Kazakhstan-China Pipeline LLP

International Financial Reporting Standards Financial Statements

for the year ended 31 December 2023 and with Independent Auditors' Report

Content

Independent Auditors' Report

Financial Statements

Notes to the Financial Statements

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180 Dostyk Avenue, Almaty,
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Independent Auditors' Report

To the Participants and Management of Kazakhstan-China Pipeline LLP

Opinion

We have audited the financial statements of Kazakhstan-China Pipeline LLP (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 6 February 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

The engagement partner on the audit resulting in this independent auditors' report is:

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Sergey Nezdemkovskiy
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certified
№ МФ-0000182 of 2 June 2014

KPMG Audit LLC
State License to conduct audit #0000021, dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

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Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

5 February 2024

Kazakhstan-China Pipeline LLP
Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	198,069,312	211,652,908
Right-of-use assets		195,229	69,977
Long-term value added tax receivable		128	-
Intangible assets		225,993	87,160
Other non-current financial assets		-	2,791
Total non-current assets		**198,490,662**	**211,812,836**
Current assets			
Inventories		1,131,097	1,026,984
Income tax prepaid		415,628	50,923
Receivables from related parties	5	5,214	52,969
Trade receivables		-	23,079
Other current assets		637,309	1,221,372
Bank deposits	7	23,527,680	21,856,337
Cash and cash equivalents	8	23,836,867	17,871,484
Total current assets		**49,553,795**	**42,103,148**
TOTAL ASSETS		**248,044,457**	**253,915,984**
EQUITY			
Charter capital		13,000,000	13,000,000
Revaluation reserve for property, plant and equipment		58,427,409	60,354,743
Other reserves		(3,589)	(4,991)
Retained earnings		92,409,910	60,772,653
TOTAL EQUITY		**163,833,730**	**134,122,405**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	-	32,197,304
Provision for decommissioning obligation for pipeline and its facilities and land recultivation	4	8,843,517	11,282,742
Lease liabilities		119,349	53,056
Deferred tax liability	16	28,460,797	29,825,210
Other non-current liabilities		18,631	20,264
Total non-current liabilities		**37,442,294**	**73,378,576**
Current liabilities			
Loans and borrowings	9	32,842,895	33,900,576
Trade payables for core operations		1,129,953	666,692
Payables to related parties	5	1,574,438	1,508,951
Contract liabilities for oil transportation - related parties	5	3,848,963	3,613,692
Contract liabilities for oil transportation - third parties	10	4,876,996	4,699,947
Other payables and accrued liabilities	11	2,362,703	1,987,721
Lease liabilities		132,485	37,424
Total current liabilities		**46,768,433**	**46,415,003**
TOTAL LIABILITIES		**84,210,727**	**119,793,579**
TOTAL LIABILITIES AND EQUITY		**248,044,457**	**253,915,984**

Approved for issue and signed on behalf of the Management on 5 February 2024:

Gao Hui
Acting General Director

Ye.D. Turlykhanov
Deputy General Director for Economics

A.V. Kochergova
Chief Accountant

Қазақстан-Қытай Құбыры
Казахстанско-Китайский Трубопровод

In thousands of Kazakhstani Tenge	Note	For the year ended 31 December 2023	2022
Revenue	12	86,842,636	86,318,840
Cost of sales	13	(38,942,151)	(36,842,375)
Gross profit		**47,900,485**	**49,476,465**
General and administrative expenses	14	(4,502,444)	(4,241,832)
Other operating (expense)/income, net	15	(664,887)	6,950,882
Impairment income on property, plant and equipment	6	-	250,183
Operating income		**42,733,154**	**52,435,698**
Finance income	16	1,947,322	416,870
Finance costs	16	(4,668,199)	(15,727,168)
Profit before income tax		**40,012,277**	**37,125,400**
Income tax expense	17	(8,041,172)	(7,674,036)
Profit for the year		**31,971,105**	**29,451,364**
Other comprehensive income			
Revaluation of property, plant and equipment	6	-	22,987,858
Income tax effect	17	-	(4,597,571)
Revaluation of provision for decommissioning obligation for pipeline and facilities and land recultivation	4	3,423,523	4,323,246
Income tax effect		(684,705)	(864,649)
Actuarial loss on employee benefits liabilities		1,752	(282)
Income tax effect		(350)	56
Total other comprehensive income for the year		**2,740,220**	**21,848,658**
Total comprehensive income for the year		**34,711,325**	**51,300,022**

Approved for issue and signed on behalf of the Management on 5 February 2024:

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Acting General Director

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Deputy General Director for Economics

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Chief Accountant

Қазақстан-Қытай Құбыры
Казахстанско-Китайский Трубопровод

In thousands of Kazakhstani Tenge	Charter capital	Revaluation reserve for property, plant and equipment	Other reserves	Retained earnings	Total
At 1 January 2022	**13,000,000**	**42,691,315**	**(4,765)**	**37,135,833**	**92,822,383**
Profit for the year	-	-	-	29,451,364	29,451,364
Other comprehensive income	-	21,848,884	(226)	-	21,848,658
Total comprehensive income for the year	**-**	**21,848,884**	**(226)**	**29,451,364**	**51,300,022**
Realised revaluation reserve for property, plant and equipment	-	(4,185,456)	-	4,185,456	-
Dividends declared	-	-	-	(10,000,000)	(10,000,000)
Balance at 1 January 2023	**13,000,000**	**60,354,743**	**(4,991)**	**60,772,653**	**134,122,405**
Profit for the year	-	-	-	31,971,105	31,971,105
Other comprehensive income	-	2,738,818	1,402	-	2,740,220
Total comprehensive income for the year	**-**	**2,738,818**	**1,402**	**31,971,105**	**34,711,325**
Realised revaluation reserve for property, plant and equipment	-	(4,666,152)	-	4,666,152	-
Dividends declared	-	-	-	(5,000,000)	(5,000,000)
At 31 December 2023	**13,000,000**	**58,427,409**	**(3,589)**	**92,409,910**	**163,833,730**

On 5 July 2023, based on the performance results for 2022 the Company declared dividends to the Participants in the amount of Tenge 5,000,000 thousand: Tenge 2,500,000 thousand to KazTransOil JSC and Tenge 2,500,000 thousand to China National Oil and Gas Exploration, including withholding income tax. Dividends to the Participants were paid on 14 July 2023 (2022: dividends declared and paid amounted to Tenge 10,000,000 thousand).

Approved for issue and signed on behalf of the Management on 5 February 2024:

Gao Hui Acting of the General Director	Ye.D. Turlykhanov Deputy General Director for Economics	A.V. Kochergova Chief Accountant

Қазақстан-Қытай Құбыры
Казахстанско-Китайский Трубопровод

In thousands of Kazakhstani Tenge	Note	For the year ended 31 December 2023	2022
Cash flows from operating activities			
Cash inflows from operating activities			
Transportation services rendered		82,158,538	81,830,558
Advances received		8,725,959	8,313,640
Interest received		489,741	339,677
Other inflows		610,834	347,579
Cash outflows from operating activities			
Payments to suppliers for goods and services		(22,642,072)	(21,201,856)
Advances paid		(83,491)	(44,747)
Salaries paid		(2,281,986)	(2,169,893)
Interests paid	9	(3,636,347)	(3,693,038)
Income tax		(10,324,089)	(8,352,472)
Other payments to budget		(4,279,094)	(4,789,766)
Other payments		(847,013)	(784,214)
Net cash flow from operating activities		**47,890,980**	**49,795,468**
Cash flows from investing activities			
Cash inflows from investing activities			
Withdrawal of bank deposits		30,947,955	20,277,231
Cash outflows from investing activities			
Placement of bank deposits		(33,023,476)	(20,197,122)
Acquisition of property, plant and equipment		(2,872,665)	(1,083,577)
Acquisition of intangible assets		-	(14,900)
Net cash used in investing activities		**(4,948,186)**	**(1,018,368)**
Cash flows from financing activities			
Cash outflows from financing activities			
Repayment of loans	9	(31,694,250)	(83,571,700)
Payment of dividends		(5,000,000)	(10,000,000)
Repayment of lease liabilities		(39,728)	(557,212)
Other payments		(1,164)	(62,996)
Net cash used in financing activities		**(36,735,142)**	**(94,191,908)**
Net increase/(decrease) in cash and cash equivalents		**6,207,652**	**(45,414,808)**
Effect of movements in exchange rates on cash and cash equivalents		(242,269)	4,887,902
Cash and cash equivalents at the beginning of the reporting year	8	17,871,484	58,398,390
Cash and cash equivalents at the end of the year	**8**	**23,836,867**	**17,871,484**

Approved for issue and signed on behalf of the Management on 5 February 2024:

Gao Hui
Acting General Director

Ye.D. Turlykhanov
Deputy General Director for Economics

A.V. Kochergova
Chief Accountant

Қазақстан-Қытай Құбыры
Казахстанско-Китайский Трубопровод

1 Company and its operations

Kazakhstan-China Pipeline LLP (the "Company") was established as a limited liability partnership on 6 July 2004 in accordance with the legislation of the Republic of Kazakhstan. The Company is owned by two founders: China National Oil and Gas Exploration and Development Company ("CNODC"), a subsidiary of China National Petroleum Corporation ("CNPC"), and KazTransOil Joint Stock Company ("KazTransOil"), a subsidiary of National Company "KazMunayGas" Joint Stock Company ("KazMunayGas"); each founder owns 50% share in the charter capital of the Company. The Company is jointly controlled by KazTransOil and CNODC on an equal basis. KazTransOil is controlled by the Government of the Republic of Kazakhstan through National Welfare Fund "Samruk-Kazyna" JSC holding company ("Samruk-Kazyna") (90%) and the National Bank of the Republic of Kazakhstan (10%), while CNODC is fully owned by the Government of the People's Republic of China (PRC) through CNPC state-owned company.

On 17 May 2004, the Government of the People's Republic of China and the Government of the Republic of Kazakhstan signed the Framework Agreement on Development of Overall Cooperation in oil and gas sector. In addition, on 17 May 2004, CNPC and KazMunayGas entered into the Agreement for main construction principles of 965.1 km long Atasu-Alashankou oil pipeline, and on 20 December 2006, CNPC and KazMunayGas entered into the Agreement for main construction principles of the second phase of Kazakhstan-China oil pipeline, as well as Addendum No.1 thereto dated 18 August 2007.

On 17 November 2005, the Company received a patent for investment, construction, operation and repair of Atasu-Alashankou oil pipeline in China valid until 16 November 2025. Therefore, the Company registered its branch in China.

The Company constructed and put into operation Atasu-Alashankou oil pipeline with capacity of 7 million tonnes per year on 28 July 2006. In 2008 the Company put into operation additional equipment to increase capacity of the oil pipeline up to 10 million tonnes per year.

Technological oil for pipeline filling in the amount of Tenge 401,449 metric tonnes was provided by PetroChina International Kazakhstan LLP ("PetroChina"). Technological oil belongs to the PetroChina.

On 8 May 2008, the Company received an approval to perform installation and construction works for Kenkiyak-Kumkol oil pipeline issued by the Committee for Construction and Housing and Utilities Infrastructure of the Ministry of Industry and Trade of the Republic of Kazakhstan, and signed contracts with OGCC KazStroyService and China Petroleum Pipeline Engineering Kazakhstan LLP for project development, delivery of materials and construction of 794,263 km long Kenkiyak-Kumkol oil pipeline with rated annual capacity of first stage of second phase around 10 million tonnes.

On 1 July 2009, construction of the line section of the oil pipeline Kenkiyak-Kumkol was completed.

On 7 October 2009, the Company put into operation the first commissioning and start-up complex of Kenkiyak-Kumkol oil pipeline with rated capacity at the first phase of 10 million tonnes per year.

Technological oil for pipeline filling is provided by the Shippers in accordance with the Technical Agreement in an amount proportional to their share in the total traffic. Technological oil is in safe custody, ownership remains with the Shippers. Technological oil is returned upon termination of obligations under the Oil Transportation Agreement, or upon transfer of technological oil volumes to the pipeline by the third parties, or upon transfer of ownership of technological oil to the third parties, or upon completion of operation of Kenkiyak-Kumkol oil pipeline.

On 10 December 2010, the Company completed commissioning of facilities of first stage of second phase of Kenkiyak-Kumkol oil pipeline construction.

In 2011 and 2013 the Company put into operation additional equipment to increase capacity of Atasu-Alashankou oil pipeline up to 20 million tonnes per year. During 2013 and 2014, the Company performed construction works to connect pump station ("PS") No.8 to the 35 kV open distribution unit of 500 kV Agadyr substation, including construction, installation, commissioning activities and start-up operation of the equipment with the capacity of 40,000 kVA.

On 2 March 2015, line service roads in the Eastern Kazakhstan region of total distance of 50.06 km were put into operation.

The Company is treated as a monopolist, and therefore is subject to regulation by the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan ("CRNM"). The CRNM approves tariff rates for oil transportation based on reimbursement of costs incurred on assets used. On 31 December 2019, according to the Order No.74-ОД of the Chairman of the CRNM, the domestic market tariff for the period of 2020-2024 was approved in the amount of Tenge 4,817 per tonne per 1,000 km (net of VAT) for 2023 (2022: Tenge 4,359 per tonne).

On 5 May 2015, the Law of the Republic of Kazakhstan "On Making Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Issues of Natural Monopolies and Regulated Markets" was issued, according to which services for transportation of oil and oil products through main pipelines for transit purposes through the Republic of Kazakhstan and export outside the Republic of Kazakhstan are not included in the scope of natural monopolies in the Republic of Kazakhstan. After the enactment, the Company has the right for independent approval of tariff rates for oil transportation for the above-mentioned purposes. On 28 December 2016, the Company approved a tariff for export purposes outside the Republic of Kazakhstan in the amount of Tenge 6,799 per tonne per 1,000 km (net of VAT).

During 2023 and 2022 the Company transported 11,198 thousand tonnes of oil and 11,251 thousand tonnes of oil, respectively, through Atasu-Alashankou oil pipeline. Additionally, in 2023 and 2022, the Company transported 9,989 thousand tonnes of transit oil and 9,989 thousand tonnes of transit oil, respectively, based on the Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on cooperation in transportation of Russian oil through the territory of the Republic of Kazakhstan to the People's Republic of China, which came into force on 1 January 2014. The oil transportation tariff under this agreement is determined in accordance with the contract entered between the Company, KazTransOil and Rosneft Oil Company OJSC ("Rosneft").

During 2023 and 2022, the Company transported 7,977 thousand tonnes of oil and 8,496 thousand tonnes of oil, respectively, through Kenkiyak-Kumkol oil pipeline.

The Company's registered office is: 109V Abay Avenue, Almaty, 050008, Republic of Kazakhstan.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These financial statements are prepared on the historical cost basis except for the financial instruments that are measured at fair value on initial recognition, and property, plant and equipment measured at fair value through profit or loss and other comprehensive income and at fair value through other comprehensive income.

The significant accounting policies applied in the preparation of these financial statements are set out below. These principles have been consistently applied to all periods presented statements, unless specified otherwise.

All financial information presented in Tenge has been rounded to the nearest thousand, except when otherwise indicated. The Company's functional currency is Tenge.

3 Significant accounting policies

Foreign currency translation

Transactions and balances

Foreign currency transactions are initially recorded by the Company in its functional currency at the rates effective at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the spot rate at the reporting date.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities are included in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rates as at the dates of fair value measurement. The foreign currency gain or loss on non-monetary items are recognised in accordance with the principle of recognition of gain or loss arising from change in the fair value of an item (i.e. foreign exchange differences on the items, for which gain or loss arising from change in fair value are recognised in other comprehensive income, or profit or loss, are also recognised within other comprehensive income or profit or loss, respectively).

Foreign exchange rates

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

Weighted average exchange rates for the years ended 31 December 2023 and 31 December 2022 were as follows:

Tenge	2023	2022
USD	456.21	460.93
RUB	5.41	6.92
EUR	493.22	485.29
CNY	64.45	68.61

At 31 December 2023 and 31 December 2022 the exchange rates established at KASE were as follows:

Tenge	31 December 2023	31 December 2022
USD	454.56	462.65
RUB	5.06	6.43
EUR	502.24	492.86
CNY	63.94	66.73

Classification of liabilities as current or non-current

The Company presents assets and liabilities in the 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 the 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 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

Fair value measurement principles

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 by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) 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.
- *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 financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company in conjunction with the Company's external valuers also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost. The subsequent accounting is at fair value less accumulated depreciation and impairment losses recognised after revaluation date, if any.

According to accounting policy the Company engages independent experts once in three years to revaluate its property, plant and equipment to their fair value. For property, plant and equipment, the fair value of which undergoes significant changes during the reporting period, at the date of preparation of the financial statements, an analysis of changes in fair value is carried out and, if necessary, a revaluation of property, plant and equipment is reflected in the financial statements.

The revaluation surplus is recorded in other comprehensive income and allocated to the increase in the asset revaluation reserve included in equity, except for its part which recovers a loss from revaluation of the same assets recognised due to earlier revaluation within profit or loss. The revaluation loss is recognised in profit and loss, except for its part which directly decreases the revaluation surplus on the same asset previously recognized within the asset revaluation reserve.

The difference between depreciation calculated on the basis of the revalued carrying amount of the asset and depreciation calculated on the basis of cost is transferred annually from the asset revaluation reserve to retained earnings. In addition, accumulated depreciation and impairment at the date of revaluation is eliminated with a simultaneous decrease in the gross carrying amount of the asset, and then the net amount is remeasured to the revalued amount of the asset. When an asset is disposed of, the revaluation reserve relating to the particular asset disposed of is transferred to retained earnings.

Such cost includes the cost of replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalisation criteria are met. If it is necessary to replace significant components of property, plant and equipment at regular intervals, the Company recognises such components as separate assets with individual useful lives and depreciates them accordingly. Similarly, during a major inspection, the costs associated with it are recognized in the carrying amount of property, plant and equipment as a replacement of equipment, if all recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

On initial recognition the present value of expected costs of decommissioning of the asset after its use is included in the initial cost of underlying asset if estimated liability recognition criteria are met. Subsequent change in estimate is recognised in other comprehensive income. For more information on the recognised provision for asset retirement and land reclamation, please see significant accounting judgments, estimates and assumptions (Note 4).

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	5 - 50
Machinery and equipment	3 - 30
Pipelines and other transportation assets	5 - 30
Other	2 - 30

According to the Company's accounting policy, 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 profit or loss when the asset is derecognised.

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, except for the cases when an asset does not generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable cost, 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 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 costs to sell, 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 confirmed by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators.

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

Impairment losses of continuing operations on inventories, are (including for impairment) recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

Financial assets

Initial recognition and measurement

On initial recognition, a financial asset is classified as subsequently measured at amortised cost, at fair value through other comprehensive income ("OCI"), and at fair value through profit or loss.

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

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

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

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

Financial assets of the Company include cash and cash equivalents, bank deposits, trade and other accounts receivable.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost includes trade receivables, bank deposits and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position where:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When the Company has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

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

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). 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 expected credit loss).

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

The Company considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs (for loans, borrowings and payables).

The Company's financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables.

Trade payables are accrued when the counterparty fulfils its contractual obligations. The Company recognises accounts payable at fair value. Subsequently, accounts payable are carried at amortised cost.

Loans and borrowings

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

Amortised cost is calculated taking into account premiums and discounts on origination and fees, commissions and costs integral to the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss and comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 9.

Derecognition

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

Offsetting of financial instruments

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

Inventories

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

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

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

Cost of inventories is determined by using FIFO basis.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, cash at bank, short-term deposits and other highly liquid investments with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank deposits with maturities of less than 3 months as defined above, net of outstanding bank overdrafts.

Finance income and finance costs

Finance income includes unwinding of discount, interest income on deposits, loans receivable and other investments. Finance costs include interest expense on loans, interest expense from unwinding of discount on provisions for assets retirement obligations, etc. Finance income and costs also include foreign exchange gains and losses related to loans and borrowings. Foreign exchange gains and losses related to other financial instruments are recognised in other income and expense.

Interest income and expense are recognised on a time basis using the effective interest rate method. All interest and other expenses attributable to borrowings are recognised within finance costs unless such expenses are related to borrowings aimed to finance the construction of property, plant and equipment. In this case, such expenses are capitalised in the period required for construction of an asset and bringing it for intended use.

Provisions

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

Asset retirement and land recultivation obligation costs 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, with the exception of property, plant and equipment carried at fair value, in which case the amount of the provision is credited to the reduction of the property, plant and equipment revaluation reserve in equity. An increase/decrease in a liability due to a change in the discount rate or a change in the expected outflows of the Company's resources is taken into account as a change in estimated values. If the reduction in the liability exceeds the carrying amount of the asset retirement obligation, the excess is recognised in the statement of profit or loss and other comprehensive income. Increases in the liability over time are recognised in the statement of profit or loss and other comprehensive income as an expense.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provisions for asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss and other comprehensive income as a finance cost. The estimated future costs of asset retirement and land recultivation 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 cost of revaluation reserve for property, plant and equipment.

Revenue from contracts with customers

The Company's activities are mainly related to the transportation of oil through main pipelines on the territory of the Republic of Kazakhstan. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

Transportation of oil

The Company recognises the proceeds from the provision of oil transportation over time; the progress of service provision is measured based on the actual volumes of services provided at the date of the assessment. Customers make a 100% advance payment within 5 calendar days from the date of invoice.

(i) Variable consideration

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.

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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 applicable to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable profit.

Current income tax relating to items recognised directly in equity is recognised in equity rather than in profit and loss. Management of the Company regularly evaluates positions reported in tax returns where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised in respect of all taxable temporary differences, except where:

- the deferred tax liability arises on 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, unused tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises on 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 reassessed 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 recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 directly in equity.

Deferred tax assets and liabilities are offset if there is legally levied right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Tax benefits, which have been acquired as a result of business combination, but which do not meet a criterion for separate recognition as at that date, are recognised subsequently if new information becomes available on changes in facts and circumstances. The adjustment is treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period unless it is recognised in profit or loss.

Value added tax (VAT)

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

Revenue, expenses and assets are recognised after deduction of VAT, except for instances, when VAT incurred on the purchase of assets or services is not reimbursed by the tax authority; in this case VAT is recognised as a part of costs for asset acquisitions or as a part of expenses.

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

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

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

Going concern

Management has prepared these financial statements on a going concern basis, which means that assets will be realised and liabilities will be settled in the normal course of business for the foreseeable future. Management's judgment is based on consideration of the Company's financial standing, current plans, profitability of operations and access to financial resources, and an analysis of the impact of the current position on the Company's future operations.

Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2022 or after this date, but did not have any material impact on the Company:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* (issued on 7 May 2021, effective for annual periods beginning on or after 1 January 2023).
- *Classification of Liabilities as Current or Non-Current – (Amendments to IAS 1)* (issued 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- *Classification of Liabilities as Current or Non-Current* – bringing forward the effective date – (Amendments to IAS 1) (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: *Definition of Accounting Estimates* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Transition option for insurers in applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).* The amendments introduce new disclosures regarding supplier financing arrangements that help users of financial statements assess the impact of such arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments are effective for annual periods beginning on or after 1 January 2024.
- *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1).* Amendments issued in 2020 and 2022 seek to clarify the requirements for determining whether a liability is current or non-current and also establish new disclosure requirements for non-current liabilities with covenants. The amendments are effective for annual periods beginning on or after 1 January 2024.
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).* The amendments are effective for annual periods beginning on or after 1 January 2024.
- *Lack of Exchangeability (Amendments to IAS 21).* The amendments are effective for annual periods beginning on or after 1 January 2025.

4 Significant accounting judgement, estimates and assumptions

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

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

- potential and contingent liabilities (Note 18);
- sensitivity analysis disclosures (Note 19).

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

Useful life of property, plant and equipment

Assessment of useful lives of property, plant and equipment is subject to judgement based on the management's experience of using similar assets. Future economic benefits from assets are mainly gained through their usage. Nevertheless, other factors such as technical and commercial obsolescence often lead to decrease of economic benefits to be derived from the assets. Management assesses the remaining useful life of the assets based on their current technical conditions and expected period during which these assets will bring such benefits to the Company.

Impairment of non-financial assets

The Company checks the carrying value of its property, plant and equipment to identify impairment indicators of such assets. The carrying value of property, plant and equipment and other non-financial assets is tested for impairment in case any indicators identified that the carrying value of the assets may not be recoverable.

When conducting an impairment test, the recoverable amount is determined as the higher of an asset's value in use (i.e. the net present value of the discounted forecasted cash flows for the corresponding cash generating unit) and fair value net of the cost to sell (the amount that can be redeemed as a result of selling the asset or a cash generating unit in an arm's length transactions entered voluntarily by knowledgeable non-related parties, less the cost of disposal). Where there is no binding sale and purchase agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or assets groups (CGUs). For the purpose of the analysis of impairment indicators and in case impairment test is required, management concluded that all of the Company's property, plant and equipment is a separate cash generating unit.

The estimates used for impairment reviews are based on approved budgets, forecasted volumes of oil transported and forecasted tariffs, modified as appropriate to meet the requirements of IAS 36 *Impairment of Assets*. Future cash flows are based on:

- forecasted volumes of the oil transported;
- forecasted tariffs for the transportation of transit oil, export and domestic markets, and
- future costs of production, capital expenditures and operating expenses.

As at 31 December 2022, the Company had conducted an analysis and found no impairment indicators.

Revaluation of property, plant and equipment

The Company recognises property, plant and equipment at revalued amount. In 2022, the Company engaged an independent professional appraiser, AAR – Advisory and Research LLP, together with Otsenka i Expertiza LLP (*Evaluation and Expertise LLP*) (hereinafter jointly referred to as the "appraiser") to evaluate its property, plant and equipment as of 1 October 2022. The appraiser has a professional qualification and relevant experience.

Input data for determining the fair value of property, plant and equipment refer to Level 3 in the fair value hierarchy (unobservable inputs).

Valuation method was at the first stage based on the valuation of the depreciable replacement cost (hereinafter – "cost approach"). Cost approach is used if the valuation object is new or is under construction, it relates to objects with a limited market (specialised assets), for which it is not possible to obtain information on sales prices (in the absence of an active market).

The majority of the Company's property is specialised, its alternative use for other types of activity is impossible. The transactions with assets similar to evaluated ones are absent.

In using the cost method, certain key elements were taken into account, such as:

- understanding specifics of the asset, its function and environment;
- review and analysis to determine the remaining useful life (to evaluate physical wear) and economic useful life of the asset;
- knowledge of the requirements of financial and economic activities (to evaluate functional or technical obsolescence);
- knowledge of property, plant and equipment by access to available market data; knowledge of construction technologies and materials (to evaluate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the cost.

As part of the valuation, the appraiser conducted a test for adequate profitability using the income approach in the analysis of economic depreciation of specialised items of property, plant and equipment of the Company, as a result of which the value in use was determined at Tenge 222,414,036 thousand.
The adequate profitability was calculated by evaluating of the value in use. In calculation of the value in use, the following assumptions were used:

Rate, %	16.51%
Remaining useful life of the primary asset "Atasu-Alashankou pipeline"	14 years
Remaining useful life of the primary asset "Kenkiyak-Kumkol pipeline"	17 years

Amortised replacement cost was lower than the obtained value in use, accordingly, it was recorded as fair value of the property, plant and equipment of the Company. The results of evaluation of the value in use are sensitive to projections of scopes of sales of the services provided, level of tariff for services provided and fluctuations in the USD exchange rate:

In thousands of Kazakhstani Tenge	Increase/decrease	Impact on value in use
Change in volumes of transportation	+10.00%/(10.00%)	40,286,141/(40,414,943)
Change in production cost	+10.00%/(10.00%)	(12,106,592)/12,049,580
Change in tariffs	+10.00%/(10.00%)	40,368,203/(40,500,876)
Change in discount rate	+1.50%/(1.50%)	(12,412,623)/13,813,338

As a result of revaluation, the net amount of reversal of impairment on all groups of property, plant and equipment of Tenge 250,183 thousand was allocated to the profit and loss account, and the amount of Tenge 22,987,858 thousand was allocated to the revaluation provision in equity.

Accumulated depreciation was allocated to the carrying amount of property, plant and equipment, and the net amount was reduced to revalued cost of property, plant and equipment.

As at 31 December 2023, management reviewed indicators of changes in the fair value of the Company's property, plant and equipment. Based on the results of the analysis, it was revealed that the influence on the fair value of the Company's property, plant and equipment by such factors as price indices, exchange rate differences and capitalised modernisation was insignificant. No external or internal signs of economic impairment of property, plant and equipment were identified. Thus, a revaluation of the Company's property, plant and equipment as of 31 December 2023 is not required.

Provision for decommissioning obligation for pipeline and its facilities and land recultivation

According to the Law of the Republic of Kazakhstan *On the Main Pipeline* which came into force on 4 July 2012, the Company has a legal obligation to decommission its oil pipelines at the end of their operating life and 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.

In addition, in accordance with Environmental Code of Republic of Kazakhstan, upon shutdown of operation of facilities that have a negative impact on the environment, facility operators are required to ensure elimination of consequences of operation of such facilities in accordance with requirements of legislation of Republic of Kazakhstan. The Company, in addition to the linear part of the main pipeline, has other facilities necessary to ensure operation of the pipeline. By the decision of the Ministry of Ecology, Geology and Natural Resources of Republic of Kazakhstan, such facilities of the Company were classified as Category II facilities that have a moderate negative impact on the environment. Accordingly, the obligation on assets retirement and land recultivation includes estimated costs of taking necessary measures in relation to these facilities.

The provision for asset retirement and land recultivation obligations is estimated based on the value of the work to decommission and rehabilitate land calculated by the Company in accordance with the technical regulations of the Republic of Kazakhstan.

The movements of provisions for asset retirement obligations and land recultivation are as follows:

In thousands of Kazakhstani Tenge	2023	2022
At 1 January	11,282,742	12,122,659
Recognition of estimates attributed to the value of property, plant and equipment	-	2,636,566
Change in estimates charged to other comprehensive income	(3,423,523)	(4,323,246)
Unwinding of discount	984,298	846,763
At 31 December	**8,843,517**	**11,282,742**

The amount of provision was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfilment of the obligation, and the discount rate at the end of the reporting period which are presented below:

	31 December 2023
Pipelines decommissioning expense per 1 km for Kenkiyak-Kumkol oil pipeline	Tenge 9,064 thousand
Pipelines decommissioning expense per 1 km for Atasu- Alashankou oil pipeline	Tenge 8,352 thousand
Discount rate for Kenkiyak-Kumkol oil pipeline and facilities	11.33%
Discount rate for Atasu-Alashankou oil pipeline and facilities	11.53%
Inflation rate for Kenkiyak-Kumkol oil pipeline and facilities	5.53%
Inflation rate for Atasu-Alashankou oil pipeline and facilities	5.43%
Period of fulfilment of the obligation for Kenkiyak-Kumkol oil pipeline and facilities	16 years
Period of fulfilment of the obligation for Atasu-Alashankou oil pipeline and facilities	13 years

The following data and assumptions were used to calculate the provision as at 31 December 2022:

	31 December 2022
Pipelines decommissioning expense per 1 km for Kenkiyak-Kumkol oil pipeline	Tenge 7,740 thousand
Pipelines decommissioning expense per 1 km for Atasu-Alashankou oil pipeline	Tenge 7,740 thousand
Discount rate for Kenkiyak-Kumkol oil pipeline and facilities	10.41%
Discount rate for Atasu-Alashankou oil pipeline and facilities	10.41%
Inflation rate for Kenkiyak-Kumkol oil pipeline and facilities	6.04%
Inflation rate for Atasu-Alashankou oil pipeline and facilities	6.04%
Period of fulfilment of the obligation for Kenkiyak- Kumkol oil pipeline and facilities	17 years
Period of fulfilment of the obligation for Atasu- Alashankou oil pipeline and facilities	14 years

The discount rate is based on the risk-free US treasury bonds, adjusted on long-term inflation rate and country risk.

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 Kazakhstani Tenge	(Decrease)/increase in rate	Increase/(decrease) in liability
Discount rate	(0.5%)	564,643
	+0.5%	(528,047)
Inflation rate	(0.5%)	(571,937)
	+0.5%	608,927

Positive or negative unbalance

According to the National standard of the Republic of Kazakhstan "Main oil pipelines. The Instruction for the calculation of oil" ST RK 1474-2016, the Company determines the actual presence of oil in the oil pipelines and compares the actual volume of oil with accounting data, for the purposes of safeguarding the oil ("inventory count"), once a year as of 24:00 Moscow time on 31 December. During the inventory count, the mass of oil is determined in the linear part of the main oil pipelines and in the technological pipelines. The weight of oil mass is determined as the product of the average oil density adjusted to an actual temperature and pressure at the site using coefficients depending on the average pressure and average temperature of oil in the pipeline.

Differences associated with an error in the balance of delivered and received oil are determined as the difference between the incoming and outgoing parts of the balance (unbalance) and appear in the form of surpluses (positive unbalance) and shortages (negative unbalance) and are reflected in a separate line of the executive balance.

The Company does not recognise positive unbalance in financial statements on the basis that the Company does not have control over the asset due to the absence of a legally enforceable right to the unbalance. By the Order of Technical Regulation and Metrology Committee of the Ministry of Trade and Integration of the Republic of Kazakhstan of 22 December 2024 No.17-HK amendments were made to ST RK 1474-2016 "Main oil pipelines. The Instruction for the calculation of oil", effective from 1 March 2024. The amendments provide that surpluses (positive unbalance) items are to be entered in the books by an owner of a main pipeline as its own oil, and accordingly, shortages (negative unbalance) are covered by their own oil, according to the procedure established by the internal regulations of the main pipeline owner. The Company will continue settling the issue of positive unbalance of oil accumulated in the Company's oil pipelines. As at the date of the signing of these financial statements, the Company's management was in the process of reviewing the above changes. Currently, the Company's management cannot assess with reasonable assurance the potential impact of this circumstance on the Company's financial position.

5 Balances and transactions with related parties

Definition of related parties is presented in IAS 24 *Related Party Disclosures*. The parties are considered to be related if one party has the ability to control the other party, is under common control, or may exercise significant influence over the other party in making financial or operational decisions or exercises general control over it.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information about immediate parent companies and parties exercising ultimate control over the Company is disclosed in Note 1.

For the purposes of these financial statements, related parties of the Company include owners, their subsidiaries and entities under common control/significant influence of the owners.

Balances on transactions with related parties as at 31 December 2023 comprise as follows:

In thousands of Kazakhstani Tenge	**Parent companies**	**Entities under common control/ significant influence of Samruk-Kazyna and CNPC**	**Total**
Accounts receivable from related parties	5,214	-	5,214
Advances received for oil transportation from related parties	-	3,848,963	3,848,963
Accounts payable to related parties	1,473,632	100,806	1,574,438

The income and expense items on transactions with related parties for the year ended 31 December 2023 are as follows:

In thousands of Kazakhstani Tenge	**Parent companies**	**Entities under common control/ significant influence of Samruk-Kazyna and CNPC**	**Total**
Revenue	55,868	31,013,298	31,069,166
Expenses:			
- Oil-pipeline servicing	12,257,586	1,068,534	13,326,120
- Capital expenditures	-	5,384	5,384
Other services	17,458	306,216	323,674

Balances on transactions with related parties as at 31 December 2022 comprise the following:

In thousands of Kazakhstani Tenge	**Parent companies**	**Entities under common control/ significant influence of Samruk-Kazyna and CNPC**	**Total**
Accounts receivable from related parties	6,224	46,745	52,969
Advances received for oil transportation from related parties	-	3,613,692	3,613,692
Accounts payable to related parties	1,223,099	285,852	1,508,951

The income and expense items under transactions with related parties for the year ended 31 December 2022 are as follows:

In thousands of Kazakhstani Tenge	**Parent companies**	**Entities under common control/ significant influence of Samruk-Kazyna and CNPC**	**Total**
Revenue	159,495	31,226,175	31,385,670
Expenses:			
- Oil-pipeline servicing	11,640,009	1,073,989	12,713,998
- Other services	88,550	451,809	540,359

In addition to its transactions with CNPC and KMG and their subsidiaries, the Company has transactions with other government-controlled companies, including those related to bank deposits, cash and cash equivalents, and loans and borrowings as disclosed in Notes 7, 8, 9 and 19. These transactions are carried out in the ordinary course of business of the Company on terms comparable to those of other entities not controlled by the government.

Remuneration to members of the Management Board

The total amount of remuneration accrued to key management personnel for the year ended 31 December 2023 was Tenge 193,352 thousand (for the year ended 31 December 2022: Tenge 220,589 thousand).

Payments to key management personnel primarily consist of salary costs and benefits established by contracts and internal regulations of the Company.

6 PROPERTY, PLANT AND EQUIPMENT

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

In thousands of Kazakhstani Tenge	Land	Buildings and constructions	Machinery and equipment	Pipeline	Other vehicles	Other	Construction-in-progress	Total
Revalued cost at 1 January 2022	78,157	43,508,642	49,458,113	136,295,861	218,824	1,671,557	5,163,569	236,394,723
Additions	-	2,636,566	264,483	-	-	28,817	606,359	3,536,225
Transfers	-	146,980	305,632	-	-	137,792	(590,404)	-
Disposals	-	-	(615)	(414)	-	(2,324)	(17,857)	(21,210)
Decrease in historical cost by writing off accumulated depreciation upon revaluation	-	(8,443,340)	(14,175,664)	(22,739,206)	(159,543)	(755,873)	-	(46,273,626)
Revaluation of property, plant and equipment	16,568	1,979,448	15,418,693	5,198,847	155,224	219,078	-	22,987,858
Impairment recognised in the statement of comprehensive income	-	(1,210,036)	(419,623)	-	-	(160,473)	(26,446)	(1,816,578)
Reversal of impairment recognised in the statement of comprehensive income	-	1,073,830	936,740	4,542	34,608	17,041	-	2,066,761
Revalued cost at 31 December 2022	**94,725**	**39,692,090**	**51,787,759**	**118,759,630**	**249,113**	**1,155,615**	**5,135,221**	**216,874,153**
Additions	-	-	250,015	1,569	-	9,873	3,119,142	3,380,599
Transfers	-	330,001	4,522,089	759,105	(4,832)	31,841	(5,638,204)	-
Disposals	-	(2,075)	(79,364)	(16,324)	(278)	(7,768)	-	(105,809)
Revalued cost at 31 December 2023	**94,725**	**40,020,016**	**56,480,499**	**119,503,980**	**244,003**	**1,189,561**	**2,616,159**	**220,148,943**
Accumulated depreciation and impairment at 1 January 2022	-	(6,252,784)	(10,739,392)	(17,150,980)	(129,895)	(524,813)	(986,098)	(35,783,962)
Depreciation charge	-	(2,896,939)	(4,959,833)	(7,492,073)	(49,757)	(315,043)	-	(15,713,645)
Write-off of accumulated depreciation upon revaluation	-	8,443,340	14,175,664	22,739,206	159,543	755,873	-	46,273,626
Depreciation on disposals	-	-	352	60	-	2,324	-	2,736
Accumulated depreciation and impairment at 31 December 2022	**-**	**(706,383)**	**(1,523,209)**	**(1,903,787)**	**(20,109)**	**(81,659)**	**(986,098)**	**(5,221,245)**
Depreciation charge	-	(2,844,272)	(6,107,323)	(7,477,963)	(79,653)	(357,803)	-	(16,867,014)
Depreciation on disposals	-	-	2,932	-	-	5,696	-	8,628
Accumulated depreciation and impairment at 31 December 2023	**-**	**(3,550,655)**	**(7,627,600)**	**(9,381,750)**	**(99,762)**	**(433,766)**	**(986,098)**	**(22,079,631)**
As at 31 December 2022								
Revalued cost	94,725	39,692,090	51,787,759	118,759,630	249,113	1,155,615	5,135,221	216,874,153
Accumulated depreciation and impairment	-	(706,383)	(1,523,209)	(1,903,787)	(20,109)	(81,659)	(986,098)	(5,221,245)
Carrying amount	**94,725**	**38,985,707**	**50,264,550**	**116,855,843**	**229,004**	**1,073,956**	**4,149,123**	**211,652,908**
At 31 December 2023								
Revalued cost	94,725	40,020,016	56,480,499	119,503,980	244,003	1,189,561	2,616,159	220,148,943
Accumulated depreciation and impairment	-	(3,550,655)	(7,627,600)	(9,381,750)	(99,762)	(433,766)	(986,098)	(22,079,631)
Carrying amount	**94,725**	**36,469,361**	**48,852,899**	**110,122,230**	**144,241**	**755,795**	**1,630,061**	**198,069,312**

Depreciation charge

In thousands of Kazakhstani Tenge	Note	2023	2022
Cost of sales	13	16,722,334	15,605,967
General and administrative expenses	14	144,680	107,678
Total depreciation charge		**16,867,014**	**15,713,645**

Information on property, plant and equipment, if carried at historical cost, is presented below:

In thousands of Kazakhstani Tenge	Land	Buildings and constructions	Machinery and equipment	Pipeline	Other vehicles	Other	Construction in-progress	Total
At 31 December 2022								
Cost	5,361	51,215,906	71,965,483	142,956,256	674,175	2,772,868	5,161,667	274,751,716
Accumulated depreciation and impairment	-	(24,293,583)	(47,047,929)	(63,034,975)	(644,577)	(1,874,207)	(1,012,544)	(137,907,815)
Carrying amount	**5,361**	**26,922,323**	**24,917,554**	**79,921,281**	**29,598**	**898,661**	**4,149,123**	**136,843,901**
At 31 December 2023								
Cost	5,361	50,931,918	76,431,378	139,382,045	640,595	2,685,011	2,642,606	272,718,914
Accumulated depreciation and impairment	-	(26,295,897)	(49,599,350)	(66,563,321)	(618,103)	(2,012,825)	(1,012,544)	(146,102,040)
Carrying amount	**5,361**	**24,636,021**	**26,832,028**	**72,818,724**	**22,492**	**672,186**	**1,630,062**	**126,616,874**

7 Bank deposits

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

In thousands of Kazakhstani Tenge	31 December 2023	31 December 2022
Term deposits with maturity of less than 12 months	23,329,356	21,749,478
Short-term interest receivable	201,715	112,711
Less: allowance for credit losses	(3,391)	(5,852)
Total bank deposits	**23,527,680**	**21,856,337**

As at 31 December 2023 and 31 December 2022 deposits are placed in US Dollars. The effective interest rate was 0.8% per annum in 2023 (0.8% per annum in 2022). The term of deposits is more than 3 months.

8 Cash and cash equivalents

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

In thousands of Kazakhstani Tenge	31 December 2023	31 December 2022
Cash on saving accounts in Tenge	13,192,272	648,270
Cash in bank in foreign currency	10,623,944	13,987,697
Cash in bank in Tenge	14,837	3,232,503
Cash on corporate cards	5,902	3,303
Less: allowance for credit losses	(88)	(289)
Total cash and cash equivalents	**23,836,867**	**17,871,484**

Cash in foreign currency is denominated in the following foreign currencies:

In thousands of Kazakhstani Tenge	31 December 2023	31 December 2022
US Dollar	10,354,187	13,887,328
Chinese Yuan	269,757	100,369
Total cash in bank in foreign currency	**10,623,944**	**13,987,697**

9 Loans and borrowings

Loans and borrowings of the Company as at 31 December 2023 and 31 December 2022 are as follows:

In thousands of Kazakhstani Tenge	31 December 2023	31 December 2022
Current portion of loans	32,842,895	33,900,576
Non-current portion of loans	-	32,197,304
Total loans and borrowings	**32,842,895**	**66,097,880**

Changes in liabilities resulting from financing activities

Changes in financial liabilities for 2023 and 2022 are as follows:

In thousands of Kazakhstani Tenge	Note	2023	2022
At 1 January		66,097,880	139,010,237
Cash flows		(35,330,597)	(87,264,738)
Interest expenses	16	3,633,022	4,593,301
Capitalised interest		33,262	-
Changes in foreign exchange rates	16	(1,306,490)	10,177,090
Withholding CIT		(284,182)	(418,010)
At 31 December		**32,842,895**	**66,097,880**

Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC

On 27 June 2018 the Company signed a loan agreement with the Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was US Dollar 540 million (equivalent to Tenge 191,756,400 thousand at the exchange rate on that date) for 6 years with the possibility of early repayment. The loan purpose was to refinance the loans received from Industrial and Commercial Bank of China and ING Bank N.V. and Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC. The Company has incurred cost on loan arrangement in the amount of Tenge 1,715,867 thousand (equivalent of US Dollar 5,010 thousand).

As part of the transition from LIBOR to the secured overnight financing rate - SOFR (Secured Overnight Financing Rate), the Company signed the Additional Amendment and Restatement Agreement to the Loan Agreement with the Industrial and Commercial Bank of China and the Industrial and Commercial Bank of China JSC in Almaty. The parties agreed to amend and restate the Loan Agreement under the terms of the Agreement to replace the LIBOR rate with the SOFR rate.

The effective rates applied for 2023 and 2022 were 8.57% and 4.71%, respectively.

During 2023 the Company repaid US dollar 70,000 thousand (equivalent to Tenge 31,694,250 thousand at the date of payment) in accordance with the schedule of repayment of the principal debt under the Loan Agreement with Industrial and Commercial Bank of China jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent.

Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC are ultimately controlled by the Government of the People's Republic of China.

10 Liabilities for oil transportation under contracts with third parties

Liabilities for oil transportation under contract with third parties as at 31 December 2023 mainly comprise advances received for the transportation of transit oil from Petroleum Company "Rosneft" OJSC in the amount of Tenge 4,214,987 thousand (31 December 2022: Tenge 4,285,310 thousand).

Revenue recognised in relation to liabilities under contracts with customers

In the current reporting period, revenue in the amount of Tenge 8,313,639 thousand was recognised in respect of obligations under oil transportation contracts at the beginning of the reporting period (2022: Tenge 7,794,287 thousand).

11 Other payables and accrued liabilities

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

In thousands of Kazakhstani Tenge	31 December 2023	31 December 2022
Accrued liabilities	1,047,210	741,751
Current estimated liabilities for employee benefits	588,003	667,171
Warranty liabilities under contracts	408,055	294,220
Income tax payable to the PRC	29,671	27,805
Other liabilities	289,764	256,774
Total other payables and accrued liabilities	**2,362,703**	**1,987,721**

Accrued liabilities comprise liabilities for core operations related to the reporting period, in respect of which the Company has not received any executed documents from the suppliers as at the reporting date.

12 Revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended 31 December 2023 and 31 December 2022:

In thousands of Kazakhstani Tenge	2023	2022
Type of services		
Transit oil transportation	49,243,185	49,021,225
Domestic oil transportation	28,326,122	26,748,947
Export oil transportation	9,273,329	10,548,668
Total revenue from contracts with customers	**86,842,636**	**86,318,840**
Revenue		
Sales to residents	37,599,451	37,297,615
Sales to non-residents	49,243,185	49,021,225
Total revenue from contracts with customers	**86,842,636**	**86,318,840**

The cost of the Company's services for transportation of transit oil (Rosneft) along the transportation route is set in US dollars. Due to external economic events, from 29 March 2022, Rosneft made payments in Russian Rubles. The amount was converted into Russian Rubles using the US Dollar/Russian Ruble conversion rate set by the Central Bank of the Russian Federation. From 1 July 2022, Rosneft began to make payments in tenge, using the US dollar to tenge conversion rate at the rate of the National Bank of the Republic of Kazakhstan on the day of payment. These circumstances did not significantly affect the transportation of transit oil.

13 Cost of sales

Cost of services rendered for the years ended 31 December 2023 and 31 December 2022 is as follows:

In thousands of Kazakhstani Tenge	Note	2023	2022
Depreciation of property, plant and equipment	6	16,722,334	15,605,967
Operational and technical maintenance		14,351,719	13,621,713
Taxes other than income tax		2,653,994	2,610,610
Security services		1,431,395	1,436,619
Electricity expenses		1,333,981	1,012,383
Road maintenance and repair		460,796	408,973
Salaries		400,000	449,840
Insurance		309,019	298,341
Inspection services		212,281	225,021
Depreciation of right-of-use asset		2,803	287,668
Other		1,063,829	885,240
Total cost of sales		**38,942,151**	**36,842,375**

14 General and administrative expenses

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

In thousands of Kazakhstani Tenge	Note	2023	2022
Salaries		2,482,564	2,438,335
Salaries of hired administrative personnel (outsourcing)		638,762	645,460
Taxes other than income tax		346,007	328,422
Depreciation of property, plant and equipment	6	144,680	107,678
Business trip expenses		143,324	171,253
Consulting services		128,744	7,241
Insurance		80,120	73,110
Communication expenses		21,751	15,406
Depreciation of right-of-use asset		18,775	23,992
Transportation expenses		14,697	13,127
Lease expenses		8,857	8,766
Other		474,163	409,042
Total general and administrative expenses		**4,502,444**	**4,241,832**

15 Other operating expenses and income, net

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

In thousands of Kazakhstani Tenge	2023	2022
Foreign exchange (loss)/gain (other than loans and borrowings), net	(746,261)	6,398,962
Income net of expenses from the derecognition of liabilities and right-of-use assets	105,551	511,329
Other (expenses)/income, net	(24,177)	40,591
Total other operating (expenses)/income, net	**(664,887)**	**6,950,882**

16 Finance costs and finance income

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

In thousands of Kazakhstani Tenge	2023	2022
Foreign exchange loss on loans and borrowings, net	-	10,177,090
Interest on loan from Industrial-and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC	3,633,022	4,593,301
Unwinding of discount on pipeline decommissioning and land recultivation obligation *(Note 4)*	984,298	846,763
Finance lease expenses	48,354	108,694
Actuarial finance costs	2,525	1,320
Total finance costs	**4,668,199**	**15,727,168**
Foreign exchange gain on loans and borrowings, net	1,306,490	-
Other finance income	640,832	416,870
Total finance income	**1,947,322**	**416,870**

17 Income tax expense

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

In thousands of Kazakhstani Tenge	2023	2022
Current income tax expenses	10,078,811	9,445,676
Deferred income tax benefit	(2,037,639)	(1,771,640)
Income tax expenses	**8,041,172**	**7,674,036**

Reconciliation between income tax expense and accounting profit multiplied by income tax rate for 2023 and 2022:

In thousands of Kazakhstani Tenge	2023	2022
Profit before income tax	40,012,277	37,125,400
Statutory tax rate	20%	20%
Theoretical tax charge at statutory rate of 20%	8,002,558	7,425,080
Tax effect of non-deductible expenses and non-taxable income	38,614	248,956
Income tax expenses	**8,041,172**	**7,674,036**

Differences between IFRS and statutory taxation regulations in the Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Kazakhstani Tenge	1 January 2023	Charged/ (credited) to profit or loss	Charged/(credited) to other comprehensive income	31 December 2023
Deferred tax assets				
Provision for decommissioning obligation for pipeline and its facilities and land recultivation	2,256,548	196,860	(684,705)	1,768,703
Lease liabilities	18,096	32,271	-	50,367
Other	163,973	(28,089)	(350)	135,534
Deferred tax asset, gross	**2,438,617**	**201,042**	**(685,055)**	**1,954,604**
Deferred tax liabilities				
Right-of-use assets	(13,995)	(25,903)	-	(39,898)
Loans and borrowings	(27,664)	11,541	-	(16,123)
Property, plant and equipment and intangible assets	(32,222,168)	1,850,959	11,829	(30,359,380)
Deferred tax liability, gross	**(32,263,827)**	**1,836,597**	**11,829**	**(30,415,401)**
Net deferred tax liability	**(29,825,210)**	**2,037,639**	**(673,226)**	**(28,460,797)**

In thousands of Kazakhstani Tenge	1 January 2022	Charged/ (credited) to profit or loss	Charged/ (credited) to other comprehensive income	31 December 2022
Deferred tax assets				
Loans and borrowings	(27,874)	210	-	(27,664)
Provision for decommissioning obligation for pipeline and its facilities and land recultivation	2,424,532	696,665	(864,649)	2,256,548
Lease liabilities	282,499	(264,403)	-	18,096
Other	16,120	147,797	56	163,973
Deferred tax asset, gross	**2,695,277**	**580,269**	**(864,593)**	**2,410,953**
Deferred tax liabilities				
Right-of-use assets	(148,892)	134,897	-	(13,995)
Property, plant and equipment and intangible assets	(28,681,071)	1,056,474	(4,597,571)	(32,222,168)
Deferred tax liability, gross	**(28,829,963)**	**1,191,371**	**(4,597,571)**	**(32,236,163)**
Net deferred tax liability	**(26,134,686)**	**1,771,640**	**(5,462,164)**	**(29,825,210)**

18 Contingencies and commitments

Kazakhstan business environment

On 21 February 2022, the President of Russia announced the recognition of the Lugansk and Donetsk People's Republics, and on 24 February sent mobilised military troops to the territory of Ukraine. In response to Russia's actions, the United States of America, the European Union and several other countries imposed sanctions against Russia, including cutting off a number of Russian financial institutions from SWIFT. Russia is Kazakhstan's largest trading partner, accounting for up to 40% of non-oil exports, and is a key trade transit, in particular through the Caspian Pipeline Consortium (CPC), which allows the export of up to 80% of Kazakh crude oil.

CPC operations were interrupted in March 2022 due to hurricane damage, but this did not have a significant impact on the budget due to oil prices rise, however, Russia's prolonged closure of the CPC route for Kazakh crude oil will have serious consequences for Kazakhstan's exports and the economy in general. The Kazakh authorities are considering alternative routes to the Caspian Sea, including through Azerbaijan, Georgia and Turkey, but these will require significant investment in additional infrastructure, and the replacement of the CPC route will take many years.

As a result of the conflict between Russia and Ukraine and its aftermath, the exchange rate of tenge has become more volatile, with annual inflation reaching almost 20.3% in December 2022. To date, the National Bank of the Republic of Kazakhstan has taken a number of measures to maintain the stability of the financial system of Kazakhstan.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates may differ from actual results.

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other minerals, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of securities markets. High inflation rate, problems caused by the recent internal unrest in January 2022, ongoing political tensions in the region, exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including reduction of liquidity and creation of difficulties in attracting international financing.

In September 2023 S&P Global Ratings, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan of "BBB-". The credit rating forecast was downgraded to "negative" as a result of growing external and financial risks. Fitch has affirmed Kazakhstan's long-term rating as 'BBB' with a 'stable' outlook. A stable outlook is supported by the government's strong fiscal and external balance sheets, financial flexibility backed by accumulated savings from oil revenues, a net financial creditor position, and measures implemented by the Government of the Republic of Kazakhstan.

The economic environment has a significant impact on the Company's operations and financial position. The management takes all necessary measures to ensure the sustainable operation of the Company. However, the future impact of the current economic situation is difficult to predict and management's current expectations and estimates may differ from actual results.

Additionally, the oil and gas sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments in the Republic of Kazakhstan. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Company's control.

The management expects that, in case of a significant restriction of the export of Kazakh oil through Russia in a western direction, it is possible to increase the volume of transportation through the Company's main oil pipelines.

The company continues to monitor the situation and is developing an action plan to overcome possible difficulties caused by the situation in the region, including increased volatility. The management also analyses possible scenarios in connection with the existing supply and logistics risks and develops a detailed action plan.

The presented financial statements reflect management's views on the impact that business conditions in Kazakhstan have on the Company's operations and financial condition. The actual impact of future operating conditions may differ from management's estimates.

Capital expenditure commitments and compliance with the investment program.

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies", the subject of a natural monopoly is obliged to carry out the activities of the approved investment program. The company has completed the approved investment program for 2023 in full, with the exception of the service for conducting in-line inspection of the Kenkiyak-Kumkol Main Oil Pipeline (hereinafter referred to as the ILI). Due to delays on the tender procedure portal, the Company was able to conclude an agreement with the contractor only on 4 December 2023 and, therefore, execution under the agreement in 2023 amounted to 20% of the total scope of work. The company filed an appeal to the government authorities to postpone the ILI services from 2023 to 2024 in order to prevent the application of a compensatory tariff. The deadline for government authorities to make the decision on approving the investment program is no later than 1 March 2024. Management believes that it is highly likely that a decision on this issue will be made in favour of the company.

As at 31 December 2023 the Company has contractual capital expenditure commitments in respect of property, plant and equipment totalling Tenge 1,326,111 thousand (31 December 2022: Tenge 193,012 thousand).

Taxation

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to International IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of the financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for 5 years.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Tax audit

On 26 September 2022, Almaty Department of State Revenues (warrant No. 547) began a comprehensive tax audit of Kazakhstan-China Pipeline LLP for the period from 1 January 2017 to 31 December 2021. Based on the results of the audit, in December 2023 the Company received an act, according to which an understatement of corporate income tax for 2021 was identified in the amount of Tenge 50,594 thousand, and an administrative fine was imposed in the amount of Tenge 40,475 thousand. The total amount of payment of tax, penalties and fines, with a discount of 50%, amounted to Tenge 74,965 thousand.

Environmental contingencies

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

Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company's operations.

Applying a reduced withholding tax rate

On 1 January 2023, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, concluded in Paris on 24 November 2016 (hereinafter referred to as the "Multilateral Convention") came into force with respect to the RK and the PRC, which are parties to the Double Taxation Treaty.

Moreover, in 2023, an amendment was made to Article 667, paragraph 1 of the Tax Code of Republic of Kazakhstan, according to which, for purposes of applying Double Taxation Treaty, a non-resident related party should meet certain conditions.

As part of the Loan Agreement dated 27 June 2018 concluded between the Company, Industrial and Commercial Bank of China Limited and Industrial and Commercial Bank of China in Almaty JSC (hereinafter referred to as the Loan Agreement), the Company developed a new version of confirmation certificate, taking into account requirements of the Multilateral Convention and the Tax Code of the RK (hereinafter referred to as the New Form Confirmation Certificate).

Upon receipt of a New Form Confirmation Certificate with attached documents, from 2023, a reduced rate of withholding tax is applied to interest on the loan. Otherwise, a rate of 15% applies. Management of the Company continued to apply the reduced rate of 10% in 2023, as it believed that it would receive the required New Form Confirmation Certificates within the timeframe specified in the Tax Code of Republic of Kazakhstan.

19 Financial risk management objectives and policies

The main financial liabilities of the Company include trade and other payables, loans and borrowings. These financial instruments are primarily used to raise financing for the Company's business activities. The Company has trade receivables, cash and cash equivalents arising directly from the Company's business activities.

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

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

Credit risk

The Company trades only with recognized, creditworthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure to credit risk in respect of a trade accounts receivable is represented by its carrying amount. There are no significant concentrations of credit risk within the Company.

The Company places cash and deposits with Kazakhstani and foreign banks. The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company's management believes that recent international credit crisis and subsequent changes in credit rating of local banks do not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required. Credit risk is mainly concentrated in deposits, cash and cash equivalents. The maximum exposure to credit risk in respect of deposits and cash and cash equivalents is represented by their carrying amount.

The table below shows the balances of bank accounts and cash and cash equivalents as at the reporting date using Moody's credit ratings.

In thousands of Kazakhstani Tenge	Location	Rating 2023	Rating 2022	31 December 2023	31 December 2022
Banks					
Industrial and Commercial Bank of China in Almaty JSC*	Kazakhstan	A1	A1	45,857,802	28,237,989
Halyk Bank of Kazakhstan JSC	Kazakhstan	Baa2	Baa2	1,507,574	11,468,034
Bank of China in Alashankou JSC	China	A1	A1	2,650	27,909
SB Bank of China in Kazakhstan JSC	Kazakhstan	A1	A1	-	30
Total				**47,368,026**	**39,733,962**

* *Rating of banks in the PRC.*

Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2023 and 31 December 2022 based on contractual undiscounted payments. Loans and borrowings comprise expected interest expenses:

In thousands of Kazakhstani Tenge	**<1 year**	**From 1 to 2 years**	**From 2 to 5 years**	**>5 years**	**Total**
At 31 December 2023					
Loans and borrowings	32,846,463	-	-	-	32,846,463
Trade and other payables	2,704,391	-	-	-	2,704,391
Provisions for payables to suppliers	1,047,210	-	-	-	1,047,210
Lease liabilities	43,783	43,900	135,248	45,558	268,489
Total	**36,641,847**	**43,900**	**135,248**	**45,558**	**36,866,553**
At 31 December 2022					
Loans and borrowings	35,219,061	33,117,671	-	-	68,336,732
Trade and other payables	2,175,643	-	-	-	2,175,643
Provisions for payables to suppliers	422,145	-	-	-	422,145
Lease liabilities	37,201	47,810	3,349	36,792	125,152
Total	**37,854,050**	**33,165,481**	**3,349**	**36,792**	**71,059,672**

As at 31 December 2023, current assets of the Company mainly include cash and cash equivalents of Tenge 23,836,867 thousand and bank deposits of Tenge 23,527,680 thousand. Current liabilities mainly include loans and borrowings of Tenge 32,842,895 thousand and accounts payable to related parties of Tenge 1,574,438 thousand, including payables to KazTransOil JSC of Tenge 1,473,632 thousand as well as liabilities under contracts for provision of transportation services in the total amount of Tenge 8,725,959 thousand. In order to improve liquidity, in 2018 the Company obtained the new refinancing loan with longer maturity. The Company intends to repay outstanding loans using cash from its operating activities.

As at 31 December 2023, the Company's current assets exceeded its current liabilities by Tenge 2,781,101 thousand, which was mainly due to the early repayment of the loan in February and August 2023 in the amount equivalent to Tenge 31,694,250 thousand which significantly decreased the financial burden on the Company's future cash flows.

Management believes that the current assets and expected cash flows from operating activities will be sufficient to meet the Company's current liabilities within the contractual time frame, taking into account the projected profitability, the loan repayment schedule and the fact that current liabilities as at 31 December 2022 include advances received for oil transportation services of Tenge 8,313,639 thousand.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or change the capital structure Company can regulate amount of dividend payments, return capital to a 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 31 December 2022.

Currency risk

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

In thousands of Kazakhstani Tenge	**Cash and deposits**	**Loans and borrowings**	**Net balance amount**
At 31 December 2023			
US Dollar	33,881,867	(32,842,895)	1,038,972
At 31 December 2022			
US Dollar	35,743,665	(66,097,880)	(30,354,215)

The Company has tools to reduce currency risks associated with the Company's operations. The schedule for repayment of obligations in US dollars under the Loan Agreement is structured in such a way that payments of principal debt and remuneration under the schedule are covered by the incoming foreign exchange earnings from the transportation of transit oil under the contract with Rosneft. Thus, the Company minimized the risk of negative impact of tenge volatility on cash flows. Also, as of 31 December 2023, the Company has accumulated $74.329 thousand, which is enough to repay the principal and pay remuneration under the Loan Agreement by 6 February 2024 and 6 August 2024 according to the schedule.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rates, with all other variables held constant, of the Company's profit and equity (due to changes in the fair value of monetary assets and liabilities).

In thousands of Kazakhstani Tenge	**Increase/decrease in exchange rate**	**Effect on profit and equity**
2023		
US Dollars	+10.00%/(10.00%)	83,118/(83,118)
2022		
US Dollars	+10.00%/(10.00%)	(2,428,337)/2,428,337

20 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, the measurement requires unobservable inputs).

All of the Company's financial instruments are carried amortised cost. Their fair values were determined using level 3 measurements of the fair value hierarchy, based on the available market data or relevant valuation techniques.

However, judgement is required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Due to the short-term nature of cash, bank deposits, trade and other receivables, their carrying amount approximates their fair value.

Financial liabilities carried at amortised cost

The fair value of unquoted fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

Loans and borrowings are carried at amortised cost which approximates their fair value due to the fact that interest rate under attracted loans is floating.

The fair value of lease liabilities as of the reporting date is Tenge 251,834 thousand (2022: Tenge 90,481 thousand).

21 Subsequent events

Early repayment of loans and borrowings

On 1 February 2024, the Company fully repaid the principal amount and accrued interest on the loan received in 2018 under the loan agreement with the Industrial and Commercial Bank of China jointly with the Industrial and Commercial Bank of China JSC in Almaty, acting as an agent, in in the amount of US Dollar 70,000 thousand (equivalent to Tenge 31,341,800 thousand on the date of payment) and US Dollar 2,930.76 thousand (equivalent to Tenge 1,312,219 thousand on the date of payment), respectively.

At the date of issue of the financial statements, there were no other events that required adjustment or disclosure in the financial statements and notes thereto.

Positive or negative unbalance

For detailed information about changes in 2024 see Note 4.