with available external information and checked mathematical accuracy of these calculations. We checked mathematical accuracy of the calculations of the present value of expected future cash flows. For the assets, revalued using indexation, we assessed calculation of indexes and compared indexes used in calculation of fair value to available external data. For the assets, revalued using direct cost approach, we compared major inputs (technical characteristics of assets (length, width, volume, etc.), cost of materials, cost of construction works, labor input coefficients) to the Group's internal technical documentation. For the assets, revalued using market approach we compared inputs with available market data for similar items. We checked mathematical accuracy of the fair value calculations. We analyzed the disclosures made in the financial statements about the revaluation of property, plant and equipment.

Information about property, plant and equipment is disclosed in Note 6 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Notes 4 and 5 to the consolidated financial statements.

Other information included in the Group's 2023 Annual report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and audit committee for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Adil Syzdykov Auditor	Rustamzhan Sattarov General Director Ernst & 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

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1 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	**1,084,145,524**	974,595,927
Right-of-use assets	7	**6,731,336**	917,065
Intangible assets	8	**7,991,075**	8,515,332
Investments in joint ventures	9	**106,754,214**	94,588,186
Advances to suppliers for property, plant and equipment	10	**1,507,687**	29,219,803
VAT recoverable	14	**15,198,605**	4,314,632
Other long-term accounts receivable	12	**721,048**	883,284
Bank deposits	16	**718,088**	945,452
Other non-current assets		**275,336**	360,146
		1,224,042,913	1,114,339,827
Current assets			
Inventories	11	**8,932,013**	8,758,265
Trade and other accounts receivable	12	**8,447,028**	8,366,581
Advances to suppliers	13	**727,872**	1,787,294
Prepayment for income tax		**750,449**	1,878,426
VAT recoverable and other prepaid taxes	14	**10,955,879**	8,439,215
Other current assets	15	**27,853,344**	6,690,814
Cash and cash equivalents	17	**76,672,612**	85,157,538
		134,339,197	121,078,133
Total assets		**1,358,382,110**	1,235,417,960

The accounting policy and explanatory notes on pages 8 through 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2023	31 December 2022
Equity and liabilities			
Equity			
Share capital	18	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders		**(9,549)**	(9,549)
Asset revaluation reserve	18	**380,639,671**	423,217,162
Foreign currency translation reserve		**46,118,253**	46,952,044
Other capital reserves	18	**1,244,710**	(188,145)
Retained earnings		**466,939,672**	380,544,246
Total equity		**956,870,324**	912,453,325
Non-current liabilities			
Loans received	19	**47,390,786**	29,760,793
Issued debt securities	20	**41,302,077**	–
Employee benefit obligations	21	**18,045,542**	18,096,363
Deferred tax liabilities	35	**99,367,910**	107,509,698
Provision for asset retirement and land recultivation obligation	26	**45,648,971**	40,664,979
Contract liabilities to customers	22	**31,908,136**	35,132,179
Lease liabilities	24	**5,102,611**	198,450
		288,766,033	231,362,462
Current liabilities			
Issued debt securities	20	**72,778**	–
Current part of employee benefit obligations	21	**1,185,285**	1,046,911
Income tax payable		**1,467,774**	1,470,302
Trade and other accounts payable	23	**34,937,605**	19,230,822
Lease liabilities	24	**2,420,628**	942,217
Contract liabilities to customers	22	**31,246,778**	29,529,193
Other taxes payable	25	**7,869,753**	8,740,967
Provisions	26	**1,303,694**	1,309,778
Other current liabilities	27	**32,241,458**	29,331,983
		112,745,753	91,602,173
Total liabilities		**401,511,786**	322,964,635
Total equity and liabilities		**1,358,382,110**	1,235,417,960
Book value per ordinary share (in Tenge)	18	**2,467**	2,350

Signed and approved for issue on 1 March 2024.

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

Chief Accountant *Akhmedina A.S.*

The accounting policy and explanatory notes on pages 8 through 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the year ended 31 December 2023	2022
Revenue	28	**290,385,624**	255,627,309
Cost of sales	29	**(248,857,819)**	(219,434,650)
Gross profit		**41,527,805**	36,192,659
General and administrative expenses	30	**(17,294,048)**	(16,539,471)
Other operating income	31	**2,128,447**	2,027,914
Other operating expenses	32	**(2,510,255)**	(1,011,127)
Impairment of property, plant and equipment, net	6	**(4,730,780)**	(12,911,982)
Operating profit		**19,121,169**	7,757,993
Net foreign exchange gain, net		**642,755**	1,944,638
Finance income	33	**10,262,467**	4,028,576
Finance costs	34	**(7,010,615)**	(4,778,915)
Share in income of joint ventures	9	**16,873,439**	15,973,820
Profit before income tax		**39,889,215**	24,926,112
Income tax expense	35	**(7,043,878)**	(5,124,419)
Net profit for the year		**32,845,337**	19,801,693

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2023	2022
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		**(833,791)**	6,319,279
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net		**(833,791)**	6,319,279
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
Revaluation and impairment of property, plant and equipment of the Group, net	6	**(3,184,948)**	170,785,590
Income tax effect	35	**636,990**	(33,286,881)
		(2,547,958)	137,498,709
(Charge)/reversal of provision for asset retirement and land recultivation obligation of the Group	26	**(1,943,919)**	6,810,783
Income tax effect	35	**388,784**	(1,362,157)
		(1,555,135)	5,448,626
Revaluation and impairment of property, plant and equipment of joint ventures, net		**–**	11,611,744
Income tax effect		**–**	(2,322,349)
		–	9,289,395
(Charge)/reversal of provision for asset retirement and land recultivation obligation of joint ventures		**(934,700)**	3,582,283
Income tax effect		**186,939**	(716,457)
		(747,761)	2,865,826
Actuarial income from employee benefit obligations of the Group	21	**1,472,627**	4,238,724
Income tax effect	35	**(40,473)**	(116,499)
		1,432,154	4,122,225
Actuarial income/(loss) from employee benefit obligations of joint venture		**876**	(141)
Income tax effect		**(175)**	28
		701	(113)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net		**(3,417,999)**	159,224,668
Total other comprehensive (loss)/income for the year, net of tax		**(4,251,790)**	165,543,947
Total comprehensive income for the year, net of tax		**28,593,547**	185,345,640
Basic and diluted earnings per share (in Tenge)	18	**85**	51

Signed and approved for issue on 1 March 2024.

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

Chief Accountant *Akhmedina A.S.*

The accounting policy and explanatory notes on pages 8 through 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the year ended 31 December 2023	2022
Cash flows from operating activities			
Profit before income tax		**39,889,215**	24,926,112
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization	29, 30	**72,796,495**	54,873,727
Share in income of joint ventures	9	**(16,873,439)**	(15,973,820)
Finance income	33	**(10,262,467)**	(4,028,576)
Finance costs	34	**7,010,615**	4,778,915
Impairment of property, plant and equipment, net	6	**4,730,780**	12,911,982
Amortization of deferred income	22, 31	**(3,095,896)**	(2,441,250)
Reversal and revision of estimates on provision on asset retirement and land recultivation obligation, net	31	**(987,121)**	(853,813)
Employee benefit obligations, current services costs	29, 30	**707,377**	725,176
Write-off of inventory value to net realisable value	32	**661,271**	394,769
Net foreign exchange gain, net		**(642,755)**	(1,944,638)
Charge of expected credit losses, net	30	**374,603**	308,922
Write-off of VAT recoverable	30	**228,373**	132,234
Actuarial loss	32	**96,799**	4,163
Loss on disposal of property, plant and equipment, net	32	**74,950**	313,510
Charge/(reversal) of current provisions, net	30	**51,096**	(7,836)
Others		**(73,690)**	60,677
Operating cash flows before working capital changes		**94,686,206**	74,180,254
(Increase)/decrease in operating assets			
Inventories		**(210,905)**	156,418
Trade and other accounts receivable		**(74,167)**	(1,470,580)
Advances to suppliers		**4,025,477**	(1,360,094)
VAT recoverable and other prepaid taxes		**(14,603,823)**	(1,326,542)
Other current assets		**243,639**	85,834
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**4,274,883**	(1,226,263)
Contract liabilities to customers		**1,798,157**	7,656,256
Other taxes payable		**(16,042)**	4,149,327
Other current and non-current liabilities and employee benefit obligations		**834,829**	282,972
Cash flows from operating activities		**90,958,254**	81,127,582
Income taxes paid		**(11,878,967)**	(10,732,060)
Interest received		**8,759,722**	3,117,385
Net cash flows from operating activities		**87,839,009**	73,512,907

The accounting policy and explanatory notes on pages 8 through 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the year ended 31 December 2023	2022
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(143,350,254)**	(64,234,328)
Purchase of notes of the National Bank		**(124,071,785)**	–
Proceeds from redemption of notes of the National Bank		**102,535,718**	–
Dividends received from joint ventures	9	**3,960,351**	7,636,855
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		**570,961**	54,179
Withdrawal of bank deposits		**222,975**	9,212,398
Proceeds from bonds redemption		**104,147**	42,452
Net cash flows used in investing activities		**(160,027,887)**	**(47,288,444)**
Cash flows from financing activities			
Proceeds from debt securities issued	20	**70,000,000**	–
Dividends paid	18	**(15,000,496)**	(10,000,331)
Proceeds from loans	19	**11,800,000**	29,592,745
Payment of lease liabilities	24	**(2,381,354)**	(2,048,030)
Other payments	19	**–**	(533,127)
Net cash flows received from financing activities		**64,418,150**	**17,011,257**
Net change in cash and cash equivalents		**(7,770,728)**	**43,235,720**
Net foreign exchange difference		**(720,246)**	1,424,711
Change in allowance for expected credit losses		**6,048**	(1,865)
Cash and cash equivalents at the beginning of the year		**85,157,538**	40,498,972
Cash and cash equivalents at the end of the year	17	**76,672,612**	**85,157,538**

Signed and approved for issue on 1 March 2024.

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

Chief Accountant _____ *Akhmedina A.S.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repur-chased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2021	61,937,567	(9,549)	285,685,165	40,632,765	(4,310,257)	353,172,325	737,108,016
Net profit for the year	–	–	–	–	–	19,801,693	19,801,693
Other comprehensive income	–	–	155,102,556	6,319,279	4,122,112	–	165,543,947
Total comprehensive income for the year	–	–	155,102,556	6,319,279	4,122,112	19,801,693	185,345,640
Amortization of revaluation reserve for property, plant and equipment	–	–	(17,570,559)	–	–	17,570,559	–
Dividends *(Note 18)*	–	–	–	–	–	(10,000,331)	(10,000,331)
As at 31 December 2022	61,937,567	(9,549)	423,217,162	46,952,044	(188,145)	380,544,246	912,453,325
Net profit for the year	–	–	–	–	–	**32,845,337**	**32,845,337**
Other comprehensive loss	–	–	**(4,850,854)**	**(833,791)**	**1,432,855**	–	**(4,251,790)**
Total comprehensive income for the year	–	–	**(4,850,854)**	**(833,791)**	**1,432,855**	**32,845,337**	**28,593,547**
Amortization of revaluation reserve for property, plant and equipment	–	–	**(37,726,637)**	–	–	**37,726,637**	–
Dividends *(Note 18)*	–	–	–	–	–	**(15,000,496)**	**(15,000,496)**
Other operations with shareholder *(Note 18)*	–	–	–	–	–	**30,823,948**	**30,823,948**
As at 31 December 2023	**61,937,567**	**(9,549)**	**380,639,671**	**46,118,253**	**1,244,710**	**466,939,672**	**956,870,324**

Signed and approved for issue on 1 March 2024.

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

Chief Accountant *Akhmedina A.S.*

The accounting policy and explanatory notes on pages 8 through 65 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 NOTC "KazTransOil" CJSC shares to TNG, and, as a result, the NOTC "KazTransOil" CJSC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 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 2023 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). As at 31 December 2023 67.42% of KMG shares belong to the Government of the Republic of Kazakhstan represented by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter − Samruk-Kazyna), 20% of KMG shares belong to the Ministry of Finance of the Republic of Kazakhstan, 9.58% of KMG shares belong to the Republic State Institution «National Bank of the Republic of Kazakhstan» and 3% of shares are in free circulation of the Astana International Exchange (AIX) and Kazakhstan Stock Exchange (hereinafter − KASE). The Government of the Republic of Kazakhstan is a sole shareholder of Samruk-Kazyna.

As at 31 December 2023 and 2022 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership 31 December 2023	 31 December 2022
"MunaiTas" NWPC 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 and its subsidiaries are hereinafter referred to as the Group.

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

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Ulytau, Pavlodar, Turkestan, North − Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also branches, which are located in Astana (Research and Development Centre and 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 Group operates network of main oil pipelines of 5,338 km and water pipelines of 2,308 km. The Company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group'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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 to 30 June 2023, the approved tariff for pumping oil to the domestic market is 4,355.57 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 July 2023, tariff for the specified service was put into effect in the amount of 4,849.39 Tenge per ton for 1,000 km without VAT (from 1 January to 31 August 2022: 3,728.82 Tenge per ton for 1,000 kilometers without VAT; from 1 September to 30 November 2022: 4,328.04 Tenge per ton for 1,000 kilometers without VAT; from 1 December to 31 December 2022: 4,355.57 Tenge per ton for 1,000 kilometers without VAT).

Tariff for pumping oil on export from the Republic of Kazakhstan from 1 March 2020 to 31 May 2022 was 7,358.76 Tenge per ton for 1,000 kilometers without VAT, starting from 1 June 2022 to 30 June 2023 - 8,830.51 Tenge per ton for 1,000 km without VAT. Starting from 1 July 2023, the tariff for the specified service was put into effect in the amount of 10,150.00 Tenge per ton for 1,000 km 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 without VAT. From 27 June 2023, the tariff for the specified service was put into effect in the amount of 11.28 US Dollars per ton for 1,000 km without VAT.

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 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 on 1 March 2024.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group (hereinafter − the consolidated 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 consolidated 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 consolidated financial statements.

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

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

In preparing the consolidated financial statements, the Group's management considered the current economic and geopolitical situation in the world, taking into account the presence of a number of uncertainties, including the war in Ukraine *(Note 38)*. The consolidated financial statements were prepared in accordance with a going concern basis.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

3. BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Interest in a joint venture

The Group has interests in joint operations in the form of joint ventures.

The Group's investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction first qualified for recognition.

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

All exchange differences arising from repayment and recalculation of monetary items, are included in consolidated profit or loss and other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency translation (continued)

Transactions and balances (continued)

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).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

Exchange rates

Weighted average currency exchange rates established by the KASE are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the year ended 31 December 2023 and 2022 are as follows:

	For the year ended 31 December	
Tenge	**2023**	2022
US Dollars	**456.21**	460.93
Russian Rubles	**5.41**	6.92
Euro	**493.22**	485.29
Georgian Lari	**175.78**	160.65

As at 31 December the currency exchange rates of KASE are as follows:

Tenge	**2023**	2022
US Dollars	**454.56**	462.65
Russian Rubles	**5.06**	6.43
Euro	**502.24**	492.86
Georgian Lari	**170.69**	173.28

4.3 Current versus non-current classification of assets and liabilities

The Group presents assets and liabilities in the consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 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 Group classifies all other liabilities as non-current.

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

4.4 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 Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and external appraisers also compare 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 Group 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 5*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 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.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued at least 1 time in 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.

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 Group 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.

In identifying excess of technological oil the Group 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 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 recognized asset retirement and land recultivation obligation is disclosed in *Notes 5*, *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 Group'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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. 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 consolidated 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 recognized in the consolidated statement of comprehensive income when the asset is derecognised.

4.7 Impairment of non-financial assets

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

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group'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 consolidated 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 Group 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 Group 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 recognised 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 5*, *6*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers*.

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

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

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

The Group's financial assets include cash and short-term bank deposits, trade and other receivables, and investments in bonds, notes of the National Bank, reverse repo transactions.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Group's financial assets at amortised cost includes trade and other accounts receivables, funds in credit institutions (cash and cash equivalents, bank deposits), notes of the National Bank, reverse repo transactions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial assets (continued)

Subsequent measurement (continued)

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 Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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 Group could be required to repay.

4.9 Impairment of financial assets

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

- Disclosures for significant assumptions *(Note 5)*;
- Trade and other accounts receivable *(Note 12)*;
- Bank deposits *(Note 16)*;
- Cash and cash equivalents, reverse repo transactions *(Note 17)*;
- notes of the National Bank *(Note 15)*.

The Group 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 Group expects to receive. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit rating.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision 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 (bank deposits, cash and cash equivalents,) reverse repo transactions and notes of the National Bank, investments in bonds, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of financial assets (continued)

The Group 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 Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

4.10 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

For the purposes of the subsequent measurement of financial liabilities are classified into following categories:

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

Financial liabilities at amortised cost

This category is the most significant for the Group. After initial recognition, such liabilities are measured at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognized in profit or loss as depreciation is calculated using the effective interest rate. Amortized cost is calculated taking into account discounts or premiums on acquisition, as well as commissions or costs, which are an integral part of the effective interest rate. Depreciation of the effective interest rate is included in finance costs in the statement of profit or loss.

In this category, the Group includes trade and other payables, loans, issued debt securities and lease obligations.

Borrowing and issued debt securities costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such an asset. Other borrowing and issued debt securities costs are recognized as expenses at the time of occurrence. More detailed information is provided in *Notes 19, 20*.

Derecognition

A financial liability is derecognized 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 recognized in the statement of comprehensive income as income or expense.

4.11 Offsetting of financial instruments

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

4.12 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 realizable 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks, short-term deposits and other short-term highly liquid investments (reverse repo transactions) with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash, short-term deposits and other short-term highly liquid investments as defined above, net of outstanding bank overdrafts.

4.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group 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 Group 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 consolidated 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 5, 26)*.

4.15 Employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreements between the Group's companies 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 services cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate, mortality rate, future increase of salary and financial aid. 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 consolidated statement of comprehensive income as interest cost. The mortality assumption, future increase of salary and financial aid are 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 Group 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Employee benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit obligations. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "finance expenses" in consolidated statement of comprehensive income (by function):

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

Employee benefits except for one-time severance payments, post-employment 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.

More information is disclosed in *Notes 5*, *21*.

4.16 Revenue and other income recognition

The Group's activities mainly relates to the transportation of oil and water through main pipelines on the territory of the Republic of Kazakhstan, as well as to the transshipment of oil and oil products in Georgia.

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

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

The Group has concluded that it is acting as a principal in all of its revenue arrangements (as it typically controls the goods or services before transferring them to the customer), except for transportation expedition contract where the Group is acting as an agent for which the Group recognizes revenue commission for its services.

In the consolidated financial statements, the Group 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 Group'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 consolidated statement of comprehensive income.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue and other income recognition (continued)

In preparing to adopt IFRS 15, the Group 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 Group controls a specified good or service before it is transferred to the customer / customer's buyer.

The Group 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 Group determined that it does not control the services before they are accepted by the customer's buyer. Hence, Group 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 Group has received compensation from the buyer. If the buyer pays compensation before the Group 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 Group fulfills its contractual obligations.

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

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

In accordance with the requirements for the consolidated financial statements, the Group 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 consolidated financial statements of the Group.

4.17 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 the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. Management of the Group 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Value added tax (VAT)

Tax authorities allow VAT repayments on sales and acquisitions to be made on a net basis. VAT recoverable represents VAT on acquisitions in the domestic market, less VAT on sales in the domestic market. Export sales are zero rated.

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; in this case, VAT is recognized, respectively, as part of the cost of acquiring the asset or as part of the expense item.

Due to specifics of tax legislation and the Group’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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Taxes (continued)

Value added tax (VAT) (continued)

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 statement of financial position.

4.18 Changes in accounting policies and disclosures

The applied accounting policy is in line with the accounting policy applied in the previous reporting year, with the exception of the acceptance of the following new IFRS effective from 1 January 2023.

New standards, interpretations and amendments to existing standards and interpretations

Some standards and amendments are applied for the first time in 2023. The nature and the impact of each new standard or amendment are described below:

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless 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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a 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.

This standard had no impact on the Group’s consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide 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 have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS *12 Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group’s consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Changes in accounting policies and disclosures (continued)

New standards, interpretations and amendments to existing standards and interpretations (continued)

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

Standards issued but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of *IFRS 16*. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, 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 Group's exposure to risks and uncertainties includes:

- Financial risk management and policies *(Note 39)*;
- Sensitivity analyses disclosures *(Note 39)*.

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Fair value measurement of the Group's property, plant and equipment

The Group accounts the property, plant and equipment at revalued amounts. During 2022 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Group 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 Group's assets, except BOT and Main Waterline, is their use in operating activities. The best and most efficient use of the BOT's assets is their realization. The best and most efficient use of the Main Waterline's assets is their use in conjunction with the assets of oil production companies in the region.

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

The remaining property, plant and equipment of the Group 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 Group's companies, except BOT, was initially based on the valuation of the depreciable replacement cost ("cost method"). The fair value of BOT's assets was determined using market approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Estimates and assumptions (continued)

Fair value measurement of the Group's property, plant and equipment (continued)

As part of the valuation, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized property, plant and equipment. Recoverable amount of property, plant and equipment of the Group's companies, except BOT and Main Waterline, is determined by assessing value in use. The value in use of assets is defined as the value of the business, adjusted for the fair value of net working capital. Cash flow forecasting was based on the budgets and business plans of the Group's companies approved by the management of the Group for 2022 and for the period 2023-2027, respectively. The cash flows in the post-forecast period are determined on the basis of extrapolation of forecast data using long-term growth rate.

The above assets were grouped into cash flow generating units (CGU) − Oil Transportation (Company) CGU and BSP CGU. The following basic assumptions were applied in determining the value in use: for Oil Transportation (Company) CGU a discount rate (WACC) of 17.07% and a long-term growth rate of 4%; for BSP CGU a discount rate (WACC) of 13.5% and a long-term growth rate of 2%.

The results obtained in terms of value in use were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's property, plant and equipment.

According to the results of an independent assessment in 2022, the carrying value of property, plant and equipment of the Group (excluding technological oil) increased by 135,460,032 thousand Tenge *(Note 6)*. At the same time the net revaluation through revaluation reserve was amounted to 148,348,617 thousand Tenge and impairment through profit and loss was amounted to 12,888,585 thousand Tenge.

As at 31 December 2023, the Group conducted a fair value analysis and determined that the book value of the fixed assets of the BOT (including the BSP CGU) and the Main Waterline is approximately equal to their fair value. The following basic assumptions were applied in determining the value of use of BSP CGU: a discount rate (WACC) of 13.9% and a long-term growth rate of 2%.

At the same time, due to the presence of signs of impairment (decrease in the projected volume of oil turnover, changes in the discount rate (WACC) for the Oil Transportation (Company) CGU, the Group updated the analysis of the recoverable value of fixed assets by assessing the value of use. The following basic assumptions were applied in determining the value of use: a discount rate (WACC) of 17.43% and a long-term growth rate of 4%.

Based on the results, the Group determined that according to Oil Transportation (Company) CGU, the book value of its fixed assets belonging to the 3rd level in the fair value hierarchy (unobservable inputs) exceeded their recoverable amount. Thus, the Group recognized an impairment on these fixed assets in the total amount of 12,179,036 thousand Tenge, including 7,638,849 thousand Tenge recognized through the revaluation reserve and 4,540,187 thousand Tenge through profit and loss *(Note 6)*. At the same time, the book value of the Company's fixed assets belonging to the 2nd level in the fair value hierarchy (unquoted observable inputs) is approximately equal to their fair value.

In addition, during 2023, the Group recognized an impairment on individual fixed assets in the total amount of 979,515 thousand Tenge, including through a revaluation reserve of 788,922 thousand Tenge and through profit and loss in the amount of 190,593 thousand Tenge (Note 6), as the carrying amount of these fixed assets exceeded their recoverable amount.

The results of assessing the value in use are sensitive to change of discount rate and long-term growth rate indicators and also to forecasts regarding the volume of sales of services provided, the level of tariffs for services provided, the size of capital and current costs.

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

Estimates and assumptions (continued)

Fair value measurement of the Group's property, plant and equipment (continued)

Sensitivity analysis of value of property plant and equipment for the change in the discount rate and long-term growth rate is as follows:

		(Decrease)/increase in value of property, plant and equipment	
In millions of Tenge	(Decrease)/ increase in rate	Oil transportation (Company) CGU	BSP CGU
Discount rate (WACC)	-0.5%	24,027	2,247
	+0.5%	(22,264)	(2,063)
Long-term growth rate	-0.5%	(16,059)	(1,314)
	+0.5%	17,301	1.429

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 2023 and 2022.

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

The following judgments were taken into account by the Group'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 restrictions on the type of activities allowed by CRNM;
- Tariffs are being closely monitored by CRNM and the Government (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 Group 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 Group, provide oil to fill the system of the Group'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 2023 the fair value of the Group's technological oil was determined based on the price of 84,524 Tenge per ton (as at 31 December 2022: 84,050 Tenge per ton). Other comprehensive income from the effect of the change in fair value of the technological oil during 2023 was equal to 1,262,334 thousand Tenge (during 2022: 19,423,763 thousand Tenge). In addition, during 2023 other comprehensive income from the revaluation of technological oil surplus in the amount of 3,980,489 thousand Tenge (during 2022: 3,229,453 thousand Tenge) and a loss from the write-off of oil shortage in the amount of 7,717 thousand Tenge (during 2022: 282,934 thousand Tenge). During 2023 as a result of revaluation technological oil the net other comprehensive income was equal to 5,242,823 thousand Tenge (during 2022: 22,653,216 thousand Tenge) *(Note 6)*.

The volume of oil in the pipeline as at 31 December 2023 amounted to 2,710 thousand tons (31 December 2022: 2,663 thousand tons). According to the results of stock count of oil held at the end of 2023 the surpluses in the amount of 47,093 tons (for 2022: 38,423 tons).

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

Estimates and assumptions (continued)

Useful lives of items of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, 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

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	**2023**	2022
Discount rate	**8.77%**	10.46%
Inflation rate	**4.75%**	6.23%
Period of fulfillment of obligations	**11 years**	12 years

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 Group considers to use risk-free rates of US Treasury bonds as an estimated discount rate adjusted for country risk and inflation rate of the Republic of Kazakhstan with maturities corresponding to the expected duration of the asset retirement and land recultivation obligation.

As at 31 December 2023 the carrying amount of the provision for the obligation to decommission assets and land recultivation was 45,648,971 thousand Tenge (31 December 2022: 40,664,979 thousand Tenge) *(Note 26)* and includes the corresponding provisions for oil pipelines, oil pumping stations (OPS) and landfills.

Provisions for oil pipelines

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

Provisions for OPS

In accordance with the amendments made to the Environmental Code of the Republic of Kazakhstan, after the termination of the operation of facilities that have a negative impact on the environment, the operators (owners) of facilities are obliged to ensure the elimination of the consequences of the operation of facilities in accordance with the requirements of the legislation of the Republic of Kazakhstan. As part of the elimination of the consequences of the operation of facilities that have a negative impact on the environment, work should be carried out to bring land plots into a condition that ensures the safety and (or) human health, environmental protection and suitable for their further use for their intended purpose, in accordance with the procedure provided for by the land legislation of the Republic of Kazakhstan. According to the Environmental Code of the Republic of Kazakhstan, the objects of the Group belong to category II, which have a moderate negative impact on the environment. Accordingly, in 2022, the Group created a reserve for decommissioning and recultivation of the OPS lands.

Provisions for landfills

The provisions for landfills are created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan.

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.

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

Estimates and assumptions (continued)

Provisions for landfills (continued)

The provisions for landfills are created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan.

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 2023 is as follows:

In thousands of Tenge	**(Decrease)/ increase in rate**	**(Decrease)/ increase in liability**
Discount rate	-0.5%	2,358,603
	+0.5%	(2,232,013)
Inflation rate	-0.5%	(2,325,923)
	+0.5%	2,439,635

Reserves for the impairment of advances to suppliers

The Group 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 consolidated financial statements.

As at 31 December 2023 and 2022 these reserves have been created for the amount of 872,104 thousand Tenge and 886,666 thousand Tenge, respectively *(Notes 10, 13)*.

Allowances for financial assets

The Group recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits), reverse repo transactions, notes of the National Bank.

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

For funds in credit institutions (bank deposits, cash and cash equivalents), reverse repo transactions, notes of the National Bank, the Group 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 Group 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 Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. As at 31 December 2023 and 2022 allowance for expected credit losses was created in the amount of 5,476,500 thousand Tenge and 6,313,128 thousand Tenge, respectively *(Notes 12, 16, 17)*. The main amount of the accrued reserve is related to overdue accounts receivable of consumers of oil transshipment services (BOT and PTL).

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

Estimates and assumptions (continued)

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 the 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 Group 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 2023 was 24,805,588 thousand Tenge (as at 31 December 2022: 18,461,648 thousand Tenge), net off with the amount of deffered tax liabilities *(Note 35)*. As at 31 December 2023 and 2022 the Group 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 of the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds the Group uses risk-free rates of US Treasury bonds as an estimated discount rate, with maturities corresponding to the expected term for fulfilling of employee benefits obligations adjusted for country risk and inflation rate of the Republic of Kazakhstan.

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 2023 and 2022 were as follows:

	2023	2022
Discount rate	**10.93%**	10.46%
Future financial aid increase	**7.15%**	7.50%
Future salary increase	**5.63%**	5.74%
Mortality rate	**5.44%**	5.81%

As at 31 December 2023 the average period of post-retirement benefit obligations were 17.98 years (as at 31 December 2022: 18.7 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Estimates and assumptions (continued)

Employee benefits (continued)

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2023 is as follows:

In thousands of Tenge	(Decrease)/ increase in rate	(Decrease)/ increase in obligation
Discount rate	-0.5%	1,187,706
	+0.5%	(1,086,147)
Future financial aid increase	-1,0%	(2,191,723)
	+1,0%	2,384,923
Future salary increase	-1,0%	(204,534)
	+1,0%	237,923
Life duration	-1 year	(197,601)
	+1 year	196,760

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2022 and 2023 are as follows:

In thousands of Tenge	**Land**	**Oil pipelines**	**Water pipelines**	**Transportation assets**	**Buildings and constructions**	**Machinery, transfer devices and equipment**	**Techno-logical oil**	**Other**	**Construction in progress**	**Total**
Gross carrying amount as at 1 January 2022	26,148,404	276,731,868	44,628,241	25,016,533	100,840,287	188,867,764	201,418,200	11,402,731	50,045,315	925,099,343
Foreign currency translation	1,446,528	–	–	807,443	1,875,708	1,067,951	–	72,308	50,098	5,320,036
Additions	–	3,466	–	2,073,803	3,594,052	5,569,049	–	288,115	39,632,697	51,161,182
Capitalized costs on debt financial instruments *(Note 19)*	–	–	–	–	–	–	–	–	434,328	434,328
Disposals	(33.338)	(1.609.403)	–	(190.860)	(285.832)	(1.224.495)	(282.934)	(543.034)	(229.616)	(4.399.512)
Additions on asset retirement and land recultivation obligation *(Note 26)*	–	346,567	–	–	13,612,707	–	–	–	–	13,959,274
Changes in estimates on asset retirement and land recultivation obligation *(Note 26)*	–	–	–	–	(3,359,391)	–	–	–	–	(3,359,391)
Revaluation (through revaluation reserve) *(Note 5)*	7,924,207	38,830,932	4,500,283	7,937,633	21,305,154	59,569,747	22,653,216	7,855,504	425,157	171,001,833
Impairment and revaluation through profit or loss due to revaluation, net	198,463	236,171	145,956	(825,371)	(3,965,391)	(5,996,689)	–	13,800	(2,695,524)	(12,888,585)
Transfers from construction-in-progress	412	21,976,427	21,027,064	812,642	4,439,206	10,775,486	–	158,483	(59,189,720)	–
Transfers from non-current assets held for sale	73,519	–	–	102,667	672,938	31,483	–	604	–	881,211
Substruction of accumulated depreciation and impairment due to revaluation	–	(47,983,967)	(6,622,204)	(9,875,606)	(24,034,638)	(73,668,233)	–	(7,489,914)	(180,880)	(169,855,442)
Transfers and reclassifications	–	230,913	–	(85,550)	–	(164,563)	–	19,200	–	–
Transfers to inventory	–	(14,191)	–	–	–	–	–	–	(14,457)	(28,648)
Gross carrying amount as at 31 December 2022	35,758,195	288,748,783	63,679,340	25,773,334	114,694,800	184,827,500	223,788,482	11,777,797	28,277,398	977,325,629
Foreign currency translation	**(431,820)**	**–**	**–**	**(71,546)**	**(154,172)**	**(98,805)**	**–**	**7,295**	**(36,278)**	**(785,326)**
Additions	**4,760**	**4,898**	**–**	**3,137,346**	**711,631**	**2,514,859**	**–**	**678,899**	**174,798,655**	**181,851,048**
Capitalized costs on debt financial instruments *(Notes 19, 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,218,340**	**8,218,340**
Disposals	**(80,983)**	**(298,912)**	**–**	**(8,520)**	**(1,233,742)**	**(136,438)**	**(7,717)**	**(204,101)**	**(12,429)**	**(1,982,842)**
Additions on asset retirement and land recultivation obligation *(Note 26)*	**–**	**36,142**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,142**
Revaluation (through revaluation reserve) *(Note 5)*	**–**	**–**	**–**	**–**	**–**	**–**	**5,242,823**	**–**	**–**	**5,242,823**
Transfers to inventory	**–**	**(1,268,199)**	**–**	**(92,744)**	**(16,292)**	**(83,078)**		**(907)**	**(125,100)**	**(1,586,320)**
Transfers from construction-in-progress	**663**	**3,886,503**	**107,129,476**	**210,878**	**8,712,720**	**16,182,881**	**–**	**651,605**	**(136,774,726)**	**–**
Transfers and reclassifications	**–**	**(1,197,382)**	**–**	**(80,749)**	**(38,990)**	**(393,107)**	**–**	**(1,291)**	**1,711,519**	**–**
Gross carrying amount as at 31 December 2023	**35,250,815**	**289,911,833**	**170,808,816**	**28,867,999**	**122,675,955**	**202,813,812**	**229,023,588**	**12,909,297**	**76,057,379**	**1,168,319,494**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Oil pipelines	Water pipelines	Transportation assets	Buildings and constructions	Machinery, transfer devices and equipment	Technological oil	Other	Construction in progress	Total
Accumulated depreciation and impairment as at 1 January 2022	–	(32,702,622)	(4,613,795)	(6,979,408)	(16,093,165)	(54,915,653)	–	(6,311,026)	(410,496)	(122,026,165)
Foreign currency translation	–	–		(196,035)	(124,655)	(216,993)	–	(7,872)	–	(545,555)
Depreciation charge	–	(15,890,284)	(3,030,408)	(3,031,604)	(8,117,800)	(20,674,358)	–	(1,745,090)	–	(52,489,544)
Disposals	–	626,175	–	189,278	149,395	1,068,892	226,758	531,541	229,616	3,021,655
Impairment (through profit and loss)	–	(12,882)	–	–	–	–	(10,515)	–	–	(23,397)
Impairment (through revaluation reserve)	–	–	–	–	–	–	(216,243)	–	–	(216,243)
Transfers from non-current assets held for sale	–	–	–	(71,087)	(231,183)	(5,325)	–	(604)	–	(308,199)
Substruction of accumulated depreciation and impairment due to revaluation	–	47,983,967	6,622,204	9,875,606	24,034,638	73,668,233	–	7,489,914	180,880	169,855,442
Transfers to inventory	–	2,304	–	–	–	–	–	–	–	2,304
Transfers and reclassifications	–	(6,658)	–	5	–	6,653	–	–	–	–
Accumulated depreciation and impairment as at 31 December 2022	–	–	(1,021,999)	(213,245)	(382,770)	(1,068,551)	–	(43,137)	–	(2,729,702)
Foreign currency translation	**–**	**–**		**12,021**	**10,964**	**18,870**	**–**	**858**	**–**	**42,713**
Depreciation charge	**–**	**(21,324,798)**	**(4,011,836)**	**(5,397,433)**	**(7,559,599)**	**(27,956,926)**	**–**	**(3,955,157)**	**–**	**(70,205,749)**
Disposals	**15,852**	**260,986**	**–**	**8,416**	**329,147**	**106,556**	**5,786**	**203,279**	**–**	**930,022**
Transfers to inventory	**–**	**802,227**	**–**	**75,210**	**6,286**	**62,744**	**–**	**830**	**–**	**947,297**
Impairment (through profit and loss)	**–**	**(2,218,829)**	**–**	**(4,049)**	**(458,202)**	**(557,030)**	**–**	**(5,484)**	**(1,487,186)**	**(4,730,780)**
Impairment (through revaluation reserve)	**(15,852)**	**(4,428,420)**	**–**	**(1,257)**	**(1,652,428)**	**(2,136,247)**	**(5,786)**	**(124,201)**	**(63,580)**	**(8,427,771)**
Accumulated depreciation and impairment as at 31 December 2023	**–**	**(26,908,834)**	**(5,033,835)**	**(5,520,337)**	**(9,706,602)**	**(31,530,584)**	**–**	**(3,923,012)**	**(1,550,766)**	**(84,173,970)**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Oil pipelines	Water pipelines	Transportation assets	Buildings and constructions	Machinery, transfer devices and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2023										
Gross carrying amount	**35,250,815**	**289,911,833**	**170,808,816**	**28,867,999**	**122,675,955**	**202,813,812**	**229,023,588**	**12,909,297**	**76,057,379**	**1,168,319,494**
Accumulated depreciation and impairment	**–**	**(26,908,834)**	**(5,033,835)**	**(5,520,337)**	**(9,706,602)**	**(31,530,584)**	**–**	**(3,923,012)**	**(1,550,766)**	**(84,173,970)**
Net book value	**35,250,815**	**263,002,999**	**165,774,981**	**23,347,662**	**112,969,353**	**171,283,228**	**229,023,588**	**8,986,285**	**74,506,613**	**1,084,145,524**
As at 31 December 2022										
Gross carrying amount	35,758,195	288,748,783	63,679,340	25,773,334	114,694,800	184,827,500	223,788,482	11,777,797	28,277,398	977,325,629
Accumulated depreciation and impairment	–	–	(1,021,999)	(213,245)	(382,770)	(1,068,551)	–	(43,137)	–	(2,729,702)
Net book value	35,758,195	288,748,783	62,657,341	25,560,089	114,312,030	183,758,949	223,788,482	11,734,660	28,277,398	974,595,927

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated 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	Oil pipelines	Water pipelines	Transportation assets	Buildings and constructions	Machinery, transfer devices and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2023	**25,383,825**	**185,440,267**	**161,706,274**	**18,934,819**	**81,675,140**	**114,824,712**	**30,270,415**	**3,904,078**	**76,050,941**	**698,190,471**
As at 31 December 2022	25,830,607	189,124,116	57,548,517	18,600,228	77,129,454	109,740,860	30,270,506	3,616,687	30,654,199	542,515,174

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023 and 2022 construction in progress mainly includes the following production facilities:

- Replacement of pipeline sections of main oil pipelines;
- Replacement, reconstruction and construction of the objects of main oil pipelines and main waterline (pumping stations, communication lines, automation system, technological pipelines, oil reservoirs, power supply and other).

As at 31 December 2023:

- The gross carrying amount and corresponding accumulated depreciation of fully depreciated plant and equipment still in use were 8,712 thousand Tenge (as at 31 December 2022: zero Tenge);
- Construction in progress included materials and spare parts in the amount of 4,206,770 thousand Tenge (as at 31 December 2022: 3,191,264 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2023, included in the cost of construction in progress amounted to 22,037 thousand Tenge (for the year ended 31 December 2022: 21,500 thousand Tenge).

Under the agreement on cooperation on the construction of a waterline, in November 2022 a pumping station for technical water for the amount 7,467,625 thousand Tenge by Group were received free of charge and put into operation *(Note 37)*.

During the year ended 31 December 2023, additions to the construction in progress are mainly related to the works on the project “Reconstruction and expansion of the main waterline “Astrakhan-Mangyshlak” 1st stage” and the replacement of pipeline sections of "Uzen-Atyrau-Samara" main oil pipeline.

7. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2022 and 2023 are as follows:

	Right-of-use assets				
In thousands of Tenge	**Land and other assets**	**Transportation assets**	**Buildings and constructions**	**Machinery, equipment and transfer devices**	**Total**
Net book value as at 1 January 2022	73,230	748,021	180,450	109,771	1,111,472
Additions *(Note 24)*	2,249	–	13,912	114,694	130,855
Disposals	(2,872)	–	–	–	(2,872)
Modification *(Note 24)*	–	994,358	265,523	–	1,259,881
Amortization charge	(3,535)	(1,379,309)	(134,865)	(64,562)	(1,582,271)
Net book value as at 31 December 2022	69,072	363,070	325,020	159,903	917,065
Additions *(Note 24)*	**684**	**7,514,228**	**130,734**	**–**	**7,645,646**
Disposals	**–**	**–**	**(135,330)**	**(114,694)**	**(250,024)**
Modification *(Note 24)*	**–**	**283,158**	**72,159**	**4,210**	**359,527**
Amortization charge	**(2,260)**	**(1,739,267)**	**(157,394)**	**(41,957)**	**(1,940,878)**
Net book value as at 31 December 2023	**67,496**	**6,421,189**	**235,189**	**7,462**	**6,731,336**

Additions on transportation assets for 2023 are related to the conclusion of long-term lease agreements.

8. INTANGIBLE ASSETS

Intangible assets as at 31 December 2022 and 2023 are as follows:

In thousands of Tenge	Licenses	Software	Right for land use	Capital expenditures in progress and other	Total
Net book value as at 1 January 2022	411,873	695,852	6,023,532	220,977	7,352,234
Additions	240,641	27,148	107,858	232,349	607,996
Transfers from capital expenditures in progress	111,622	149,120	–	(260,742)	–
Amortization charge	(258,809)	(303,861)	(255,738)	(5,004)	(823,412)
Disposals	(54,788)	(199,081)	–	–	(253,869)
Accumulated depreciation on disposal	54,788	199,081	–	–	253,869
Foreign currency translation	5,079	–	1,369,910	3,525	1,378,514
Net book value as at 31 December 2022	510,406	568,259	7,245,562	191,105	8,515,332
Additions	**74,404**	**18,286**	**–**	**149,195**	**241,885**
Transfers from capital expenditures in progress	**38,858**	**105,950**	**–**	**(144,808)**	**–**
Amortization charge	**(193,433)**	**(192,592)**	**(281,938)**	**(3,942)**	**(671,905)**
Disposals	**(21,702)**	**(103,005)**	**–**	**(3)**	**(124,710)**
Accumulated depreciation on disposal	**17,701**	**103,005**	**–**	**2**	**120,708**
Foreign currency translation	**(3,194)**	**–**	**(87,041)**	**–**	**(90,235)**
Net book value as at 31 December 2023	**423,040**	**499,903**	**6,876,583**	**191,549**	**7,991,075**
As at 31 December 2023					
At cost	**1,880,659**	**4,858,769**	**10,921,698**	**233,059**	**17,894,185**
Accumulated amortization and impairment	**(1,457,619)**	**(4,358,866)**	**(4,045,115)**	**(41,510)**	**(9,903,110)**
Net book value	**423,040**	**499,903**	**6,876,583**	**191,549**	**7,991,075**
As at 31 December 2022					
At cost	1,802,424	4,837,538	11,064,260	228,675	17,932,897
Accumulated amortization and impairment	(1,292,018)	(4,269,279)	(3,818,698)	(37,570)	(9,417,565)
Net book value	510,406	568,259	7,245,562	191,105	8,515,332

9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2022 and 2023 are as follows:

In thousands of Tenge	KCP	MunaiTas	Total
As at 1 January 2022	46,411,191	27,684,922	74,096,113
Share in income of joint ventures	14,725,683	1,248,137	15,973,820
Share in other comprehensive income of joint ventures	10,924,328	1,230,780	12,155,108
Dividends	(5,000,000)	(2,636,855)	(7,636,855)
As at 31 December 2022	67,061,202	27,526,984	94,588,186
Share in income of joint ventures	**15,985,553**	**887,886**	**16,873,439**
Share in other comprehensive income/(loss) of joint ventures	**1,370,110**	**(2,117,170)**	**(747,060)**
Dividends	**(2,500,000)**	**(1,460,351)**	**(3,960,351)**
As at 31 December 2023	**81,916,865**	**24,837,349**	**106,754,214**

9. INVESTMENTS IN JOINT VENTURES (continued)

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

	KCP			
	31 December 2023		31 December 2022	
In thousands of Tenge	**50%**	**100%**	50%	100%
Assets and liabilities of joint venture				
Current assets	**24,776,898**	**49,553,796**	21,051,574	42,103,148
Non-current assets	**99,245,331**	**198,490,662**	105,906,418	211,812,836
Current liabilities	**(23,384,217)**	**(46,768,434)**	(23,207,502)	(46,415,004)
Non-current liabilities	**(18,721,147)**	**(37,442,294)**	(36,689,288)	(73,378,576)
Net book value of investment / net assets	**81,916,865**	**163,833,730**	67,061,202	134,122,404
Additional information				
Cash and cash equivalents	**11,918,434**	**23,836,868**	8,935,742	17,871,484
Short-term financial liabilities, net of trade and other payables and provisions	**(16,421,448)**	**(32,842,896)**	(16,950,288)	(33,900,576)
Long-term financial liabilities, net of trade and other payables and provisions	**–**	**–**	(16,098,652)	(32,197,304)

Short-term financial liabilities of KCP are represented by liabilities under loan agreement from 27 June 2018 with the Industrial and Commercial Bank of China Limited jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was 540 million US Dollars (equivalent to 191,756,400 thousand Tenge at the date of attraction), the loan period is 6 years with the possibility of early repayment.

In 2023, as part of the transition from LIBOR to the secured overnight financing rate - SOFR, KCP signed an additional agreement to amend the loan agreement. The effective rates applied for the twelve months ended 31 December 2023 and 2022 were 8.57% and 4.71%, respectively.

The Company along with the second participant of KCP did not guarantee the loan.

During 2023, KCP repaid 70,000 thousand US Dollars (equivalent to 31,694,250 thousand Tenge as at the payment date) in accordance with repayment schedule of the principal debt under the loan agreement.

As at 31 December 2023 total payable under loan including interest equals to 73,000 thousand US Dollars (equivalent to 32,842,896 thousand Tenge), as at 31 December 2022 to 142,868 thousand US Dollars (equivalent to 66,097,880 thousand Tenge).

	MunaiTas			
	31 December 2023		31 December 2022	
In thousands of Tenge	**51%**	**100%**	51%	100%
Assets and liabilities of joint venture				
Current assets	**9,811,784**	**19,238,792**	7,949,707	15,587,661
Non-current assets	**21,394,656**	**41,950,306**	25,364,269	49,733,861
Current liabilities	**(1,676,284)**	**(3,286,831)**	(1,530,761)	(3,001,492)
Non-current liabilities	**(4,692,807)**	**(9,201,582)**	(4,256,231)	(8,345,551)
Net book value of investment / net assets	**24,837,349**	**48,700,685**	27,526,984	53,974,479
Additional information				
Cash and cash equivalents	**6,678,854**	**13,095,792**	4,335,843	8,501,653

9. INVESTMENTS IN JOINT VENTURES (continued)

	KCP			
	For the year ended 31 December			
	2023		2022	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint venture for the year				
Revenue	**43,421,318**	**86,842,636**	43,159,420	86,318,840
Income from continuing operations for the year	**15,985,553**	**31,971,106**	14,725,683	29,451,366
Other comprehensive income	**1,370,110**	**2,740,220**	10,924,328	21,848,656
Total comprehensive income	**17,355,663**	**34,711,326**	25,650,011	51,300,022
Dividends	**(2,500,000)**	**(5,000,000)**	(5,000,000)	(10,000,000)
Additional information				
Depreciation and amortization	**(8,453,558)**	**(16,907,116)**	(8,019,870)	(16,039,740)
Interest income	**292,482**	**584,964**	178,304	356,608
Interest expense	**(1,813,858)**	**(3,627,716)**	(2,296,651)	(4,593,302)
Income/(loss) on exchange differences	**288,249**	**576,498**	(1,866,634)	(3,733,268)
Income tax expense	**(4,020,586)**	**(8,041,172)**	(3,837,018)	(7,674,036)

	MunaiTas			
	For the year ended 31 December			
	2023		2022	
In thousands of Tenge	**51%**	**100%**	51%	100%
Information on profit or loss and other comprehensive income of joint venture for the year				
Revenue	**6,750,903**	**13,237,065**	6,833,301	13,398,629
Income from continuing operations for the year	**887,886**	**1,740,953**	1,248,137	2,447,327
Other comprehensive (loss)/income	**(2,117,170)**	**(4,151,314)**	1,230,780	2,413,294
Total comprehensive income	**(1,229,284)**	**(2,410,361)**	2,478,917	4,860,621
Dividends	**(1,460,351)**	**(2,863,433)**	(2,636,855)	(5,170,304)
Additional information				
Depreciation and amortization	**(2,008,572)**	**(3,938,376)**	(1,766,778)	(3,464,271)
Interest income	**920,765**	**1,805,422**	618,212	1,212,180
Income tax expense	**(214,402)**	**(420,396)**	(347,113)	(680,614)

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Advances to third parties for property, plant and equipment and construction services	**2,379,153**	30,105,831
Less: impairment allowance	**(871,466)**	(886,028)
Total	**1,507,687**	29,219,803

10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in reserve for impairment of advances given to suppliers for property, plant and equipment was as follows:

In thousands of Tenge	**2023**	2022
As at 1 January	**886,028**	830,498
Foreign currency translation	**(14,562)**	55,530
As at 31 December	**871,466**	886,028

As at 31 December 2023, the decrease in advances issued for property, plant and equipment is mainly due to the execution of work on the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak (1st stage)", which is financed by the loan received and issued bonds *(Notes 19, 20)*.

11. INVENTORIES

Inventories as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Spare parts	**3,136,918**	3,475,045
Fuel	**1,877,121**	1,367,681
Goods	**1,646,436**	1,971,359
Overalls	**866,352**	482,238
Construction materials	**725,096**	843,012
Chemical reagents	**195,104**	178,643
Other	**484,986**	440,287
Total	**8,932,013**	8,758,265

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Other accounts receivable from third parties	**848,669**	961,102
Less: allowance for expected credit losses	**(127,621)**	(77,818)
Total	**721,048**	883,284

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

In thousands of Tenge	**2023**	2022
As at 1 January	**77,818**	146,516
Charge/(reversal) for the year, net *(Note 30)*	**49,803**	(68,698)
As at 31 December	**127,621**	77,818

Current trade and other accounts receivable as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Trade accounts receivable from third parties	**8,049,946**	7,576,115
Trade accounts receivable from related parties *(Note 37)*	**5,216,823**	6,291,233
Other accounts receivable from third parties	**506,829**	705,492
Other accounts receivable from related parties *(Note 37)*	**–**	509
Less: allowance for expected credit losses	**(5,326,570)**	(6,206,768)
Total	**8,447,028**	8,366,581

12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

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

In thousands of Tenge	**2023**	2022
As at 1 January	**6,206,768**	5,443,382
Charge for the year, net *(Note 30)*	**324,800**	377,620
Used when write-off	**(1,123,438)**	(31,368)
Currency translation	**(81,560)**	417,134
As at 31 December	**5,326,570**	6,206,768

Trade and other accounts receivable as at 31 December 2023 and 2022 are denominated in the following currencies:

In thousands of Tenge	**31 December 2023**	31 December 2022
Tenge	**6,170,344**	8,603,232
US Dollar	**1,669,503**	635,219
Russian Ruble	**881,851**	2,624
Other currency	**446,378**	8,790
Total	**9,168,076**	9,249,865

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

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 30 days**	**From 31 to 60 days**	**From 61 to 90 days**	**More than 91 days**	**Total**
As at 31 December 2023						
Expected credit loss rate	**2.01%**	**2.40%**	**4.37%**	**3.93%**	**95.88%**	
Estimated total gross carrying amount at default	**8,663,455**	**208,268**	**116,469**	**143,531**	**5,490,544**	**14,622,267**
Expected credit losses	**(174,125)**	**(5,001)**	**(5,084)**	**(5,643)**	**(5,264,338)**	**(5,454,191)**
	8,489,330	**203,267**	**111,385**	**137,888**	**226,206**	**9,168,076**

	Trade and other accounts receivable					
		Past due payments				
In thousands of Tenge	**Unexpired**	**Less than 30 days**	**From 31 to 60 days**	**From 61 to 90 days**	**More than 91 days**	**Total**
As at 31 December 2022						
Expected credit loss rate	1.25%	0.24%	7.04%	10.13%	95.88%	
Estimated total gross carrying amount at default	8,178,845	805,205	65,802	48,279	6,436,320	15,534,451
Expected credit losses	(102,100)	(1,919)	(4,634)	(4,889)	(6,171,044)	(6,284,586)
	8,076,745	**803,286**	**61,168**	**43,390**	**265,276**	**9,249,865**

13. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Advances to third parties	**727,486**	1,786,915
Advances to related parties *(Note 37)*	**1,024**	1,017
	728,510	1,787,932
Less: impairment	**(638)**	(638)
Total	**727,872**	1,787,294

14. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Non-current VAT recoverable	**15,198,605**	4,314,632
Current VAT recoverable	**10,203,808**	8,098,661
Property tax	**714,624**	304,146
Other taxes prepaid	**37,447**	36,408
Total	**26,154,484**	12,753,847

15. OTHER CURRENT ASSETS

Other current assets as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Other current financial assets		
Notes of the National Bank	**21,579,104**	–
Investments in bonds	**646,608**	809,649
Due from employees	**13,752**	11,163
Other	**19,384**	18,571
	22,258,848	839,383
Other current non-financial assets		
Due for oil transportation coordination services	**5,224,762**	5,299,968
Prepaid insurance	**229,031**	223,958
Deferred expenses from third parties	**117,518**	304,312
Other	**23,185**	23,193
	5,594,496	5,851,431
Total	**27,853,344**	6,690,814

Notes of the National Bank

During 2023, the Group invested available cash in financial instruments such as Notes of the National Bank of the Republic of Kazakhstan with an average yield of 16.04% per annum. Finance income recognized by the Group during the specified period amounted to 1,310,419 thousand Tenge *(Note 33)*. At the same time, the Group recognized a provision for expected credit losses for the period in the amount of 312 thousand Tenge.

As at 31 December 2023, the Notes of the National Bank are represented by financial instruments with a yield of 14.9% and a maturity of 14 days.

16. BANK DEPOSITS

Bank deposits as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Long-term bank deposits − Tenge	**719,698**	947,247
Less: allowance for expected credit losses	**(1,610)**	(1,795)
Total	**718,088**	945,452

As at 31 December 2023 and 2022 long-term bank deposits comprised restricted bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Time deposits with banks − Tenge	**26,135,995**	68,970,977
Time deposits with banks − US Dollar	**6,290,971**	−
Current accounts with banks − Tenge	**11,361,093**	499,992
Current accounts with banks − US Dollar	**6,845,219**	14,426,202
Current accounts with banks – Georgian Lari	**732,751**	1,234,813
Current accounts with banks – other currency	**38,721**	39,710
Reverse repo transactions	**25,276,421**	−
Other current accounts with banks	**11,685**	12,335
Cash in hand	**455**	256
Less: allowance for expected credit losses	**(20,699)**	(26,747)
Total	**76,672,612**	85,157,538

As at 31 December 2023:

- Time deposits with maturity less than 3 months in Tenge interests ranged from 14.25% to 15.8% per annum (as at 31 December 2022: from 14.75% to 16.05% per annum);
- Time deposits with maturity less than 3 months placed in US Dollars interests ranged from 2.5% to 3% per annum;
- Current accounts placed in Tenge interests ranged from 7% to 13% per annum (as at 31 December 2022: from 6.75% to 7% per annum);
- Current accounts placed in Georgian Lari interests ranged from 10.6% to 11% per annum (as at 31 December 2022: from 6% to 10% per annum);
- Interests for current accounts placed in US Dollars ranged from 0.25% to 3.65% per annum (as at 31 December 2022: from 0.25% to 3% per annum).

Reverse repo transactions

In order to manage free liquidity, at the end of the reporting period the Group placed funds in such financial instruments as autorepo (secured by government securities of the Republic of Kazakhstan) with a yield from 15.9% and a maturity of 5-8 days.

18. EQUITY

Other operation with shareholder

During the year ended 31 December 2023 the retained earnings of the Group was increased by the discount on the Group's debt securities issued in the amount of 30,823,948 thousand Tenge *(Note 20)*.

Share capital

As at 31 December 2023 and 2022 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 2023 and 2022 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.

Asset revaluation reserve

Revaluation reserve was formed based on revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

In thousands of Tenge	**31 December 2023**	31 December 2022
Revaluation reserve for property, plant and equipment of the Group	**346,822,740**	385,975,268
Share in the asset revaluation reserve of the joint ventures	**33,816,931**	37,241,894
Total	**380,639,671**	423,217,162

18. EQUITY (continued)

Other capital reserves

As at 31 December 2023 other capital reserves represent an income amounted to 1,244,710 thousand Tenge (as at 31 December 2022: a loss 188,145 thousand Tenge). Change in this reserve is due to recognition of actuarial gains and losses from revaluation of the Group's and joint ventures' employee benefits obligations under defined benefit plans. Actuarial gains from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,472,627 thousand Tenge *(Note 21)*, income tax effect of which amounted to 40,473 thousand Tenge *(Note 35)*. During 2022 actuarial gains from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 4,238,724 thousand Tenge *(Note 21)*, income tax effect of which amounted to 116,499 thousand Tenge *(Note 35)*.

Dividends

During 2023 the Company accrued dividends payable based on the decision of the general meeting of shareholders dated 24 May 2023 in the amount of 15,000,496 thousand Tenge based on the results of 2022 (calculated as 39 Tenge per 1 share), from which 13,500,710 thousand Tenge was paid to KMG *(Note 37)* and 1,499,786 thousand Tenge − to minority shareholders.

During 2022 the Company accrued dividends as the result of 2021 year based on the decision of the general meeting of shareholders dated 19 May 2022 in the amount of 10,000,331 thousand Tenge (calculated as 26 Tenge per 1 share), including 9,000,473 thousand Tenge *(Note 37)* which paid to KMG and 999,858 thousand Tenge to minority shareholders.

Earnings per share

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

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group 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	**2023**	2022
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	**32,845,337**	19,801,693
Weighted average number of ordinary shares for the year for basic and diluted earnings per share	**384,628,099**	384,628,099
Basic and diluted earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)	**85**	51

Book value per ordinary share

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

In thousands of Tenge	**31 December 2023**	31 December 2022
Total assets	**1,358,382,110**	1,235,417,960
Less: intangible assets *(Note 8)*	**(7,991,075)**	(8,515,332)
Less: total liabilities	**(401,511,786)**	(322,964,635)
Net assets for calculation of book value per ordinary share	**948,879,249**	903,937,993
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share (in Tenge)	**2,467**	2,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. LOANS RECEIVED

Movements in loans received for twelve months ended 31 December 2023 are as follows:

In thousands of Tenge	**2023**	2022
Loans with a floating interest rate		
As at 1 January	**29,760,793**	–
Received	**11,800,000**	29,592,745
Accrued remuneration	**5,912,593**	375,197
Additional costs	**(82,600)**	(207,149)
As at 31 December	**47,390,786**	29,760,793

On 25 November 2022, Main Waterline entered into an agreement on the provision of a credit line with JSC "Halyk Bank of Kazakhstan" (hereinafter – Agreement). The amount of a credit line is 66,700,000 thousand Tenge, the interest rate is floating, at the level of the base rate of the National Bank of the Republic of Kazakhstan valid on the date of loan issuance plus 2.5% (subject to revision every 6 months), the loan term is 120 months from the date of conclusion of an Agreement. The purpose of this loan is to finance the project "Reconstruction and expansion of the main waterline "Astrakhan-Mangyshlak" 1st stage". Samruk-Kazyna acted as the guarantor of the obligations of the Main Waterline under the agreement on the provision of a credit line.

On 28 November 2022, under the Agreement, a bank loan in the amount of 29,592,745 thousand Tenge was received *(first tranche)*. The bank loan agreement establishes the beginning of repayment of the loan and payment of remuneration from 1 December 2025 and 30 May 2025, respectively, with a frequency of 1 every six months.

On 10 April 2023, under the Agreement, a bank loan in the amount of 11,800,000 thousand Tenge was received *(second tranche)*. The bank loan agreement establishes the beginning of repayment of the loan and payment of remuneration from 10 April 2026 and 10 October 2025, respectively, with a frequency of 1 every six months.

During 2022 Main Waterline paid the loan costs in the form of a commission fee to the bank for the legal and economic expertise of the financing project and for the organization of a credit line of 533,127 thousand Tenge.

The loans amounts were recognized at fair value less borrowing costs. Group capitalized the borrowing costs, incurred during construction, into the value of the qualifying asset. The total amount of borrowing costs capitalized into the value of the qualifying asset for the reporting period amounted to 5,912,593 thousand Tenge (during 2022: 434,328 thousand Tenge) *(Note 6)*.

As at 31 December 2023 the nominal interest rate was on average 18.38% (as at 31 December 2022: 18.5%); the effective interest rate on the loan was on average 15.54% (as at 31 December 2022: 15.57%).

Covenants

The Group must ensure the fulfillment of non-financial covenants in accordance with the Agreement on the provision of a credit line. As at 31 December 2023 and 2022, the Group complies with all non-financial covenants. There are no financial covenants under the terms of the Agreement.

20. ISSUED DEBT SECURITIES

Movements in issued debt securities for twelve months ended 31 December 2023 are as follows:

In thousands of Tenge	**2023**
As at 1 January	**–**
Received	**70,000,000**
Discount recognition *(Note 18)*	**(30,823,948)**
Discount amortization *(Note 6)*	**2,126,025**
Accrued remuneration *(Note 6)*	**179,722**
Redemption of remuneration	**(106,944)**
As at 31 December	**41,374,855**
Including:	
Long term part	**41,302,077**
Short term part	**72,778**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. ISSUED DEBT SECURITIES (continued)

In order to finance the investment project "Reconstruction and expansion of the main waterline “Astrakhan-Mangyshlak” 1st stage", Main Waterline issued 50 billion bonds in total amounting to 50 billion Tenge and additionally 20 billion Tenge with a coupon rate of 0.5% per annum and a circulation period 10 years, the grace period for repayment of the principal debt is 2 years, the remuneration payment dates are set from October 2023 and April 2024, respectively.

These bonds were purchased by KMG at the expense of anti-crisis funds from the National Fund of the Republic of Kazakhstan in April and October, respectively.

The amount of bonds was recognized at fair value based on the market interest rate on the date of their placement in the amount of 11.74% and 11.57%, respectively.

The Group capitalized all costs of issued bonds into the cost of the qualifying asset. The difference between the market and coupon rates on the bonds issued was recognized by the Group as a discount and included in retained earnings *(Note 18)*.

Covenants

The Group must ensure compliance with non-financial covenants in accordance with the bond purchase agreement. As at 31 December 2023, the Group is in compliance with all non-financial covenants.

There are no financial covenants under the terms of the bond purchase and sale agreement.

21. EMPLOYEE BENEFIT OBLIGATIONS

Group 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 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Non-current portion of employee benefit obligations	**18,045,542**	18,096,363
Current portion of employee benefit obligations	**1,185,285**	1,046,911
Total	**19,230,827**	19,143,274

Changes in the present value of employee benefit obligations for the years ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
Employee benefit obligations as at 1 January	**19,143,274**	22,156,376
Interest cost *(Note 34)*	**1,939,184**	1,456,152
Current services cost *(Notes 29, 30)*	**707,377**	725,176
Actuarial loss through profit and loss *(Note 32)*	**96,799**	4,163
Actuarial gain through other comprehensive income	**(1,472,627)**	(4,238,724)
Benefits paid	**(1,183,180)**	(959,869)
Employee benefit obligations as at 31 December	**19,230,827**	19,143,274

22. CONTRACT LIABILITIES TO CUSTOMERS

Long-term contract liabilities to customers as at 31 December 2023 and 31 December 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Deferred income from related parties *(Note 37)*	**23,326,309**	26,125,466
Deferred income from third parties	**8,581,827**	9,006,713
Total	**31,908,136**	35,132,179

22. CONTRACT LIABILITIES TO CUSTOMERS (continued)

Short-term contract liabilities to customers as at 31 December 2023 and 31 December 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Advances received from related parties *(Note 37)*	**18,196,317**	17,774,325
Advances received from third parties	**9,544,255**	8,238,141
Current part of deferred income from related parties *(Note 37)*	**2,799,157**	2,799,157
Current part of deferred income from third parties	**707,049**	717,570
Total	**31,246,778**	29,529,193

Deferred income from related parties relates to the free of charge receipt Main Waterline in 2021-2022 of the new waterline for technical water "Kulsary-Tengiz" (1st stage) and pumping station (2nd stage), built at the expense of water transportation services customer under the agreement on cooperation on the construction of a waterline in the total amount 32,454,806 thousand Tenge.

As the Group has to provide the appropriate volume and rate of water supply to the facilities of the customer via the waterline of technical water Kulsary-Tengiz for the entire period of operations of given customer of water transportation services, the received assets were recognized as a non-cash consideration from the customer for the services provided. The Group recognized the contract liability and property, plant and equipment for the indicated amount.

The amortization of contract liability for the period is recognized by the Group as revenue from the provision of water transportation services in the amount of 2,799,157 thousand Tenge (as at 31 December 2022: 2,142,006 thousand Tenge).

Revenue recognized in respect of contracts with customers

During the current reporting period, the Group recognized the revenue in the amount of 27,247,190 thousand Tenge in respect of contract liabilities to customers as at the beginning of the reporting period (2022: 20,100,542 thousand Tenge).

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Accounts payable to third parties for goods and services	**31,775,737**	16,530,280
Accounts payable to related parties for goods and services *(Note 37)*	**1,260,755**	1,389,533
Other accounts payable to third parties	**1,901,113**	1,311,009
Total	**34,937,605**	19,230,822

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 22,265,494 thousand Tenge (as at 31 December 2022: 8,288,535 thousand Tenge), including the overhaul with the replacement of main oil pipeline sections and reconstruction of the waterline Astrakhan-Mangyshlak.

Trade and other accounts payable as at 31 December 2023 and 2022 are in the following currencies:

In thousands of Tenge	**31 December 2023**	31 December 2022
Tenge	**32,767,590**	18,416,184
US Dollars	**194,612**	182,469
Russian Rubles	**6,248**	4,352
Euro	**2,273**	2,313
Other currency	**1,966,882**	625,504
Total	**34,937,605**	19,230,822

24. LEASE LIABILITIES

Lease liabilities as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Current portion of obligations	**2,420,628**	942,217
Non-current portion of obligations	**5,102,611**	198,450
Total	**7,523,239**	1,140,667

Changes in the present value of obligations for the twelve months ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
As at 1 January	**1,140,667**	1,660,914
Additions for the period *(Note 7)*	**7,645,646**	130,855
Payments for the period	**(2,381,354)**	(2,048,030)
Unwinding of discount on obligations *(Note 34)*	**1,013,887**	125,280
Modification *(Note 7)*	**359,527**	1,259,881
Disposals for the period	**(255,134)**	(1,634)
Exchange rate difference	**–**	13,401
As at 31 December	**7,523,239**	1,140,667

The information below describes the cost of expenses related with lease reflected in the consolidated statement of comprehensive income for 2023 and 2022:

In thousands of Tenge	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Right-of-use assets amortization *(Note 7)*	**1,940,878**	1,582,271
Unwinding of discount on obligations *(Note 34)*	**1,013,887**	125,280
Low-value assets lease expenses *(Notes 29, 30)*	**146,167**	52,886
Total	**3,100,932**	1,760,437

25. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Personal income tax	**4,681,775**	4,360,239
Withholding tax at the source of payment to non-residents	**1,399,136**	1,396,278
Social tax	**666,091**	763,335
Property tax	**357,561**	386,785
VAT payable	**6,530**	1,114,808
Other taxes	**758,660**	719,522
Total	**7,869,753**	8,740,967

26. PROVISIONS

Short-term provisions

Short-term provisions of the Group are mainly presented by tax provisions (BOT and BSP) and, as at 31 December 2023, amount to 1,303,694 thousand Tenge (as at 31 December 2022: 1,309,778 thousand Tenge).

26. PROVISIONS (continued)

Long-term provisions

Asset retirement and land recultivation obligation

In thousands of Tenge	**Provision for oil pipelines and landfills**	**Provision for OPS**	**Total**
As at 1 January 2022	34,547,151	–	34,547,151
Charge for the period through asset *(Note 6)*	346,567	13,612,707	13,959,274
Charge for the profit and loss *(Note 31)*	–	1,135,708	1,135,708
Revision of estimates through other comprehensive loss	(6,810,783)	–	(6,810,783)
Revision of estimates through asset *(Note 6)*	–	(3,359,391)	(3,359,391)
Revision of estimates through profit and loss *(Note 31)*	(1,648,210)	(280,274)	(1,928,484)
Reversed through profit and loss *(Note 31)*	(61,037)	–	(61,037)
Unwinding of discount *(Note 34)*	2,212,426	970,115	3,182,541
As at 31 December 2022	28,586,114	12,078,865	40,664,979
Charge for the period through asset *(Note 6)*	**36,142**	**–**	**36,142**
Revision of estimates through other comprehensive loss	**1,532,201**	**411,718**	**1,943,919**
Charge for the profit and loss *(Note 31)*	**(616,286)**	**(14,885)**	**(631,171)**
Reversed through profit and loss *(Note 31)*	**(355,950)**	**–**	**(355,950)**
Unwinding of discount *(Note 34)*	**2,805,524**	**1,185,528**	**3,991,052**
As at 31 December 2023	**31,987,745**	**13,661,226**	**45,648,971**

During 2022 in accordance with the amendments in the Environmental Code of the Republic of Kazakhstan, the Company recognized an obligation to decommission OPS in the amount of 14,748,415 thousand Tenge *(Note 4)*.

27. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**31 December 2023**	31 December 2022
Other current non-financial liabilities		
Liabilities for oil transportation coordination services to related parties *(Note 37)*	**7,401,666**	8,039,904
Liabilities for oil transportation coordination services to third parties	**5,505,172**	4,215,483
Liabilities for pension contributions and social insurance	**1,229,758**	1,221,720
	14,136,596	13,477,107
Other current financial liabilities		
Provisions for vacations and other employee benefits	**11,215,283**	9,799,370
Employee salary	**5,650,919**	4,813,702
Payables for oil transportation coordination services to third parties	**376,867**	486,449
Other	**861,793**	755,355
	18,104,862	15,854,876
Total other current liabilities	**32,241,458**	29,331,983

28. REVENUE

Revenue for the years ended 31 December 2023 and 2022 are as follows:

	2023				
In thousands of Tenge	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	210,709,921	–	–	–	210,709,921
Pipeline operation and maintenance services	26,566,800	–	–	–	26,566,800
Oil transshipment and railway shipment	–	20,202,349	–	–	20,202,349
Water transportation	–	–	19,821,730	–	19,821,730
Seaport services	–	–	–	7,953,109	7,953,109
Fees for undelivered oil volumes	1,782,665	–	–	–	1,782,665
Oil storage services	136,985	1,471,734	–	–	1,608,719
Oil transportation coordination services	852,449	–	–	–	852,449
Other	24,873	–	3,510	859,499	887,882
Total revenue under contracts with customers	240,073,693	21,674,083	19,825,240	8,812,608	290,385,624
Geographic regions*					
Kazakhstan	209,737,014	13,413,030	19,825,240	–	242,975,284
Russia	28,362,398	–	–	–	28,362,398
Georgia	–	2,625,489	–	8,743,264	11,368,753
Uzbekistan	1,974,281	–	–	–	1,974,281
Other states	–	5,635,564	–	69,344	5,704,908
Total revenue under contracts with customers	240,073,693	21,674,083	19,825,240	8,812,608	290,385,624
Timing of revenue recognition					
At a point in time	213,506,893	21,674,083	19,825,240	8,812,608	263,818,824
Over time	26,566,800	–	–	–	26,566,800
Total revenue under contracts with customers	240,073,693	21,674,083	19,825,240	8,812,608	290,385,624

28. REVENUE (continued)

	2022				
In thousands of Tenge	**Oil transportation and related services**	**Oil transshipment**	**Water transportation**	**Others**	**Total segments**
Crude oil transportation	184,915,654	–	–	–	184,915,654
Pipeline operation and maintenance services	24,064,009	–	–	–	24,064,009
Oil transshipment and railway shipment	–	22,498,915	–	–	22,498,915
Water transportation	–	–	11,929,886	–	11,929,886
Seaport services	–	–	–	8,061,204	8,061,204
Fees for undelivered oil volumes	1,789,534	–	–	–	1,789,534
Oil storage services	52,700	1,063,826	–	–	1,116,526
Oil transportation coordination services	475,794	–	–	–	475,794
Other	23,553	–	918	751,316	775,787
Total revenue under contracts with customers	**211,321,244**	**23,562,741**	**11,930,804**	**8,812,520**	**255,627,309**
Geographic regions*					
Kazakhstan	184,062,946	15,532,419	11,930,804	–	211,526,169
Russia	27,258,298	–	–	–	27,258,298
Georgia	–	1,788,409	–	8,802,380	10,590,789
Other states	–	6,241,913	–	10,140	6,252,053
Total revenue under contracts with customers	**211,321,244**	**23,562,741**	**11,930,804**	**8,812,520**	**255,627,309**
Timing of revenue recognition					
At a point in time	187,257,235	23,562,741	11,930,804	8,812,520	231,563,300
Over time	24,064,009	–	–	–	24,064,009
Total revenue under contracts with customers	**211,321,244**	**23,562,741**	**11,930,804**	**8,812,520**	**255,627,309**

* *The revenue information in the tables above is given according to the location of the customers*

For the year ended 31 December 2023 revenue from the five major customers amounted to 57,442,513 thousand Tenge, 32,323,325 thousand Tenge, 14,381,836 thousand Tenge, 11,380,991 thousand Tenge and 9,001,453 thousand Tenge (for 2022: revenue from these customers amounted to 49,329,056 thousand Tenge, 29,342,243 thousand Tenge, 12,664,538 thousand Tenge, 10,206,161 thousand Tenge and 4,822,807 thousand Tenge, respectively).

29. COST OF SALES

Cost of sales for the years ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
Personnel costs	**97,892,118**	89,137,471
Depreciation and amortization	**71,207,026**	53,437,487
Security services	**13,309,985**	9,754,979
Taxes other than income tax	**12,314,934**	10,977,655
Electric energy	**10,005,324**	9,704,329
Repair and maintenance	**9,798,794**	8,672,145
Railway services	**9,620,100**	13,066,905
Materials and fuel	**9,542,940**	9,051,219
Gas expense	**3,246,675**	3,373,645
Food and accommodation	**2,550,284**	2,195,513
Insurance	**1,224,050**	1,078,972
Environmental protection	**999,770**	1,520,301
Business trip expenses	**966,881**	930,505
Work security, safety	**833,821**	789,658
Outstaffing services	**695,416**	559,937
Post-employment benefits *(Note 21)*	**666,156**	679,851
Diagnostics of production assets	**532,745**	621,083
Communication services	**373,885**	355,908
Air services	**140,319**	642,193
Leases of low-value assets *(Note 24)*	**110,582**	23,847
Transportation services	**2,309**	137,223
Other	**2,823,705**	2,723,824
Total	**248,857,819**	219,434,650

The increase in personnel costs in the reporting period is due to the salary indexation of production employees of the Group.

The increase in depreciation and amortization is mainly due to the revaluation of property, plant and equipment conducted in the end of 2022.

The decrease in railway services costs is mainly associated with a decrease in oil transshipment volumes through the Group's foreign activities.

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
Personnel costs	**11,317,972**	11,041,841
Depreciation and amortization	**1,589,469**	1,436,240
Repair and maintenance	**551,487**	344,389
Office maintenance	**440,513**	490,653
Charge of allowance for expected credit losses, net *(Note 12)*	**374,603**	308,922
Social sphere expenses	**354,547**	431,866
Auditing, consulting and professional services	**352,657**	433,512
Outstaffing services	**327,126**	304,334
Taxes other than income tax	**270,649**	269,515
Business trip expenses	**250,350**	256,035
Write-off of VAT recoverable	**228,373**	132,234
Information services	**136,719**	142,885
Communication services	**90,852**	106,486
Charge/(reversal) of short-term provisions *(Note 26)*	**51,096**	(7,836)
Bank costs	**47,155**	66,184
Post-employment benefits *(Note 21)*	**41,221**	45,325
Leases of low-value assets *(Note 24)*	**35,585**	29,039
Materials and fuel	**30,541**	67,145
Other	**803,133**	640,702
Total	**17,294,048**	16,539,471

31. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2023 and 2022 is as follows:

In thousands of Tenge	**2023**	2022
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation, net *(Note 26)*	**987,121**	853,813
Income from fines and penalties	**670,167**	718,681
Amortization of deferred revenue	**296,739**	299,244
Income from recognition of inventories	**36,735**	21,758
Income from reimbursement of insurance payment	**17,261**	–
Other income	**120,424**	134,418
Total	**2,128,447**	2,027,914

32. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
Recognition of claim obligation *(Note 38)*	**1,430,675**	–
Write-off of inventory value to net realisable value	**661,271**	394,769
Loss on liquidation of inactive production facilities	**183,739**	208,649
Actuarial loss *(Note 21)*	**96,799**	4,163
Loss on disposal of property, plant and equipment, net	**74,950**	313,510
Other expenses	**62,821**	90,036
Total	**2,510,255**	1,011,127

33. FINANCE INCOME

Finance income for the years ended 31 December 2023 and 2022 is as follows:

In thousands of Tenge	**2023**	2022
Interest income on bank deposits, current accounts and reverse repo transactions	**8,756,224**	3,721,377
Income from notes of the National Bank *(Note 15)*	**1,310,419**	–
Unwinding of discount on long-term receivables	**171,811**	185,447
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net	**746**	5,381
Income from revision of the fair value of bonds	**–**	98,394
Other finance income	**23,267**	17,977
Total	**10,262,467**	4,028,576

34. FINANCE COSTS

Finance costs for the years ended 31 December 2023 and 2022 are as follows:

In thousands of Tenge	**2023**	2022
Unwinding of discount on asset retirement and land recultivation obligation *(Note 26)*	**3,991,052**	3,182,541
Interest cost on employee benefit obligations *(Note 21)*	**1,939,184**	1,456,152
Unwinding of discount on lease liabilities *(Note 24)*	**1,013,887**	125,280
Expenses from the fair value revision of bonds	**58,893**	–
Other finance costs	**7,599**	14,942
Total	**7,010,615**	4,778,915

35. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2023 and 2022 is as follows:

In thousands of Tenge	**2023**	2022
Current income tax expense	**13,893,877**	11,005,876
Prior years adjustments	**306,483**	139,049
Deferred income tax benefits	**(7,156,482)**	(6,020,506)
Income tax expense	**7,043,878**	5,124,419

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 2023 and 2022 is as follows:

In thousands of Tenge	**2023**	2022
Profit before income tax	**39,889,215**	24,926,112
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**7,977,843**	4,985,222
Prior years adjustments	**306,483**	139,049
Intragroup income and non-deductible losses of foreign operations, net	**434,805**	1,209,423
Non-deductible expense on long-term employee benefit obligations	**472,445**	375,448
Gain on surplus of technological oil	**842,396**	786,355
Revision of estimates on taxable temporary differences related to property, plant and equipment	**(4,324)**	117,182
Non-deductible expense on disposal of property, plant and equipment	**68,135**	221,367
Other non-deductible expenses, net	**320,783**	485,137
Tax effect of other adjustments		
Profit of joint ventures recognized based on equity method	**(3,374,688)**	(3,194,764)
Income tax expense reported in the consolidated statement of comprehensive income	**7,043,878**	5,124,419

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 Group's management has analysed and determined that the following companies of the Group fall under the definition of CFC: BOT, PTL and BSP. In this respect, the Company, as the parent company of the Group, has included in its taxable income for 2023 the profits of separate companies BSP, BOT, PTL.

The taxable income of the Company for 2022 has included the profit of separate companies BSP, BOT. PTL's figures were not included in the Company's taxable income as PTL recognized a net loss in its separate financial statements for 2022.

35. INCOME TAX EXPENSE (continued)

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective statement of financial position dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December 2023 and 2022:

In thousands of Tenge	**31 December 2023**	**Charged to profit and loss**	**Charged to other comprehensive income**	**Other**	31 December 2022	Charged to profit and loss	Charged to other comprehensive income	Other	1 January 2022
Deferred tax assets									
Employee benefits and other employee related accrued liabilities	**2,774,841**	**335,880**	**(40,473)**	**5**	2,479,429	266,979	(116,499)	29	2,328,920
Reserve for impairment of advances to suppliers	**10,780**	**–**	**–**	**–**	10,780	–	–	–	10,780
Provision for obsolete and slow-moving inventories	**2,196**	**953**	**–**	**–**	1,243	209	–	–	1,034
Provision for assets retirement and land recultivation obligation and other provisions	**9,129,797**	**608,014**	**388,784**	**–**	8,132,999	465,746	(1,362,157)	2,119,977	6,909,433
Lease liabilities	**1,458,351**	**(392,473)**	**–**	**1,665,148**	185,676	(384,673)	–	278,147	292,202
Taxes payable	**150,975**	**(15,742)**	**–**	**–**	166,717	28,569	–	–	138,148
Revaluation of investments in bonds	**11,779**	**11,779**	**–**	**–**	–	(19,679)	–	–	19,679
Transfer of losses for subsequent periods	**5,656,947**	**4,402,584**	**–**	**–**	1,254,363	1,254,363	–	–	–
Unrealized income from intragroup transactions	**42,187**	**–**	**–**	**–**	42,187	(63,636)	–	–	105,823
Provision for expected credit losses	**225,696**	**(26,325)**	**–**	**–**	252,021	(4,255)	–	–	256,276
Discount on long-term accounts receivables	**116,946**	**(34,362)**	**–**	**–**	151,308	(37,089)	–	–	188,397
Deferred income	**5,225,093**	**(559,832)**	**–**	**–**	5,784,925	1,065,124	–	–	4,719,801
Less: deferred tax assets net-off deferred tax liabilities	**(24,805,588)**	**–**	**–**	**(6,343,940)**	(18,461,648)	–	–	(5,745,832)	(12,715,816)
Deferred tax assets	**–**	**4,330,476**	**348,311**	**(4,678,787)**	–	2,571,658	(1,478,656)	(3,347,679)	2,254,677
Deferred tax liabilities									
Property, plant and equipment	**(122,828,945)**	**2,324,287**	**636,990**	**–**	(125,790,222)	3,129,531	(33,286,881)	(2,119,977)	(93,512,895)
Right-of-use assets	**(1,344,553)**	**501,719**	**–**	**(1,665,148)**	(181,124)	319,317	–	(278,147)	(222,294)
Add: deferred tax assets net-off deferred tax liabilities	**24,805,588**	**–**	**–**	**6,343,940**	18,461,648	–	–	5,745,832	12,715,816
Deferred tax liabilities	**(99,367,910)**	**2,826,006**	**636,990**	**4,678,792**	(107,509,698)	3,448,848	(33,286,881)	3,347,708	(81,019,373)
Net deferred income tax liabilities	**(99,367,910)**	**7,156,482**	**985,301**	**5**	(107,509,698)	6,020,506	(34,765,537)	29	(78,764,696)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSE (continued)

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.

36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in “Other segments”. Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group’s main operating activities, or with main asset of the Group − pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in “Oil transshipment” segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

36. SEGMENT INFORMATION (continued)

	For the year ended 31 December 2023						For the year ended 31 December 2022					
In thousands of Tenge	**Oil trans-portation and related services (Kazakh-stan)**	**Oil trans-shipment (Georgia)**	**Water trans-portation (Kazakh-stan)**	**Other**	**Adjust-ments and exceptions**	**Total segments (conso-lidated)**	Oil trans-portation and related services (Kazakh-stan)	Oil trans-shipment (Georgia)	Water trans-portation (Kazakh-stan)	Other	Adjust-ments and exceptions	Total segments (conso-lidated)
Revenue												
External customers	**240,073,693**	**21,674,083**	**19,825,240**	**8,812,608**	**–**	**290,385,624**	211,321,244	23,562,741	11,930,804	8,812,520	–	255,627,309
Intersegmental	**914,542**	**–**	**80,428**	**–**	**(994,970)**	**–**	814,952	–	72,100	–	(887,052)	–
Total revenue *(Note 28)*	**240,988,235**	**21,674,083**	**19,905,668**	**8,812,608**	**(994,970)**	**290,385,624**	212,136,196	23,562,741	12,002,904	8,812,520	(887,052)	255,627,309
Financial results												
(Charge)/reversal of impairment of property, plant and equipment and intangible assets through profit and loss	**(5,359,577)**	**–**	**–**	**–**	**–**	**(5,359,577)**	(12,621,560)	(444,336)	88,001	65,913	–	(12,911,982)
Depreciation and amortization *(Notes 29, 30)*	**(61,339,659)**	**(1,070,725)**	**(9,053,521)**	**(1,332,590)**	**–**	**(72,796,495)**	(46,678,407)	(918,173)	(6,051,995)	(1,225,152)	–	(54,873,727)
Interest income *(Note 33)*	**9,009,328**	**230,386**	**622,547**	**204,382**	**–**	**10,066,643**	3,343,695	100,944	143,991	132,747	–	3,721,377
Share in income of joint ventures	**16,873,439**	**–**	**–**	**–**	**–**	**16,873,439**	15,973,820	–	–	–	–	15,973,820
Income tax (expense)/benefits	**(7,296,603)**	**–**	**252,730**	**(1,369)**	**1,364**	**(7,043,878)**	(6,175,462)	–	1,061,572	(461)	(10,068)	(5,124,419)
Segment profit/(loss) for the period	**30,994,333**	**1,090,800**	**(778,976)**	**1,535,605**	**3,575**	**32,845,337**	16,706,240	2,124,886	(4,252,968)	1,338,538	3,884,997	19,801,693
Other disclosures												
Total assets	**1,119,093,212**	**55,052,218**	**245,176,165**	**22,675,271**	**(83,614,756)**	**1,358,382,110**	1,093,895,555	55,089,123	145,839,799	23,739,961	(83,146,478)	1,235,417,960
Total liabilities	**250,668,161**	**9,829,406**	**128,223,724**	**12,949,051**	**(158,556)**	**401,511,786**	238,046,342	11,089,259	60,832,330	13,802,700	(805,996)	322,964,635
Investments in joint ventures *(Note 9)*	**106,754,214**	**–**	**–**	**–**	**–**	**106,754,214**	94,588,186	–	–	–	–	94,588,186
Capital expenditures	**75,616,816**	**4,377,336**	**101,289,761**	**1,205,763**	**–**	**182,489,676**	39,190,642	809,854	2,795,844	1,574,999	(69,786)	44,301,553
Property, plant and equipment	**75,443,689**	**4,353,613**	**101,285,329**	**1,165,160**	**–**	**182,247,791**	38,739,832	790,495	2,781,547	1,451,469	(69,786)	43,693,557
Intangible assets	**173,127**	**23,723**	**4,432**	**40,603**	**–**	**241,885**	450,810	19,359	14,297	123,530	–	607,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. 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 2023 and 2022 and the related balances as at 31 December 2023 and 2022.

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

In thousands of Tenge	**Notes**	**31 December 2023**	31 December 2022
Trade and other accounts receivable from related parties			
Trade accounts receivable from entities under common control of KMG		**2,542,252**	2,185,711
Trade accounts receivable from joint ventures		**1,811,110**	1,540,699
Trade accounts receivable from entities under common control of Samruk-Kazyna		**863,461**	2,564,823
Total trade accounts receivable from related parties	12	**5,216,823**	6,291,233
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna		**–**	509
Total other accounts receivable from related parties	12	**–**	509
Less: allowance for expected credit losses		**(8,748)**	(7,407)
Total		**5,208,075**	6,284,335

Advances provided to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2023**	31 December 2022
Advances paid to related parties			
Advances paid to entities under common control of Samruk-Kazyna		**1,024**	1,017
Total advances paid to related parties	13	**1,024**	1,017

Contract liabilities to customers to related parties are as follows:

In thousands of Tenge	**Notes**	**31 December 2023**	31 December 2022
Contract liabilities to customers to related parties			
Non-current part of deferred income under contracts with entities under common control of KMG		**23,326,309**	26,125,466
Total non-current contract liabilities to customers to related parties	22	**23,326,309**	26,125,466
Advances received from entities under common control of KMG		**17,988,087**	17,573,782
Current part of deferred income under contracts with entities under common control of KMG		**2,799,157**	2,799,157
Advances received from entities under common control of Samruk-Kazyna		**208,230**	200,543
Total current contract liabilities to customers to related parties	22	**20,995,474**	20,573,482
Total contract liabilities to customers to related parties		**44,321,783**	46,698,948

37. RELATED PARTY TRANSACTIONS (continued)

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

In thousands of Tenge	Notes	**31 December 2023**	31 December 2022
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of KMG		**1,025,772**	1,001,456
Trade accounts payable to entities under common control of Samruk-Kazyna		**229,769**	379,159
Trade accounts payable to joint ventures		**5,214**	8,918
Total trade accounts payable to related parties for goods and services	23	**1,260,755**	1,389,533

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	**31 December 2023**	31 December 2022
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		**7,401,666**	8,039,904
Total of accounts payable for oil transportation coordination services to related parties	27	**7,401,666**	8,039,904
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**67,453**	68,028
Total employee benefits obligation of key management personnel		**67,453**	68,028
Total other current liabilities to related parties		**7,469,119**	8,107,932

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

	For the year ended 31 December	
In thousands of Tenge	**2023**	2022
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**154,384,107**	134,763,488
Revenue from main activities with joint ventures	**15,944,023**	14,862,954
Revenue from main activities with entities under common control of Samruk-Kazyna	**10,820,921**	9,244,131
Other income from entities under common control of Samruk-Kazyna	**97,606**	110,700
Other income from entities under common control of KMG	**15,192**	113,402
Total	**181,261,849**	159,094,675

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

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

		For the year ended 31 December	
In thousands of Tenge	Notes	**2023**	2022
Purchases from related parties			
Purchases of services from entities under common control of KMG		**10,449,839**	10,975,928
Purchases of services from entities under common control of Samruk-Kazyna		**1,980,941**	2,906,350
Purchases of inventory from entities under common control of KMG		**366**	349
Purchases of inventory from entities under common control of Samruk-Kazyna		**239**	180
Other additions of property, plant and equipment (non-monetary reimbursement of services) from entities under common control of KMG	**6**	**–**	7,467,625
Purchases of services from joint ventures		**–**	103,924
Total		**12,431,385**	21,454,356

37. RELATED PARTY TRANSACTIONS (continued)

Cash flows to related parties related to the payment of dividends are as follows:

		For the year ended 31 December	
In thousands of Tenge	**Notes**	**2023**	2022
Cash flows to related parties			
Dividends paid to the KMG	18	**(13,500,710)**	(9,000,473)
Dividends received from joint ventures	9	**3,960,351**	7,636,855
Total		**(9,540,359)**	(1,363,618)

Total accrued compensation to key management personnel for the year ended 31 December 2023 amounts to 605,563 thousand Tenge (for the year ended 31 December 2022: 739,172 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

38. 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 Group's business in the current circumstances.

The war in Ukraine

The war in Ukraine, started in 2022, triggers a number of IFRS accounting considerations affecting the financial statements. Many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in, or to Russia or Ukraine. The war and its direct and indirect consequences may impact entities other than those with direct interests in the involved countries, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn.

As the war continues and new sanctions are introduced the overall impact remains fluid. The long-term consequences of the current economic situation are difficult to predict, and management's current expectations and estimates may differ from actual results.

Risk monitoring of secondary sanctions

During the period ended 31 December 2023 and as of the specified reporting date, the Group complied with the requirements and restrictions established by the applicable sanctions imposed by the European Union, the United States of America and other countries against the Russian Federation (RF), as well as certain citizens and companies of the RF in connection with the hostilities that began on the territory of Ukraine in February 2022.

The Group's management believes that the risk of secondary sanctions against the Group's companies is low.

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.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

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 2023. As at 31 December 2023 the Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated 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 Group's position, which could result in additional taxes, fines and interest as at 31 December 2023.

As at 31 December 2023 the Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax liabilities of enterprises in Georgia

BSP

In 2015 Revenue Service of the Ministry of Finance of Georgia (hereinafter − Revenue Service) additionally accrued taxes and fines in the amount of 7,289 thousand Georgian Lari (equivalent to 1,244,159 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. As a result of appeals carried during the period from 2015 to 2020 against Revenue Service's decisions, the amount of additionally accrued taxes and fines was reduced and amounted to 5,915 thousand Georgian Lari (equivalent to 1,009,631 thousand Tenge).

At the end of 31 December 2023 the amount of recognized tax liabilities by BSP was 4,445 thousand Georgian Lari (equivalent to 758,717 thousand Tenge). The remaining amount of 1,470 thousand Georgian Lari (equivalent to 250,914 thousand Tenge) was not recognized as additional liabilities, since the management believes that BSP's appeal will be successful and estimates the possibility of an outflow of financial resources in this regard as being remote.

As at 31 December 2023 BSP continues challenging the decisions of Revenue Service in the prescribed manner.

BOT

In December 2021 BOT received from Revenue Service a tax audit report for the period from 1 July 2018 to 15 February 2021, according to which taxes and fines were additionally accrued in the amount of 2,605 thousand Georgian Lari (equivalent to 444,647 thousand Tenge). Tax expenses in the amount of 158 thousand Georgian Lari were recognized in the financial statements and a reserve in the amount of 2,447 thousand Georgian Lari was created. As a result of the appeals conducted by BOT during 2022, in December 2022 BOT received a ruling from the Dispute Resolution Board under the Ministry of Finance of Georgia (hereinafter – Board), according to which the Board returned the tax audit report to the Revenue Service for the review of the taxes and fines accruals in the amount of 2,124 thousand Georgian Lari (equivalent to 362,546 thousand Tenge). The remaining part of BOT appeal was dismissed. Management expects that the outcome of the appeal to be successful. Due to the taxes and fines presented, as at 31 December 2023, the tax lien/mortgage right on property (land plot) exists in the amount of 5.3 million US dollars (equivalent to 2,409 million Tenge).

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 Group's financial position or results of operations, except for those disclosed in these consolidated financial statements *(Notes 5, 26)*.

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 Group 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 Group's operations.

Commitments to acquire property, plant and equipment

As at 31 December 2023 the Group had contractual commitment to acquire property, plant and equipment, and construction services for the amount of 46,210,924 thousand Tenge (as at 31 December 2022: 157,285,948 thousand Tenge). These contractual commitments are a part of the investment program.

Share of the Group as at 31 December 2023 in contractual commitment of joint ventures to acquire property, plant and equipment, and construction services amounted to 618,159 thousand Tenge (as at 31 December 2022: 599,618 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 2023, the balance of obligation under the investment program to be fulfilled was 94 billion Tenge.

Legal proceedings

Legal proceedings of BOT against the Georgian Railway

In 2005, Georgian Railway JSC (hereinafter – GR) filed a claim to the court for the recovery from BOT of the 14 million Georgian Lari (equivalent to 2,390 million Tenge) for using tank wagons and storing cargo due to idle tank wagons in dead ends of BOT in the period related to 2003. On 16 April 2019 the court partially satisfied the claim of the GR in the amount of 8.4 million Georgian Lari (equivalent to 1,433 million Tenge). On 16 April 2020 BOT filed a cassation appeal to the Supreme Court of Georgia. By the decision of the Supreme Court of Georgia dated 22 November 2023, the cassation appeal of BOT was left without consideration as inadmissible for consideration in the cassation instance. In this regard, as at 31 December 2023 the Group recognized liabilities in the amount of 8.4 million Georgian Lari (equivalent to 3,136 thousand US Dollars or 1,430,675 thousand Tenge) *(Note 32)*.

Legal proceedings BOT with business counterparties

On 19 December 2016, the Tbilisi City Court issued a ruling on securing a claim for the period of consideration of the case on the claims of BOT's business counterparty (hereinafter – plaintiff) to force BOT to enter into an agreement for the provision of transshipment and storage services, recovery of damages and lost profits, according to which an arrest was imposed on alienation and encumbrance of a mortgage on real estate owned by BOT - a land plot (the main territory of Batumi) with buildings and structures located on it. The total carrying amount of the specified property as at 31 December 2023 was 5 million US Dollars (equivalent to 2,273 million Tenge). This arrest does not affect the operational and financial activities of BOT. On 23 December 2016, BOT appealed the above ruling, which was left unsatisfied. Due to disagreement with the requirements, BOT sent to the court a response to the statement of claim with BOT's position on this case; in March 2018, BOT filed a counterclaim to collect the plaintiff's existing receivables.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings (continued)

Legal proceedings BOT with business counterparties (continued)

On 12 February 2019, the court made a decision in favor of the plaintiff, and also partially satisfied the counterclaim of BOT, which was appealed by BOT on appeal and overturned by the court on 27 February 2020, returning the case for a new trial. Upon new consideration, the plaintiff abandoned the initial demands and asked the court to recover only lost profits in the amount of 16.5 million US Dollars, by a decision dated 11 November 2021, the court satisfied in full the requirements of the plaintiff and BOT's net obligations to the plaintiff amounted to 16.5 million US Dollars (equivalent to 7,500 million Tenge), which was also appealed by BOT. By the decision of the Tbilisi Court of Appeal dated 31 October 2023, the appeal of the BOT was satisfied, the court decision dated 11 November 2021 was canceled and the case was returned for a new trial. During this period, BOT appealed the decision of the appellate court with a request to overturn the court decision without returning to the first instance.

Claim of business counterparty to BOT

On 21 January 2021, the court received a claim from one of the BOT business counterparties on recovery of lost profits for the amount 12.5 million US Dollars (equivalent to 5,682 million Tenge), as well as establishing fixed tariffs for transshipment, without the right to change them unilaterally. Earlier, in 2014 BOT and a business counterparty concluded construction agreements, according to which the business counterparty acquired the right to build tanks on the territory of BOT and for BOT services for cargo transshipment. According to the business counterparty, BOT does not comply with the terms of these agreements, interferes with his activities, in connection with which the lawsuit was initiated.

As per court ruling dated 27 January 2021, a ban was imposed on the alienation and mortgage encumbrance on a land plot in Batumi c. with a carrying amount of 4 million US Dollars (equivalent to 1,818 million Tenge) as a security for this claim. On 12 February 2021, BOT appealed the above determination, which was left unsatisfied, and also submitted a review on the groundlessness of the plaintiff's demands. By decision of 16 July 2021, the court fully satisfied the claims of the business counterparty, which was appealed by BOT on appeal. The Court of Appeal upheld the decision, to which BOT filed a cassation appeal. On 20 July 2023, the Supreme Court of Georgia partially satisfied the cassation appeal of BOT, the case was sent for review to the Kutaisi Court of Appeal, where it was located as of 31 December 2023. The court's decision did not enter into legal force.

Legal proceedings of a joint venture with the contractor

In December 2019 and August 2021, MunaiTas entered into contracts with the contractor on the procurement of services in the amount of 12.4 billion Tenge and 1.7 billion Tenge, respectively. According to the contracts terms, the contractor provided bank guarantees for the proper execution of the contracts, the amount of each was 10% of the contract price. In connection with the contractor's violation of contractual obligations, MunaiTas received from the guarantor bank amounts under bank guarantees in the amount of 1.2 billion Tenge and 169.6 million Tenge. In May 2023, the contractor sent a statement of claim, in which he asks the court to declare MunaiTas' demands for payment of the amount under bank guarantees unlawful. On 8 August 2023, the court of first instance issued a ruling to terminate the proceedings in this case.

Based on the results of consideration of the contractor's complaint, on 15 November 2023, the court of second instance issued a ruling to cancel the ruling of the court of first instance and sent the case for a new trial to the court of first instance. MunaiTas management believes that the legal proceedings are at a very early stage of consideration, accordingly as of 31 December 2023 MunaiTas has not accrued provisions for this proceeding.

Litigation of the joint venture with the department of the CRNM of the Almaty city

In October 2023 MunaiTas received a letter and orders from the department of the CRNM of the Almaty city (hereinafter - the department) regarding the revision of the current tariff for a regulated service applicable in 2022-2023.

In its letter, the department obliges MunaiTas to carry out the recalculation with shippers for the services rendered for 2022 and for the period from January to October 2023. The consequence of such recalculation will be an amount of about nine billion Tenge. On 30 November 2023, MunaiTas filed a claim with the court of first instance to declare the department's orders and letter illegal. In accordance with the law, the validity of orders is suspended for the period of their appeal. On 31 January 2024, the court of first instance rejected MunaiTas' claim. On 16 February 2024, MunaiTas filed an appeal against the decision of the court of first instance.

MunaiTas management believes that the department's orders are not justified and that the risk of a negative outcome to the above requirements is medium. Accordingly, as of 31 December 2023, MunaiTas had not accrued any provisions for this proceeding.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings (continued)

Challenging the Company's tariffs

By order of CRNM dated 26 November 2021, for the period from 1 January 2022 to 31 December 2022, a temporary compensating tariff in the amount of 3,728.82 Tenge per ton for 1,000 kilometers without VAT was approved for the Company's service for pumping oil to the domestic market (hereinafter - TCT). Based on the results of consideration of the Company's complaint, on 6 April 2022, the court of first instance made a decision to declare CRNM's order illegal and cancel it. Based on the results of consideration of the CRNM complaint, on 24 November 2022, the court of second instance decided to leave the CRNM complaint without satisfaction. The Company applied TCT from 1 January to 31 August 2022 and, in accordance with the order of CRNM dated 19 August 2022, ceased the use of TCT as of 1 September 2022.

Based on the results of consideration of the CRNM complaint, on 24 October 2023, the Supreme Court issued a ruling to cancel the decisions of the courts of first and second instance. On 15 December 2023, the Company filed a petition with the Supreme Court to review the Supreme Court's ruling dated 24 October 2023.

The termination of the BSP management agreement

In accordance with BSP Management agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT has to pay the penalties according to the agreement conditions.

The management of the Group believes, as at 31 December 2023 BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for 12 months 2023 amounted to 6.8 million tons (during 2022: 7.6 million tons).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Group 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 Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount of trade receivables. There are no significant concentrations of credit risk within the Group.

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below shows the balances of bank deposits, cash and cash equivalents at the reporting date using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

		Rating			
Issuer/bank	**Location**	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
«Kazakhstan Sustainability Fund» JSC, Ministry of Finance of the RK	Kazakhstan	**BBB**	–	**25,276,371**	–
«Kazpost» JSC	Kazakhstan	**BBB-/Stable**	–	**17,236,119**	–
«ForteBank» JSC	Kazakhstan	**BB/ Stable**	BB-/Stable	**9,986,957**	25,061,488
«Eurasian Bank» JSC	Kazakhstan	**Ba3/Positive**	–	**8,880,420**	–
«Halyk Bank of Kazakhstan» JSC	Kazakhstan	**BBB-/Stable**	BBB-/Stable	**8,413,926**	31,764,664
Emirates NBD Bank PJSC	UAE	**A+/Stable**	A+/Stable	**2,428,260**	3,156,661
TBC Bank	Georgia	**BB/Stable**	BB-/Stable	**1,775,057**	470,052
Bank of Georgia	Georgia	**BB/Stable**	BB-/Stable	**1,687,781**	25,908
Halyk Bank of Georgia	Georgia	**BB+/Stable**	BB+/Stable	**1,670,963**	7,443,576
Hellenic Bank	Cyprus	**BB+/Stable**	BB-/Stable	**26,364**	133,243
«Moskommercbank» CB	Russia	**–**	–	**5,247**	4,159
«APB» JSC	Russia	**–**	–	**2,747**	–
«Altyn Bank» JSC (SB China Citic Bank Corporation Ltd)	Kazakhstan	**BBB/Stable**	BBB-/Stable	**33**	18,040,641
«Rosbank» PJSC	Russia	**–**	–	**–**	2,342
Total				**77,390,245**	86,102,734

Liquidity risk

The Group 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 receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 and 2022 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 2023						
Loans received	**–**	**–**	**10,224,919**	**40,569,436**	**40,819,606**	**91,613,961**
Issued debt securities	**–**	**335,278**	**7,401,471**	**25,495,588**	**38,727,941**	**71,960,278**
Trade and other accounts payable	**–**	**34,937,605**	**–**	**–**	**–**	**34,937,605**
Lease liabilities	**–**	**2,638,295**	**2,573,658**	**5,624,483**	**378,990**	**11,215,426**
Other current liabilities	**–**	**376,867**	**–**	**–**	**–**	**376,867**
Total	**–**	**38,288,045**	**20,200,048**	**71,689,507**	**79,926,537**	**210,104,137**
As at 31 December 2022						
Loans received	–	–	–	10,238,566	19,728,497	29,967,063
Trade and other accounts payable	–	19,230,822	–	–	–	19,230,822
Lease liabilities	–	986,418	111,678	103,876	383,611	1,585,583
Other current liabilities	–	486,449	–	–	–	486,449
Total	**–**	**20,703,689**	**111,678**	**10,342,442**	**20,112,108**	51,269,917

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

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

In thousands of Tenge	US Dollar	Russian Ruble	Euro	Other currencies	Total
At 31 December 2023					
Assets	**14,805,693**	**910,117**	**10,455**	**1,179,129**	**16,905,394**
Liabilities	**194,612**	**383,115**	**2,273**	**1,966,882**	**2,546,882**
At 31 December 2022					
Assets	15,061,421	34,932	7,402	1,243,603	16,347,358
Liabilities	182,469	490,801	2,313	625,504	1,301,087

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

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 Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

In thousands of Tenge	Increase/ decrease in US Dollar exchange rate	Effect on profit before tax
2023		
US Dollar	**+14.15%**	**2,067,468**
	-14.15%	**(2,067,468)**
Russian Ruble	**+28.54%**	**150,406**
	-28.54%	**(150,406)**
Euro	**+12.95%**	**1,060**
	-12.95%	**(1,060)**
2022		
US Dollar	+21.00%	3,124,674
	-21.00%	(3,124,674)
Russian Ruble	+22.05%	100,523
	-22.05%	(100,523)
Euro	+17.99%	915
	-17.99%	(915)

Capital management

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

The carrying amounts of the Group's financial assets and liabilities as at 31 December 2023 and 2022 approximate their fair values due to their short maturities, except for the financial instruments disclosed below:

	31 December 2023					31 December 2022				
		Fair value by valuation levels					Fair value by valuation levels			
In thousands of Tenge	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
Issued debt securities	**41,374,855**	**41,128,054**	**–**	**41,128,054**	**–**	–	–	–	–	–
Loans received with a floating interest rate	**47,390,786**	**47,414,519**	**–**	**47,414,519**	**–**	29,760,793	29.772.583	–	29.772.583	–

The fair value of debt securities was obtained by discounting expected cash flows based on interest rates calculated based on the calculated parameters of the yield of government securities effective at the reporting date.

The fair value of the loans received was determined by discounting the expected cash flows based on interest rates calculated on the basis of the base interest rate of the National Bank of the Republic of Kazakhstan effective at the reporting date plus 2.5%.

During the reporting period, there were no transfers between Level 1 and Level 2, nor were there any movements to or from Level 3.

40. SUBSEQUENT EVENTS

Loan agreement of joint ventures

On 1 February 2024 KCP repaid the loan under the loan agreement from 27 June 2018 in full ahead of schedule *(Note 9)*.

Tariffs of Main Waterline

By order of the department of CRNM for Atyrau region dated 15 February 2024 tariffs for water supply services through main pipelines for oil and gas producing enterprises in the amount of 2,044.51 Tenge/m3 without VAT, for industrial enterprises and other commercial organizations - 683.75 Tenge/m3 without VAT were approved for the period from 1 March 2024 to 31 December 2027 *(until 1 March 2024 the approved tariffs were 1,870.55 Tenge/m3 without VAT and 626.66 Tenge/m3 without VAT, respectively).*