# National Maritime Shipping Company Kazmortransflot LLP

## Separate financial statements

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

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# Independent auditor's report

To the Management and Participant of "National Maritime Shipping Company "Kazmortransflot" Limited Liability Partnership

### *Opinion*

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

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

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in 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.

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***Responsibilities of management for the separate financial statements***

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

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

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

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

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

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

We communicate with 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.

Ernst & Young LLP

Dinara Malayeva
Auditor

Audit qualification certificate
No. МФ-0000323 dated 25 December 2016

Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

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9 March 2022

# SEPARATE STATEMENT OF FINANCIAL POSITION

**As at 31 December 2021**

| *In thousands of tenge* | **Note** | **31 December 2021** | 31 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **15,840,138** | 17,565,846 |
| Investment properties | 6 | **481,054** | 500,248 |
| Intangible assets | 7 | **65,850** | 83,377 |
| Restricted cash | 8 | **216,900** | 211,455 |
| Other non-current assets | | **35,883** | 42,397 |
| | | **16,639,825** | 18,403,323 |
| **Current assets** | | | |
| Inventories | 9 | **149,631** | 177,949 |
| Income tax prepaid | | **1,468,810** | 1,429,131 |
| Trade and other accounts receivable | 10 | **1,720,880** | 8,020,296 |
| Other current assets | 11 | **900,408** | 2,746,938 |
| Restricted cash | 8 | **774,927** | 1,596,457 |
| Cash and cash equivalents | 12 | **2,328,570** | 3,699,966 |
| | | **7,343,226** | 17,670,737 |
| **Total assets** | | **23,983,051** | 36,074,060 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Charter capital | 13 | **11,575,721** | 11,575,721 |
| Retained earnings | | **9,523,374** | 15,756,338 |
| **Total equity** | | **21,099,095** | 27,332,059 |
| **Non-current liabilities** | | | |
| Provisions | | **43,564** | 50,077 |
| Deferred income tax liabilities | 24 | **1,197,787** | 2,909,229 |
| | | **1,241,351** | 2,959,306 |
| **Current liabilities** | | | |
| Current portion of lease liabilities | 14 | **254** | 1,003,019 |
| Short-term advances received for operating lease | | **–** | 6,806 |
| Contract liabilities | 15 | **169,715** | 27,549 |
| Trade and other payables | 16 | **1,320,937** | 4,093,198 |
| Other current liabilities | 17 | **151,699** | 652,123 |
| | | **1,642,605** | 5,782,695 |
| **Total liabilities** | | **2,883,956** | 8,742,001 |
| **Total equity and liabilities** | | **23,983,051** | 36,074,060 |

Acting General Director — *R.G. Suleimenov*

Chief Accountant — *A.O. Bekzhanova*

*The notes 1-29 are an integral part ofthese separate financial statements.*

# SEPARATE STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2021**

| *In thousands of tenge* | Note | 2021 | 2020 |
|---|---|---|---|
| Revenue from contracts with customers | 18 | **4,491,635** | 14,806,213 |
| Rental income | 19 | **4,914,433** | 14,896,843 |
| **Revenue** | | **9,406,068** | 29,703,056 |
| Cost of services rendered | 20 | **(8,698,979)** | (12,943,229) |
| **Gross revenue** | | **707,089** | 16,759,827 |
| General and administrative expenses | 21 | **(4,368,894)** | (2,158,892) |
| Selling expenses | | **–** | (25,690) |
| Impairment loss | 5, 6 | **(4,452,723)** | (10,491,086) |
| Other operating income | 22 | **1,359,565** | 515,889 |
| Other operating expenses | 22 | **(1,003,774)** | (181,382) |
| **Operating (loss)/profit** | | **(7,758,737)** | 4,418,666 |
| Finance income | 23 | **40,045** | 104,738 |
| Finance costs | 23 | **(19,821)** | (253,367) |
| Net foreign exchange differences | | **119,640** | 254,724 |
| Dividend income | | **11,413** | 1,727,806 |
| **(Loss)/profit before taxes** | | **(7,607,460)** | 6,252,567 |
| Income tax benefit/(expense) | 24 | **1,374,496** | (1,808,779) |
| **(Loss)/profit for the year** | | **(6,232,964)** | 4,443,788 |
| **Total comprehensive (loss)/income for the year, net of taxes** | | **(6,232,964)** | 4,443,788 |

Acting General Director

*R.G. Suleimenov*

Chief Accountant

*A.O. Bekzhanova*

*The notes 1-29 are an integral part ofthese separate financial statements.*

## SEPARATE STATEMENT OF CASH FLOWS

**For the year ended 31 December 2021**

| *In thousands of tenge* | Note | 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash receipts from customers | | **14,331,660** | 19,891,765 |
| Cash payments to suppliers | | **(11,012,127)** | (13,553,490) |
| Cash payments to employees | | **(1,034,955)** | (1,205,302) |
| Cash payments to budget and other | | **(324,892)** | (3,273,173) |
| Transfers of cash from the Escrow account | | **–** | 512,507 |
| Interest received | | **94,785** | 67,416 |
| Interest paid | 14 | **(44,805)** | (788,053) |
| Income tax paid | | **(567,546)** | (2,370,060) |
| **Net cash flows from / (used in) operating activities** | | **1,442,120** | (718,390) |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment and other non-current assets | | **392,483** | 5,648,365 |
| Dividends received | | **11,413** | 86,072 |
| Purchase of intangible assets | | **(6,501)** | (23,411) |
| Purchase of property, plant and equipment | | **(3,108,637)** | (89,935) |
| Return of bank deposits | | **850,185** | – |
| **Net cash flows (used in) / from investing activities** | | **(1,861,057)** | 5,621,091 |
| **Financing activities** | | | |
| Repayment of finance lease | 14 | **(983,127)** | (4,070,602) |
| Repayment of guarantee liabilities | 14 | **–** | (1,383,084) |
| **Net cash flows used in financing activities** | | **(983,127)** | (5,453,686) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1,402,064)** | (550,985) |
| Net foreign exchange difference on cash and cash equivalents | | **30,668** | 629,783 |
| Cash and cash equivalents as at 1 January | | **3,699,966** | 3,621,168 |
| **Cash and cash equivalents as at 31 December** | 12 | **2,328,570** | 3,699,966 |

## NON-CASH TRANSACTIONS – ADDITIONAL DISCLOSURES:

During the year ended 31 December 2021, the Company offset taxes payable, including personal income tax, social tax and value added tax in the amount of 201,421 thousand tenge with income tax prepaid (31 December 2020: 0 tenge).

Acting General Director

*R.G. Suleimenov*

Chief Accountant

*A.O. Bekzhanova*

# SEPARATE STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2021**

| *In thousands of tenge* | Charter capital | Retained earnings | Total |
|---|---|---|---|
| **At 1 January 2020** | 11,575,721 | 11,312,550 | 22,888,271 |
| Profit for the year | – | 4,443,788 | 4,443,788 |
| **Total comprehensive income for the year** | – | 4,443,788 | 4,443,788 |
| **At 31 December 2020** | 11,575,721 | 15,756,338 | 27,332,059 |
| Loss for the year | – | **(6,232,964)** | **(6,232,964)** |
| **Total comprehensive loss for the year** | – | **(6,232,964)** | **(6,232,964)** |
| **At 31 December 2021** | **11,575,721** | **9,523,374** | **21,099,095** |

Acting General Director — *R.G. Suleimenov*

Chief Accountant — *A.O. Bekzhanova*

*The notes 1-29 are an integral part ofthese separate financial statements.*

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**For the year ended 31 December 2021**

## 1. GENERAL

JSC National Maritime Shipping Company "Kazmortransflot" was incorporated pursuant to the resolution of Government of the Republic of Kazakhstan dated 4 December 1998 and registered on 29 December 1998. On 21 October 2013 based on the decision of the Board of Directors, National Maritime Shipping Company "Kazmortransflot" JSC was reorganized into National Maritime Shipping Company "Kazmortransflot" Limited Liability Partnership (hereinafter, the "Company"). The Company was established for the purpose of forming a national marine trade fleet of the Republic of Kazakhstan and organisation of international marine shipping of domestic goods using own resources.

The Company's sole participant is National Company KazMunayGas JSC ("NC KMG" or the "Parent"). The controlling shareholder of NC KMG is Sovereign Wealth Fund Samruk-Kazyna JSC with a 90% ownership share (hereinafter, the "SWF Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan, 10% of which belongs to the National Bank of Kazakhstan.

The Company's principal business activities are marine shipping of Kazakhstani crude oil from Aktau port to international markets, marine shipping of dry cargoes as well as provision of support fleet services.

The Company's own fleet consists of five oil tankers ("Almaty", "Astana", "Aktau"), two self-propelling barges ("Berkut" and "Sunkar") one container ship ("Barys") and marine support fleet comprising three tug-boats and four dump barges.

The legal address of the Company is Building 70, Microdistrict 14, Aktau 130000, Republic of Kazakhstan.

The accompanying separate financial statements of the Company were approved for issue by the Acting General Director and the Chief Accountant on 9 March 2022.

These separate financial statements were issued in addition to the consolidated financial statements of the Company and its subsidiaries (hereinafter, the "Group") for the same reporting period. The consolidated financial statements of the Company were approved for issue by the General Director, Deputy General Director on Economy and Finance and Chief Accountant on 1 March 2022.

## 2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY

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

The separate financial statements are prepared under the historical cost basis, except as described in the accounting policies and the notes to the separate financial statements. All values in these separate financial statements are rounded to the nearest thousands, except when otherwise indicated.

The preparation of the separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4. These estimates are based on information available as of the date of the separate financial statements. Actual results, therefore, could differ from these estimates in the future.

### Going concern

The separate financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 31 December 2021, the Company incurred a loss in the amount of 6,232,964 thousand tenge (for the year ended 31 December 2020: profit of 4,443,788 thousand tenge). As at 31 December 2021, the current assets of the Company exceeded its current liabilities by 5,700,621 thousand tenge (as at 31 December 2020: 11,888,042 thousand tenge).

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

### Going concern (continued)

The management believes that the Company will continue its activity in accordance with the principle of going concern, and in making such a judgement, the management took into account current intentions of the Company and its financial position. In particular, the following factors were reviewed in estimating the ability of the Company to continue its activities in accordance with the going concern principle:

- The Company has sufficient cash to support any downturn;
- The Company has taken actions to preserve liquidity;
- Consideration of the organization’s business model and related risks;
- In the next 12 months, the Company intends to complete the modernization of the vessel “Sunkar” for container transportation;
- The Company is actively involved in the transportation of cargo between the ports of “Turkmenbashi” and “Alyat” in the Caspian Sea;
- The management of the Company is confident that the Company will become one of the main container carriers in the Caspian Sea. At the moment, the Company has one container ship “Barys”, and the Company is also in the process of upgrading the vessel “Sunkar” for container transportation.

### Investments in subsidiaries

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

| | | | **Ownership interest** | |
|---|---|---|---|---|
| **Company** | **Principal activities** | **Place of registration** | **31 December 2021** | 31 December 2020 |
| Kazmortransflot Ltd | Maritime transportation of crude oil in the Black and Mediterranean Seas | Isle of Man | **100%** | 100% |
| Kazmortransflot UK Ltd | Operates as Agent Company, which provides services to the Group and receives income in accordance with the commercial management agreement | Great Britain | **100%** | 100% |
| Altai Shipping Ltd | Marine shipping of crude oil and oil products to international markets and leasing out of own tanker | Marshall Islands | **100%** | 100% |
| Alatau Shipping Ltd | Marine shipping of crude oil and oil products to international markets and leasing out of own tanker | Marshall Islands | **100%** | 100% |

In these separate financial statements, investments of the Company in its subsidiaries are accounted for at cost.

### New and amended standards and interpretations

In 2021, certain standards and amendments to standards and interpretations were applied for the first time, which are effective for annual periods beginning on or after 1 January 2021 and have no impact on the Company’s separate financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

### New and amended standards and interpretations (continued)

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

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

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

These amendments did not have any impact on the separate financial statements of the Company. The Company intends to apply the practical expedients in future periods, if necessary.

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

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

The amendment was intended to apply until 30 June 2021, but due to the continued impact of the COVID-19 pandemic, on 31 March 2021 the IASB elected to extend the application of the practical expedients until 30 June 2022.

The new amendment is effective for annual periods beginning on or after 1 April 2021.

The Company does not have any granted rent concessions related to the COVID-19, but plans to apply practical expedients, if necessary, within a reasonable period.

### Standards issued but not yet effective

New standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. The Company intends to adopt these standards, amendments and interpretations if applicable, when they become effective.

*IFRS 17 Insurance Contracts*

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

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

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

**Standards issued but not yet effective (continued)**

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

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

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

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively. The Company is currently assessing the possible impact the amendments will have on current liabilities and whether existing loan agreements may require renegotiation.

*Reference to the Conceptual Framework – Amendments to IFRS 3*

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments are effective for annual periods beginning on or after 1 January 2022 and are applied prospectively.

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

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies these amendments.

These amendments are not expected to have an impact on the Company.

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

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

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 2. BASIS OF PREPARATION AND CHANGE IN THE COMPANY’S ACCOUNTING POLICY (continued)

**Standards issued but not yet effective (continued)**

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

As part of its 2018-2021 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

This amendment is effective for annual periods beginning on or after 1 January 2022 with earlier adoption is permitted.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The Company will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Company first applies the amendment.

The amendment is not expected to have a material impact on the Company.

*Amendment to IAS 41 Agriculture – Taxation in fair value measurements*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early adoption is permitted.

The amendment is not expected to have a material impact on the Company.

*Definition of Accounting Estimates – Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

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

These amendments are not expected to have an impact on the Company.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, which provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose “significant accounting policies” with a requirement to disclose “material accounting policy information”, and by adding guidance on how entities should apply materiality judgements to disclosure of accounting policies.

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

The Company is currently assessing the impact these amendments may have on disclosures of the Company’s accounting policies.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**

The separate financial statements are presented in tenge, which is the Company’s functional and presentation currency.

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

Any exchange gains and losses arising from assets and liabilities denominated in foreign currencies subsequent to the date of the underlying transaction are credited or charged to the separate statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Weighted average currency exchange rates established by Kazakhstani stock exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

The following exchange rates of major foreign currencies against the Kazakhstan tenge have been used in the preparation of these separate financial statements:

| **Exchange rate as at** | **31 December 2021** | 31 December 2020 |
|---|---|---|
| US dollar | **431.80** | 420.91 |
| Euro | **489.10** | 516.79 |
| Great Britain pound (GBP) | **583.32** | 574.88 |

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of any decommissioning obligation, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalization criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the separate statement of comprehensive income as incurred. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life of the asset as follows:

| | **Useful life (in years)** |
|---|---|
| Buildings | 8-50 |
| Machinery and equipment | 3-30 |
| Vehicles | 3-30 |
| Other | 3-20 |

The expected useful lives, residual lives and depreciation methods of property, plant and equipment are reviewed on an annual basis and, if necessary, respective changes are accounted for prospectively.

The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Cost related to repairs and renewals are charged when incurred and included either in cost of sales or general and administrative expenses, depending on the function of property, plant and equipment, unless they qualify for capitalisation.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Provision for mineral deposit recovery**

Provision for mineral deposit recovery is recognized in relation to future liquidation and recovery of production assets at the end of their useful lives.

In accordance with the Ainazar field subsurface use contract the Company is obliged to liquidate consequences of its operations including removal or dismantlement of constructions and equipment on the contractual area. Provision for mineral raw materials field recovery is estimated on the basis of current judicial and constructive requirements, level of technologies and prices.

Since actual expenses for recovery may differ from their estimations due to changes in requirements and interpretations of legislation, technologies, prices and other condition, and these expenses will be incurred at a distant date, the carrying amount of provision is reviewed and adjusted on a regular basis in order to account such changes. As at 31 December 2021 the carrying amount of the provision for recovery of mineral raw materials field was 43,564 thousand tenge (31 December 2020: 50,077 thousand tenge).

**Investment properties**

Investment properties are measured initially at cost, including transaction costs less accumulated depreciation and impairment. When significant parts of investment property are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciate them appropriately. All other repair and maintenance costs are recognised in the separate statement of comprehensive income as incurred.

Depreciation of investment property is calculated on the basis of the straight-line method over the estimated useful lives of buildings and structures from 8 to 50 years.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the separate statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in the nature of use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net book value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**Intangible assets**

Intangible assets are stated at initial cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over 2-15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the separate statement of comprehensive income in the expense category consistent with the function of the intangible assets.

**Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost of inventory is determined based on FIFO method (first-in, first-out).

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.

**Non-current assets held for sale**

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Non-current assets held for sale (continued)**

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

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

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

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

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

**Dividends**

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. The distribution is approved by the shareholders. A corresponding amount is recognised directly in equity. When distributing assets other than cash (non-cash assets) as dividends to their owners, the obligation to distribute non-cash assets as dividends to their owners is measured at the fair value of the assets to be distributed.

**Lease**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Company as a lessee***

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

*Right-of-use assets*

The Company recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are recognized within property, plant and equipment and are not separately recorded in the statement of financial position.

*Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense (except when incurred for production of inventories) in the period on which the event or condition that triggers the payment occurs.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Lease (continued)**

***Company as a lessee (continued)***

*Lease liabilities (continued)*

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (for example, a change in future payments due to a change in the index or rate used to determine such payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and lease of assets of low value*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain an option to purchase an underlying asset). The Company also applies the recognition exemption for leases of low value assets. Lease payments on short-term leases and lease of assets of low value are recognised as expense on a straight-line basis over the lease term.

***Company as a lessor***

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Taxes**

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax law used to compute the amount are those that are enacted or substantially enacted by the reporting date.

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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 a joint venture, when 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.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Taxes (continued)**

*Deferred tax (continued)*

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*Value added tax (VAT)*

Value added tax related to sales is payable to tax authorities on delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT related to sales and purchases is recognised in the separate statement of financial position on a net basis.

**Impairment of non-financial assets**

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

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of non-financial assets (continued)**

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the separate statement of comprehensive income, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the separate statement of comprehensive income unless the asset is carried at a revalued amount. In this case the reversal is treated as a revaluation increase.

**Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

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

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

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

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

Financial assets of the Company comprise cash and cash equivalents, cash restricted in use, short-term bank deposits, trade and other accounts receivable.

***Subsequent measurement***

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

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

The category of financial assets measured at amortized cost is the most relevant for the Company, and accordingly it applies to all current financial assets of the Company.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial assets (continued)**

***Subsequent measurement (continued)***

*Financial assets at amortised cost (debt instruments)*

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

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

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

The Company's financial assets at amortised cost include trade accounts receivable.

*Trade and other accounts receivable*

Trade and other accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are measured at amortised cost using the effective interest rate method (EIR), and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the separate statement of comprehensive income. The losses arising from impairment are recognised in the separate statement of comprehensive income in general and administrative costs.

***Derecognition***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and 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 that the Company could be required to repay.

**Impairment of financial assets**

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

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

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

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

### Cash and short-term deposits

Cash and short-term deposits in the separate statement of financial position comprise cash at banks and on hand and short-term high-liquid deposits with a maturity of 3 months or less, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the separate statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. Balances restricted within 12 (twelve) months after the reporting date are recorded as a separate item within non-current assets.

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade and other payables, lease liabilities and financial guarantee obligation.

#### *Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss, are classified to this category as at the date of initial recognition and solely subject to criteria of IAS 9. The Company has not designated any financial liabilities as at fair value through profit or loss.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

#### *Derecognition*

A financial liability is derecognised in the consolidated statement of financial position when the obligation under the liability is discharged or cancelled or expired.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

All assets and liabilities for which fair value is measured or disclosed in the separate 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 (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are revalued in the separate financial statements at fair value 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.

**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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

**Revenue and expense recognition**

*Revenue from contracts with customers*

The Company’s activities are related to the provision of cargo transportation services, support fleet services, as well as transportation management services. Revenue under contracts with customers is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, irrespective of the period of payment. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue and expense recognition (continued)**

*Revenue from contracts with customers (continued)*

The Company provides freight transportation, support fleet and transportation management services, which are either provided separately or included in a comprehensive agreement. The Company recognizes revenue from these services based on the degree of completeness of a particular operation, assessed proportionally to the share of actually provided services in the total scope of services to be provided under the contract, as the buyer simultaneously receives and consumes benefits provided by the Company.

The Company recognizes revenue from services rendered on transportation of crude oil and other goods upon the fact of transportation services implementation, based on the volumes of goods, accepted and agreed by all transaction parties, and fixed tariffs, established in the contracts between the Company and freighters.

*Lease element in contracts with customers*

The Company may enter into an agreement involving one or several interrelated operations, which in its legal form is not a lease agreement, but transfers the right to use the asset in exchange for a payment or a series of payments. The Company may transfer such a right to use the asset to another organization along with related services.

The Company separates payments related to the lease element and related to other elements of the agreement, based on the relative fair value of all elements.

*Significant financing component*

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the 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.

The Company also received long-term advance payments from customers in case of transportation management services. To reflect the significant component of financing, the transaction price under such agreements is discounted using the rate that would be applied for a separate financing operation between the Company and its customers at the time of signing the agreement.

*Trade accounts receivable*

Trade accounts receivable represent the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

*Expenses*

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of whether payment is made, and are reported in the separate financial statements in the period to which they relate.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Current versus non-current classification**

The Company presents assets and liabilities in the separate statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the 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.

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

The Company uses estimates and judgements, which exert an influence on assets and liabilities stated in the separate financial statements during the next financial year. Estimates and judgements are subject to constant critical analysis and are based on the past experience of the management and other factors including expectations regarding future events, which, as deemed, are reasonable in the existing circumstances. The management also uses certain judgements, except for those requiring estimates, in the process of application of accounting policies. Judgements that have the most significant effect on amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Useful life of property, plant and equipment**

The Company assessed useful lives of items of property, plant and equipment using professional judgement based on the experience regarding similar assets. Future economic benefits related to these assets will mainly flow as a result of their use. However, other factors, such as technical or commercial obsolescence, as well as equipment deterioration often result in a decrease in economic benefits associated with these assets. The Management assesses the remaining useful lives of property, plant and equipment based on the current condition of the assets, and subject to the accounting period during which these assets will bring economic benefits to the Company. At that, the following major factors are taken into account: (a) the expected life of assets; (b) the expected physical wear, which depends on the performance characteristics and maintenance program; and (c) the obsolescence of assets subject to technological and commercial review as a result of changes in the market conditions.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)

### Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, also in cases when circumstances indicate that it’s carrying value may be impaired, the Company estimates the asset’s recoverable amount. When analyzing indicators of impairment, the Company, among other factors, takes into account the demand for transportation of oil and cargo, and the lease of tugboats and barges in the Caspian, Mediterranean and Black Seas.

The management tested fixed assets (vehicles – marine vessels, buildings) and investment property of the Company for impairment as at 31 December 2021.

The Company carried out a test for impairment of assets for which indicators of potential impairment were identified. The Company divided these assets into the following cash-generating units:

- Investment property – office building.
- Fixed assets – office building (administrative part).
- Fixed assets – service fleet: eight self-dumping barges KMG 105-108.
- Property, plant and equipment – container ship “Barys”.
- Property, plant and equipment – self-propelled barges MCV “Sunkar” and “Berkut”.
- Fixed assets – oil tanker “Aktau”.
- Property, plant and equipment – tugboats “Emba”, “Talas” and “Irgiz”.
- Property, plant and equipment – bulk carriers “Beket-Ata” and “Turkestan”.

*Investment property – office building*

As at 31 December 2021 the recoverable amount of the investment property amounted to 481,054 thousand tenge. It has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The projected cash flows were calculated to reflect the stability of the leased premises and the gradual increase in rental payments. The discount rate applied to the cash flow projections is 14.28%, and cash flows beyond the five-year period are extrapolated using a 5% growth rate that is consistent with the long-term average growth rate of the industry. The Company did not recognize impairment of investment property for the year ended 31 December 2021 *(Note 6)*.

*Fixed assets – office building (administrative part)*

The recoverable amount of an administrative part of the office building was determined by applying the ratio of the percentage of impairment of investment property to its value before impairment. The Company did not recognize impairment of an administrative part of the building for the year ended 31 December 2021 *(Note 5)*.

*Support fleet*

In view of the idle service fleet and a decrease in demand in the Caspian Sea, the management of the Company has fully impaired the carrying value of the service fleet in 2018. As at 31 December 2021, the Company does not see clear prospects for operating the support fleet.

*Container ship “Barys”*

Upon termination of the contract under the TCO Future Growth Project (FGP), within the framework of cooperation with the ALE, the International Association “Trans-Caspian International Transport Route”, the vessel “Barys” was containerized in 2020, which has been operating since March 2021 on the “Aktau-Baku-Aktau” feeder line. The Company performed an impairment test on the vessel “Barys” as at 31 December 2021 by determining the value in use.

The recoverable amount has been determined based on the assets’ value in use calculation using cash flow projections from financial budgets of the Company. The cash flow projections were based on the useful life of the vessel until 2033. Projected cash flows have been calculated to reflect the stability of container transportation. The discount rate applied to the forecast cash flows was 10.7% to discount cash flows in US dollars. The cash flows in the forecast period were recorded with consideration of expected price changes adjusted for inflation. As a result of the analysis, the recoverable amount of “Barys” was lower than its carrying amount by 2,572,154 thousand tenge. A decrease in the volume of container transportation within the allowable limits of 10% will result in an additional impairment loss in the amount of 969,247 thousand tenge.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS (continued)

**Impairment of non-current assets (continued)**

*Self-propelled barges MCV “Sunkar” and “Berkut”*

In connection with the termination of the TCO Future Growth Project (FGP) contract, the Company performed impairment testing of self-propelled barges “Sunkar” and “Berkut” as at 31 December 2021 by determining the value in use.

With regard to the vessel “Sunkar”, the Company took into account the plans to containerize the vessels along the route Baku (Alyat) port – Turkmenbashi port – Baku (Alyat) port in the framework of cooperation with ADY Container LLC. The cash flow projections were based on the useful life of the vessel until 2037. The discount rate applied to the forecast cash flows was 10% to discount cash flows in US dollars. As a result of the analysis, the recoverable amount of the vessel “Sunkar” exceeded the carrying amount. A decrease in the volume of oil transportation within the allowable limits of 10% will result in an additional impairment loss in the amount of 1,396,529 thousand tenge.

Due to the lack of production plans, the Company has fully impaired the carrying amount of the vessel “Berkut” in the amount of 1,880,569 thousand tenge.

*Oil tanker “Aktau”*

As at 31 December 2021, the recoverable amount of the “Aktau” tanker corresponded to the carrying amount. Accordingly, the Company has not accrued any impairment losses for the “Aktau” tanker. It has been determined based on the tanker’s value in use calculation using cash flow projections from financial budgets of the Company. The cash flow projections were based on the useful life of the tanker until 2031. The projected cash flows were calculated in order to reflect the gradual drop in oil transportation volumes due to the obsolescence of the tanker. The discount rate applied to the cash flow projections is 10%. The cash flows in the forecast period were recorded with consideration of expected price changes adjusted for inflation. This analysis in the current year showed that the recoverable amount of the tanker corresponds to its carrying amount. The main significant assumptions used in the valuation model are the volumes of oil transported, which are decreasing starting from 2026, taking into account the technical capabilities of the tanker. A decrease in the volume of oil transportation within the allowable limits of 10% will result in an additional impairment loss in the amount of 1,417,633 thousand tenge.

*“Emba”, “Talas” and “Irgiz” tugboats*

As at 31 December 2021, the recoverable amount of the tugboats corresponded to the carrying amount. Accordingly, the Company has not accrued any impairment losses for the tugboats. It was determined by applying the comparative method of evaluation. The comparative approach is used for valuations for which it is possible to find sufficient information about recent sales or prices of analogues in the market. The comparative analysis method was used for the analysis, i.e. determination of value by comparing the prices of offers of comparable items with the item subject to valuation after making appropriate adjustments that take into account the difference between them (location, condition, etc.). This estimate was made using significant unobservable data. Therefore, the fair value measurement was classified as Level 3 of the hierarchy.

*Bulk carriers “Beket Ata” and “Turkestan”*

As at 31 December 2021, the recoverable amount of the bulk carriers corresponded to the carrying amount. Accordingly, the Company has not accrued any impairment losses. The recoverable amount has been determined based on the bulk carriers’ value in use calculation using cash flow projections from financial budgets of the Company. The cash flow projections were based on the useful life of the bulk carriers until 2036. The discount rate applied to the cash flow projections is 10%. The cash flows in the forecast period were recorded with consideration of expected price changes adjusted for inflation. A decrease in the volume of cargo transportation within the allowable limits in the amount of 10% will lead to an additional impairment loss on the bulk carrier “Beket Ata” in the amount of 688,773 thousand tenge and the bulk carrier “Turkestan” in the amount of 376,189 thousand tenge.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 5. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment forthe year ended 31 December 2021 is presented as follows :

| *In thousands of tenge* | Land | Buildings | Machinery and equipment | Motor vehicles | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **At 1 January 2020** | 2,362 | 1,146,751 | 2,471,886 | 48,665,704 | 230,239 | 67,641 | 52,584,583 |
| Additions | – | – | 180,588 | 1,641,960 | 38,371 | 244,892 | 2,105,811 |
| Disposals | – | (403) | (8,213) | (1,402,490) | (9,953) | – | (1,421,059) |
| Transfer from/(to) investment property *(Note 6)* | – | (5,135) | – | – | – | – | (5,135) |
| Transfer to assets held for sale | – | – | (988) | (1,517,708) | (354) | – | (1,519,050) |
| **At 31 December 2020** | 2,362 | 1,141,213 | 2,643,273 | 47,387,466 | 258,303 | 312,533 | 51,745,150 |
| Additions | **–** | **–** | **–** | **3,351,754** | **8,623** | **1,370,436** | **4,730,813** |
| Disposals | **–** | **(6,763)** | **(1,211,017)** | **(2,915,854)** | **–** | **–** | **(4,133,634)** |
| Transfer from investment property *(Note 6)* | **–** | **–** | | **–** | **7,199** | **–** | **7,199** |
| Transfers | **–** | **(4,237)** | **–** | **1,601,581** | **4,237** | **(1,601,581)** | **–** |
| **As at 31 December 2021** | **2,362** | **1,130,213** | **1,432,256** | **49,424,947** | **278,362** | **81,388** | **52,349,528** |
| **Accumulated depreciation and impairment** | | | | | | | |
| **As at 1 January 2020** | – | (719,194) | (2,446,372) | (21,364,740) | (201,019) | (36,413) | (24,767,738) |
| Accruals | – | (12,342) | (1,300) | (1,737,137) | (37,768) | – | (1,788,547) |
| Disposals | – | 403 | 3,664 | 1,209,392 | 9,953 | – | 1,223,412 |
| Transfer to assets held for sale | – | – | – | 1,517,708 | – | – | 1,517,708 |
| Impairment charge | – | (67,477) | – | (10,296,662) | – | – | (10,364,139) |
| **At 31 December 2020** | – | (798,610) | (2,444,008) | (30,671,439) | (228,834) | (36,413) | (34,179,304) |
| Accruals | **–** | **(10,644)** | **(14,422)** | **(1,005,894)** | **(37,625)** | **–** | **(1,068,585)** |
| Disposals | **–** | **6,763** | **1,211,017** | **1,974,085** | **–** | **–** | **3,191,865** |
| Transfer from investment property *(Note 6)* | **–** | **377** | **–** | **–** | **(1,020)** | **–** | **(643)** |
| Impairment charge | **–** | **–** | **–** | **(4,452,723)** | **–** | **–** | **(4,452,723)** |
| **At 31 December 2021** | **–** | **(802,114)** | **(1,247,413)** | **(34,155,971)** | **(267,479)** | **(36,413)** | **(36,509,390)** |
| **Carrying amount** | | | | | | | |
| **At 31 December 2020** | 2,362 | 342,603 | 199,265 | 16,716,027 | 29,469 | 276,120 | 17,565,846 |
| **At 31 December 2021** | **2,362** | **328,099** | **184,843** | **15,268,976** | **10,883** | **44,975** | **15,840,138** |

The Company has an office building in Aktau, Kazakhstan, the initial cost of which amounted to 2,903,548 thousand tenge. The Company uses part of the building, whose net book value as at 31 December 2021 amounts to 280,167 thousand tenge for own needs (as at 31 December 2020: 291,284 thousand tenge).

The Company leases out to related parties a part of the building, the net book value of which amounts to 481,054 thousand tenge as at 31 December 2021. This part of the building was classified by the Company as investment property as at 31 December 2021 *(Note 6)*.

In 2021, the Company received bulk carriers “Beket Ata” and “Turkestan” through advance payments under an Agreement with KTZ Express Shipping LLP in the amount of 3,046,978 thousand tenge. Also in 2021, containerization of the vessel “Barys” was completed in the amount of 304,776 thousand tenge.

As a result of fire on the vessel “Turkestan” in February 2021, the costs of overhaul amounted to 961,664 thousand tenge, most of which were reimbursed as part of the insurance contract.

In 2021, the Company performed a test for the impairment of fixed assets (marine vessels). As a result, property, plant and equipment was impaired by 4,452,723 thousand tenge (in 2020: 10,296,662 thousand tenge).

As at 31 December 2021, the cost of fully depreciated but still in use property, plant and equipment amounted to 194,411 thousand tenge (as at 31 December 2020: 2,202,017 thousand tenge).

In 2021, the Company decided to sell barges KMG-101, KMG-102, KMG-103, KMG-104, the carrying amount of which was 0 tenge. In November 2021, the tender was held in order to sell the tugboats, as a result of which a buyer was determined – Caspian Ak Zhelken LLP. According to the tender results, the purchase price of the tugboats is 198,900 thousand tenge, which is more than the carrying amount of these barges.

### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

The following is the carrying amount of recognized right-of-use assets and its movements during the period as recorded in property, plant and equipment:

The vehicles include “Emba”, “Talas” and “Irgiz” tugboats used by the Company under a lease contract with Al Hilal Islamic Bank JSC. The tugboats act as security for the related lease obligations and are classified as right-of-use assets from 1 January 2020. In 2020, the obligations for the Emba and Talas tugboats were extinguished, as a result of which these tugboats were transferred to property, plant and equipment. In 2021, after discharging the obligation, the “Irgiz” tugboat was transferred to property, plant and equipment.

**Right-of-use assets**

| *In thousands of tenge* | Buildings | Vehicles | Total |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2020** | 6,763 | 7,744,201 | 7,750,964 |
| Disposal | – | (1,402,489) | (1 402,489) |
| Transfer to property, plant and equipment | – | (4,250,624) | (4,250,624) |
| **At 31 December 2020** | 6,763 | 2,091,088 | 2,097,851 |
| Disposal | **(6,763)** | **–** | **(6,763)** |
| Transfer to property, plant and equipment | **–** | **(2,091,088)** | **2,091,088)** |
| **At 31 December 2021** | **–** | **–** | **–** |
| **Accumulated depreciation and impairment** | | | |
| **At 1 January 2020** | (2,254) | (1,549,154) | (1,551,408) |
| Accrual | (2,254) | (675,925) | (678,179) |
| Disposal | – | 1,208,313 | 1,208,313 |
| Transfer to property, plant and equipment | – | 737,372 | 737,372 |
| **At 31 December 2020** | (4,508) | (279,394) | (283,902) |
| Charge | **(2,255)** | **–** | **(2,255)** |
| Disposal | **6,763** | **–** | **6,763** |
| Transfer to property, plant and equipment | **–** | **279,394** | **279,394** |
| **At 31 December 2021** | **–** | **–** | **–** |
| **Net book value** | | | |
| **At 31 December 2020** | 2,255 | 1,811,694 | 1,813,949 |
| **At 31 December 2021** | **–** | **–** | **–** |

### 6. INVESTMENT PROPERTY

The movements in investment property for the year ended 31 December 2021 were as follows:

| *In thousands of tenge* | |
|---|---|
| **Cost** | |
| **At 1 January 2020** | 1,832,479 |
| Transfer from property, plant and equipment *(Note 5)* | 5,135 |
| **At 31 December 2020** | 1,837,614 |
| Transfer to property, plant and equipment *(Note 5)* | **(7,199)** |
| Transfers | **404** |
| **At 31 December 2021** | **1,830,819** |
| **Accumulated depreciation and impairment** | |
| **At 1 January 2020** | (1,194,933) |
| Depreciation charge | (15,486) |
| Impairment | (126,947) |
| **At 31 December 2020** | (1,337,366) |
| Depreciation charge | **(12,638)** |
| Transfer to property, plant and equipment | **643** |
| Transfers | **(404)** |
| **At 31 December 2021** | **(1,349,765)** |
| **Carrying amount** | |
| **At 31 December 2020** | 500,248 |
| **At 31 December 2021** | **481,054** |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 6. INVESTMENT PROPERTY (continued)

Investment property of the Company comprises a part of an office building built in May 2015 by Taymas Construction Company LLP in Aktau, Kazakhstan.

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Profit from investment property | **168,603** | 200,305 |
| Direct operating expenses (including repair and technical maintenance), which resulted in deriving of lease income (included within cost) *(Note 20)* | **(166,455)** | (155,427) |
| **Profit from investment property** | **2,148** | 44,878 |

As at 31 December 2021 and 2020, the fair value of investment property approximates its carrying amount.

The Company does not impose any restrictions on the sale of its investment property. The Company also has no contractual obligations for the acquisition, construction or improvement of investment property.

As a result of the impairment test performed as at 31 December 2021, the Company did not recognize any impairment (2020: 126,947 thousand tenge).

### 7. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2021 is presented as follows:

| *In thousands of tenge* | **Computer software** | **Other** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2020** | 360,514 | 141,715 | 502,229 |
| Additions | 16,119 | 2,532 | 18,651 |
| **At 31 December 2020** | 376,633 | 144,247 | 520,880 |
| Additions | **1,301** | **–** | **1,301** |
| **At 31 December 2021** | **377,934** | **144,247** | **522,181** |
| **Accumulated depreciation** | | | |
| **At 1 January 2020** | (317,899) | (99,285) | (417,184) |
| Charge | (14,493) | (5,826) | (20,319) |
| **At 31 December 2020** | (332,392) | (105,111) | (437,503) |
| Charge | **(10,772)** | **(8,056)** | **(18,828)** |
| **At 31 December 2021** | **(343,164)** | **(113,167)** | **(456,331)** |
| **Net book value** | | | |
| **At 31 December 2020** | 44,241 | 39,136 | 83,377 |
| **At 31 December 2021** | **34,770** | **31,080** | **65,850** |

### 8. RESTRICTED CASH

As at 31 December 2021 cash restricted in use in the amount of 990,827 thousand tenge (as at 31 December 2020: 965,838 thousand tenge) is represented by an Escrow account in Altyn Bank JSC (SB Halyk Bank of Kazakhstan JSC) opened as financial security for the proper fulfillment of its obligations under the Consortium Agreement with Blue Water Shipping Kazakhstan LLP, of which 215,900 thousand tenge (500 thousand US dollars) are refundable in the 1st quarter of 2023.

The remaining portion of cash restricted in use in the amount of 1,000 thousand tenge represents a liquidation fund for the restoration of the Ainazar limestone quarry.

| *In thousands of tenge* | **Currency** | **Date of elimination of restrictions** | **Interest rate** | **31 December 2021** | 31 December 2020 |
|---|---|---|---|---|---|
| Altyn Bank JSC | US dollars | February 2023 | – | **990,827** | 965,838 |
| Islamic Bank Al Hilal JSC | US dollars | August 2021 | 3.02% | **–** | 841,074 |
| Halyk Bank Kazakhstan JSC | Tenge | January 2029 | 4% | **1,000** | 1,000 |
| Less: current portion | | | | **(774,927)** | (1,596,457) |
| | | | | **216,900** | 211,455 |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 9. INVENTORIES

As at 31 December 2021 and 31 December 2020 inventory is presented as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Fuel | **126,388** | 99,523 |
| Spare parts | **60,360** | 63,444 |
| Limestone | **4,486** | 4,486 |
| Other materials | **114,667** | 128,265 |
| Provision for inventory | **(156,270)** | (117,769) |
| | **149,631** | 177,949 |

Movements in the provision for inventories were as follows:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **At 1 January** | **117,769** | – |
| Charge | **50,259** | 119,964 |
| Write-off | **(11,758)** | (2,195) |
| **At 31 December** | **156,270** | 117,769 |

### 10. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Trade accounts receivable | **5,245,570** | 8,585,661 |
| Other accounts receivable | **355,488** | 103,585 |
| Less: provision for expected credit losses | **(3,880,178)** | (668,950) |
| | **1,720,880** | 8,020,296 |

Trade receivable resulted from the recognition of revenue from contracts with customers in accordance with IFRS 15.

As at 31 December 2021 and 31 December 2020, trade and other accounts receivable are expressed in the following currencies:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| US dollars | **1,035,394** | 7,838,425 |
| Tenge | **685,486** | 181,871 |
| Other currencies | **–** | – |
| | **1,720,880** | 8,020,296 |

The average maturity of accounts receivable is 30 days. In 2021 and 2020, interest on unpaid balances were not accrued.

Movements in the allowance for expected credit losses are as follows:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **Provision for expected credit losses as at 1 January** | **668,950** | 165,921 |
| Charge for the year | **3,164,971** | 498,811 |
| Foreign exchange difference | **46,257** | 4,218 |
| **Provision for expected credit losses as at 31 December** | **3,880,178** | 668,950 |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 10. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

The ageing analysis of trade and other receivables is as follows:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| **31 December 2021** | **Current** | **31-60 days** | **61-90 days** | **91-120 days** | **Over 120 days** | **Total** |
| Percentage of expected credit losses | **0.07%** | **0.27%** | **1.31%** | **16.94%** | **99.04%** | |
| Estimated total gross carrying value at default | **1,399,798** | **1,886** | **243,846** | **50,447** | **3,905,081** | **5,601,058** |
| Expected credit losses | **977** | **5** | **3,203** | **8,547** | **3,867,446** | **3,880,178** |

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| 31 December 2020 | Current | 31-60 days | 61-90 days | 91-120 days | Over 120 days | Total |
| Percentage of expected credit losses | 0.44% | 1.28% | 1.66% | 18.31% | 21.05% | |
| Estimated total gross carrying value at default | 3,756,941 | 669,336 | 992,258 | 2,224,593 | 1,046,118 | 8,689,246 |
| Expected credit losses | 16,396 | 8,552 | 16,504 | 407,323 | 220,175 | 668,950 |

### 11. OTHER CURRENT ASSETS

As at 31 December 2021 and 31 December 2020 other current assets were presented as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| VAT prepaid | **731,640** | 354,625 |
| Other taxes prepaid | **101,676** | 96,881 |
| Advances paid | **43,363** | 2,249,949 |
| Deferred expenses | **20,712** | 43,175 |
| Due from employees | **3,017** | 2,308 |
| | **900,408** | 2,746,938 |

### 12. CASH AND CASH EQUIVALENTS

As at 31 December 2021 and 31 December 2020, cash and cash equivalents were as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Cash in bank in US dollars | **1,720,849** | 3,146,336 |
| Cash in bank in tenge | **583,641** | 490,681 |
| Cash in bank in other foreign currencies | **22,872** | 29,569 |
| Cash in bank in euro | **1,208** | 33,380 |
| | **2,328,570** | 3,699,966 |

Accrued interest income on short-term deposits with maturity of up to 3 months in 2021 amounted to 40,045 thousand tenge (in 2020: 104,738 thousand tenge) *(Note 23)*.

### 13. CHARTER CAPITAL

As at 31 December 2021 and 2020 the charter capital was fully paid and was presented as follows:

| *In thousands of tenge* | **Ownership interest,%** | **Amount** |
|---|---|---|
| NC KMG | 100 | 11,575,721 |
| | **100** | **11,575,721** |

For the year ended 31 December 2021, the Company neither declared nor paid dividends to the Parent (2020: 0 tenge).

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 14. LEASE LIABILITIES

As at 31 December 2021 and 31 December 2020, lease liabilities were presented as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| **Minimum lease payments** | | |
| Within one year | **254** | 1,022,667 |
| **Total minimum lease payments** | **254** | 1,022,667 |
| Less finance costs | **–** | (19,648) |
| **Present value of minimum lease payments** | **254** | 1,003,019 |
| **Present value of minimum lease payments** | | |
| Within one year | **254** | 1,003,019 |
| **Present value of minimum lease payments** | **254** | 1,003,019 |

In July 2017, the Company entered into a lease contract with Islamic Bank Al Hilal JSC to receive vehicles represented by “Emba”, “Talas” and “Irgiz” tugboats used by the Company to provide services for TCO. The lease term expires on 4 August 2021. The Company fulfilled its obligations on lease of the “Emba”, “Talas” and “Irgiz” tugboats. Thus, the tugboats became the property of the Company.

#### Change in liabilities resulting from financing activities

As at 31 December, changes in liabilities resulting from financing activities comprised the following:

| *In thousands of tenge* | 1 January 2021 | **Cash flows** | **Payment of interest** | **Other** | **Change in foreign exchange difference** | **Finance costs** | **31 December 2021** |
|---|---|---|---|---|---|---|---|
| Lease liabilities | 1,003,019 | **(983,127)** | **(44,805)** | **326** | **5,342** | **19,499** | **254** |
| | 1,003,019 | **(983,127)** | **(44,805)** | **326** | **5,342** | **19,499** | **254** |

| *In thousands of tenge* | 1 January 2020 | Cash flows | Payment of interest | Other | Change in foreign exchange difference | Finance costs | 31 December 2020 |
|---|---|---|---|---|---|---|---|
| Lease liabilities | 4,839,835 | (4,070,602) | (280,566) | – | 328,364 | 185,988 | 1,003,019 |
| Financial guarantee | 2,003,093 | (1,383,084) | (507,487) | (369,164) | 325,839 | (69,197) | – |
| | 6,842,928 | (5,453,686) | (788,053) | (369,164) | 654,203 | (116,791) | 1,003,019 |

### 15. CONTRACT LIABILITIES

As at 31 December 2021 and 31 December 2020, contract liabilities were presented as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Advances received for sale of property, plant and equipment | **169,715** | – |
| Financial component on advances received for transportation management services | **–** | 22,820 |
| Advances received for building models transportation management services | **–** | 4,729 |
| | **169,715** | 27,549 |
| Current | **169,715** | 27,549 |
| Non-current | **–** | – |

Advances received for the supply of property, plant and equipment represent an advance payment received from Albashnefteprodukt LLC for the motor yacht “Nurtau” and the pneumo-framed structure.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 16. TRADE AND OTHER PAYABLES

As at 31 December 2021 and 31 December 2020 trade and other accounts payable are presented as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Trade payables for goods and services | **1,034,996** | 3,620,764 |
| Trade payables for non-current assets | **285,941** | 467,315 |
| Trade accounts payable to subsidiaries | **–** | 3,073 |
| Other payables | **–** | 2,046 |
| | **1,320,937** | 4,093,198 |

As at 31 December 2021 and 31 December 2020, trade accounts payable are expressed in the following currencies:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Tenge | **899,354** | 1,347,414 |
| US dollars | **408,895** | 2,707,770 |
| Euro | **11,288** | 34,005 |
| Other | **1,400** | 4,009 |
| | **1,320,937** | 4,093,198 |

## 17. OTHER CURRENT LIABILITIES

As at 31 December 2021 and 31 December 2020, other current liabilities were as follows:

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| Due to employees (including a provision for vacations) | **85,083** | 349,735 |
| Other taxes payable | **1,096** | 60,573 |
| VAT payable | **–** | 4,406 |
| Other | **65,520** | 237,409 |
| | **151,699** | 652,123 |

## 18. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the years ended 31 December comprised the following:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **Type of services** | | |
| Dry cargo transportation | **2,220,243** | 3,186,992 |
| Revenue from crude oil transportation | **2,062,188** | 2,406,226 |
| Demurrage on oil/cargo transportation | **104,957** | 166,986 |
| Revenue from management of transportion of structural modules | **81,234** | 8,479,621 |
| Interest income from contract liabilities | **23,013** | 511,017 |
| Other | **–** | 55,371 |
| | **4,491,635** | 14,806,213 |

Revenue from transportation of dry cargo is related to container transportation on the feeder line in the Caspian Sea. The main buyers of this service during 2021 were KTZ Express JSC and ADY Container Georgia LLC.

Proceeds from transportation of crude oil are related to the provision of marine transportation services in the Caspian sea. The buyer of this service during 2021 was Eurasian Trading and Shipping FZE.

In 2018-2021, the Company started providing structural modules transportation management services upon agreement with TCO. These services include management and operational and technical management services for leased self-propelled barges, as well as crewing arrangements. In 2021, the Company continued to provide modules transportation services. In 2020, the Company finished providing the services on the transportation of modules of the "Barys" and "Berkut" vessels on 25 July 2020 and 11 August 2020, respectively. In January 2021, the contract for the vessel "Sunkar" was completed.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 18. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Revenue from provision of service fleet services is represented by the Company’s activities on providing services of towing vessels, supply vessels, and barges for the transportation of goods.

Revenues from all services of the Company, except for crude oil transportation services, are recognized over a period of time. Revenue from crude oil transportation services is recognized as transportation services are provided, based on the volumes accepted and agreed by all transaction parties, and fixed tariffs, established in the contracts between the Company and freighters.

During 2021, the Company recognized revenue in respect of the amounts included in the contract liabilities at the beginning of the year in the amount of 27,420 thousand tenge (2020: 4,521,300 thousand tenge).

## 19. RENTAL INCOME

Rental income for the years ended 31 December comprised the following:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Income from transfer of tugboats, barges to operating lease | **1,841,379** | 12,211 |
| Income from transfer of tankers to operating lease | **1,676,153** | 1,442,030 |
| Income from transfer of dry cargo to operating lease (bareboat charter) | **1,106,936** | 1,054,998 |
| Income from investment property *(Note 6)* | **168,603** | 200,305 |
| Income from transfer of self-propelled barges to operating lease | **121,362** | 12,187,299 |
| | **4,914,433** | 14,896,843 |

In May 2021, the Company transferred the tugboats “Emba”, “Talas” and “Irgiz” to an operating lease of SK “SpetsMontazhStroy” LLP. In 2018, the Company leased out five tankers to SOCAR LOGISTICS DMMC for operating lease. In April 2020, due to the sale of tankers “Atyrau”, “Aktobe” and “Oral” , the lease was terminated. The tankers were on lease until March 2021. As at 31 December 2021, the tankers “Almaty” and “Astana” have been leased by Eurasian Trading and Shipping FZE since March 2021, with the lease ending in December 2022. In 2021, direct operating expenses amounted to 968,467 thousand tenge (2020: 303,887 thousand tenge).

## 20. COST OF SERVICES RENDERED

Cost of services rendered for the years ended 31 December comprised the following:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Transportation of crude oil | **1,945,725** | 2,018,635 |
| Dry cargo operating expenses | **1,649,243** | 2,482,448 |
| Expenses for leasing tugboats and barges | **1,480,028** | – |
| Cargo transportation | **982,571** | 1,668,880 |
| Lease of tankers | **968,467** | 303,887 |
| Service fleet costs | **724,469** | 178,011 |
| Rent of vessels for transportation of dry cargo | **717,125** | 565,619 |
| Maintenance of investment property | **166,455** | 155,427 |
| Demurrage on oil/cargo transportation | **45,913** | 120,654 |
| Lease of self-propelled barges | **–** | 3,472,094 |
| Management of transportion of structural modules | **–** | 1,914,601 |
| Other | **18,983** | 62,973 |
| | **8,698,979** | 12,943,229 |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 20. COST OF SERVICES RENDERED (continued)

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Technical maintenance and management of vessels | **3,599,352** | 5,205,956 |
| Depreciation and amortisation | **1,047,096** | 1,769,749 |
| Lease of fleet | **1,015,469** | 1,345,830 |
| Fuel and other materials | **775,879** | 784,238 |
| Port charges | **726,785** | 755,914 |
| Insurance expenses | **452,402** | 422,475 |
| Salary and related taxes | **390,961** | 449,174 |
| Maintenance of investment property | **143,631** | 138,933 |
| Repair of property, plant and equipment | **142,599** | 447,464 |
| Agency services for ships | **117,699** | 164,343 |
| Towing operation services | **76,159** | – |
| Other taxes excluding income tax | **50,415** | 26,739 |
| Logistics services | **–** | 835,926 |
| Third party services | **–** | 414,328 |
| Other | **160,532** | 182,160 |
| | **8,698,979** | 12,943,229 |

## 21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December comprised the following:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Accrual of provision for expected credit losses | **3,164,963** | 498,811 |
| Salary and related taxes | **650,717** | 779,887 |
| Professional services | **158,354** | 183,914 |
| Other taxes | **119,709** | 17,553 |
| Repair and maintenance | **91,262** | 101,668 |
| Depreciation and amortisation | **52,955** | 54,603 |
| Business trips | **39,033** | 30,042 |
| Membership contributions | **30,816** | 33,297 |
| Insurance | **18,712** | 19,767 |
| Materials | **9,200** | 7,998 |
| Trainings | **7,055** | 8,562 |
| Rent | **6,730** | 10,670 |
| Bank fees | **4,998** | 8,483 |
| Communications | **4,422** | 6,051 |
| Representation | **2,604** | 1,736 |
| Social expenses | **1,007** | 18,270 |
| Provision on bonuses | **(82,505)** | 123,820 |
| Charity | **–** | 156,927 |
| Other | **88,862** | 96,833 |
| | **4,368,894** | 2,158,892 |

## 22. OTHER OPERATING INCOME/(EXPENSES)

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

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Recovery of vessel insurance expenses | **1,058,619** | 368,289 |
| Income from disposal of other non-current assets | **198,900** | 44,744 |
| Income from fines and penalties | **861** | 2,214 |
| Income from write-off of interest on financial guarantees | **–** | 69,197 |
| Other | **101,185** | 31,445 |
| | **1,359,565** | 515,889 |
| Loss on disposal of property, plant and equipment | **(941,769)** | – |
| Accrual of provision for inventories | **(50,259)** | (119,964) |
| Other | **(11,746)** | (61,418) |
| | **(1,003,774)** | (181,382) |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 23. FINANCE INCOME/(COSTS)

Finance income/(costs) for the years ended 31 December 2021 and 2020 are as follows:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Interest income *(Note 12)* | **40,045** | 104,738 |
| | **40,045** | 104,738 |
| Finance costs of lease liabilities | **(19,499)** | (185,988) |
| Interest on revenue generating contracts | **(322)** | (67,379) |
| | **(19,821)** | (253,367) |

### 24. INCOME TAX (BENEFIT)/EXPENSE

Income tax costs for the years ended 31 December comprised the following:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Current income tax expense | **306,665** | 1,006,487 |
| Deferred tax (benefit)/expense | **(1,711,442)** | 779,548 |
| Adjustment with respect to current income tax for prior periods | **30,281** | 22,744 |
| | **(1,374,496)** | 1,808,779 |

A reconciliation of income tax expenses applicable to income before taxation at the official income tax rate, with the income tax expenses benefit for the years ended 31 December is out below:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **(Loss)/profit before taxes** | **(7,607,460)** | 6,252,567 |
| Statutory tax rate | **20%** | 20% |
| **Income tax (benefit)/expense at the statutory rate** | **(1,521,492)** | 1,250,513 |
| Losses of subsidiaries registered in countries with preferential taxation treatment | **133,783** | 263,374 |
| Adjustment with respect to current income tax for prior periods | **30,281** | 22,744 |
| Non-taxable income on FGP not recorded in accounting profit | **–** | 521,751 |
| Exempt income and expenses on vessels registered in the international vessel register | **(145,891)** | (42,716) |
| Dividend income | **–** | (345,561) |
| Other permanent differences | **128,823** | 138,674 |
| **Income tax (benefit)/expense** | **(1,374,496)** | 1,808,779 |

Movement of deferred taxes for the years ended 31 December is presented as follows:

| *In thousands of tenge* | **31 December 2021** | **Origination and reversal of temporary differences in the statement of comprehensive income** | 31 December 2020 | Origination and reversal of temporary differences in the statement of comprehensive income | 31 December 2019 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Contract liabilities | **–** | **(6,871)** | 6,871 | (648,924) | 655,795 |
| Advances received for lease | **–** | **–** | – | (148,838) | 148,838 |
| Provision for expected credit losses | **776,036** | **641,992** | 134,044 | 100,860 | 33,184 |
| Provision for bonuses | **–** | **(50,376)** | 50,376 | (20,362) | 70,738 |
| Other accruals | **52,803** | **2,898** | 49,905 | 30,552 | 19,353 |
| **Deferred tax assets** | **828,839** | **587,643** | 241,196 | (686,712) | 927,908 |
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment and investment property | **2,026,626** | **(1,123,799)** | 3,150,425 | 92,836 | 3,057,589 |
| **Deferred tax liabilities** | **2,026,626** | **(1,123,799)** | 3,150,425 | 92,836 | 3,057,589 |
| **Net deferred tax liability** | **1,197,787** | **(1,711,442)** | 2,909,229 | 779,548 | 2,129,681 |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 25. FINANCIAL GUARANTEE OBLIGATION

In June 2009, the Company issued a financial guarantee for the associate Mangistau Oblast Boat Yard LLP (hereinafter, “Boat Yard”) on the borrowing obtained from European Bank for Reconstruction and Development (the “EBRD”). According to the financial guarantee agreement, the Company is obliged to pay 30% of Boat Yard debt (proportionate to share in equity) in case that the Boat Yard is not able to repay the debt.

As at 31 December 2012 the Boat Yard failed to pay interest and principal to EBRD in time and violated certain obligations associated with the loan. Also, Topaz Energy, which owns a 50% stake in the Boat Yard, has withdrawn from the guarantee agreement. Thus, the share was distributed between the Company and Balykshy LLP in the amount of 30% and 20%, respectively. As a result, the Company owns 60% stake.

As at 31 December 2012 the Boat Yard’s payables to EBRD amounted to 11,603,268 US dollars. On 1 August 2013 the Company sold 30% of interest in the charter capital of Balykshy LLP. According to the terms and conditions of the financial guarantee agreement, the Company is not entitled to transfer the financial guarantee liability to the third parties without the consent of EBRD. As a result, the rights under the guarantee did not transfer to Balykshy LLP and the Company still bears responsibility for a 60% stake.

In 2020, hearings were held in the Arbitration Court on the EBRD’s claim, where the EBRD’s claim was partially satisfied as follows:

- 4,223,796 US dollars (the principal debt on the guarantee obligations), as well as a penalty in the amount of 543.29 US dollars for each day of delay, starting from 22 June 2021, until the obligations are fulfilled;
- 610,000 pounds sterling (reimbursement of the arbitration costs, in solidarity) in the amount of 7.9%, starting from the date of payment of these costs by EBRD until payment by KMTF, in solidarity with Caspian Services Inc;
- 51,670 pounds sterling for the reimbursement of the arbitrator’s fee, with interest accrued in the amount of 7.9%, starting from the date of payment of costs by EBRD until payment by KMTF in solidarity with Caspian Services Inc;
- 4,245.64 pounds sterling for payment of LCIA fee, with interest accrued in the amount of 7.9% starting from the date of payment of costs by EBRD until payment by KMTF in solidarity with Caspian Services Inc.

As at 31 December 2021, the Company settled all financial guarantee liabilities.

In 2020, the Company applied to the Specialized Interdistrict Economic Court of the Mangistau Region to recover from Balykshy LLP all liabilities settled in favor of the EBRD. As a result of the litigation, the Company and Balykshy LLP signed an amicable agreement to pay the amount of 2,555,360 thousand tenge by 6 July 2021.

During 2021, the Company did not receive formal information on the company’s financial position to analyze the creditworthiness of Balykshy LLP. As of the reporting date, the Company did not recognize any receivables due to the low probability of fulfillment of obligations by Balykshy LLP.

Upon the application of Balykshy LLP, the specialized interdistrict economic court of the Mangistau region has postponed the fulfillment of obligations to KMTF until 1 November 2022. In 2021, as part of the settlement agreement, the Company received a payment of 1,473 thousand tenge from Balykshy LLP.

### 26. RELATED PARTIES DISCLOSURE

Related parties include key management personnel of the Company, entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Company’s key management personnel, NC KMG group companies and other companies under control of SWF Samruk-Kazyna.

Transactions with related parties are made at terms agreed between the parties that are not necessarily market conditions. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. As at 31 December 2021, the Company recorded expected credit losses on receivables related to receivables from related parties in the amount of 3,822,669 thousand tenge (31 December 2020: 617,237 thousand tenge).

This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 26. RELATED PARTIES DISCLOSURE (continued)

Significant related parties’ transactions for the years ended 31 December 2021 and 2020, and balances as at 31 December 2021 and 2020 are as follows:

### Revenue

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **Companies controlled by SWF Samruk-Kazyna** | | |
| KTZ EXPRESS JSC | **1,171,314** | 838,437 |
| Transtelecom JSC | **11,701** | 13,138 |
| Port Kuryk LLP | **3,766** | – |
| United Chemical Company (KPI) | **–** | 55,100 |
| **Companies under control or significant inluence of NC KazMunayGas** | | |
| Tengizchevroil LLP | **198,132** | 20,656,440 |
| KMG Kashagan B.V. | **–** | 46 |
| Other | **65,784** | 128,277 |
| | **1,450,697** | 21,691,438 |

### Acquisitions

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| **Companies controlled by SWF Samruk-Kazyna** | | |
| KTZ EXPRESS SHIPPING LLP (Subsidiary KTZ EXPRESS JSC) | **3,713,379** | 1,043,100 |
| NC Aktau International Sea Trade Port JSC | **271,056** | 271,286 |
| Transtelecom JSC | **3,538** | – |
| Port Kuryk LLP | **180** | 75,364 |
| Other | **17,221** | 19,190 |
| **Companies under control or significant inluence of NC KazMunayGas** | | |
| TenizService LLP | **111,536** | 30,712 |
| KMG Kashagan B.V. | **–** | (1,216) |
| Other | **15,348** | 5,828 |
| | **4,132,258** | 1,444,264 |

In 2021, the Company received bulk carriers “Beket Ata” and “Turkestan” through advance payments under an agreement with KTZ Express Shipping in the amount of 3,046,978 thousand tenge.

| | | |
|---|---|---|
| **Subsidiaries** | | |
| Kazmortransflot UK Ltd | **(2,746)** | 92,238 |

### Dividends from subsidiaries of the Company

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Kazmortransflot UK Ltd | **11,413** | 16,206 |
| Kazmortransflot Ltd | **–** | 1,641,960 |
| Alatau Shipping Ltd | **–** | 69,640 |
| | **11,413** | 1,727,806 |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 26. RELATED PARTIES DISCLOSURE (continued)

### Trade and other receivables and advances paid

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| **Companies controlled by SWF Samruk-Kazyna** | | |
| KTZ EXPRESS JSC | **111,121** | 159,883 |
| NC Aktau International Sea Trade Port JSC | **9,147** | 27,304 |
| Port Kuryk LLP | **2,812** | – |
| Transtelecom JSC | **1,092** | 1,226 |
| KTZ EXPRESS SHIPPING LLP (Subsidiary KTZ EXPRESS JSC) | **–** | 2,135,296 |
| **Companies under control or significant inluence of NC KazMunayGas** | | |
| Tengizchevroil LLP | **3,822,669** | 7,542,464 |
| Other | **4,437** | 10,687 |
| | **3,951,278** | 9,876,860 |

### Trade and other payables and advances received

| *In thousands of tenge* | **31 December 2021** | 31 December 2020 |
|---|---|---|
| **Companies controlled by SWF Samruk-Kazyna** | | |
| NC KTZh JSC | **62,046** | 17,911 |
| Transtelecom JSC | **330** | 330 |
| Other | **1,181** | 668 |
| **Companies under control and significant inluence of NC KazMunayGas** | | |
| TenizService LLP | **12,520** | 11,209 |
| Tengizchevroil LLP | **–** | 34,226 |
| Other | **1,853** | 7,096 |
| | **77,930** | 71,440 |
| **Subsidiaries** | | |
| Kazmortransflot UK Ltd | **–** | 3,073 |

### Compensation to key management personnel

As at 31 December 2021, key management personnel consisted of 3 persons (2020: 3 persons). Total compensation to the key management personnel for the year ended 31 December 2021, included in general and administrative expenses in the accompanying separate statement of comprehensive income is 171,074 thousand tenge (for 2020: 207,741 thousand tenge). In 2021, remuneration to key management personnel consists mainly of salaries and bonuses based on the results of the year (2020: mainly consists of salaries and bonuses).

## 27. COMMITMENTS AND CONTINGENCIES

### Coronavirus pandemic and market conditions

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the fall in oil prices and the devaluation of the tenge against the US dollar and euro. In addition, due to the recent rapid spread of the coronavirus (COVID-19) pandemic, on 16 March 2020, the government of the Republic of Kazakhstan declared a state of emergency until 16 April 2020, and then extended it until 15 May 2020, including quarantine in major cities, which had a significant impact on the level and scale of business activity. Later, the government of the Republic of Kazakhstan introduced a new quarantine period from 5 July 2020 till 2 August 2020.

The coronavirus pandemic has turned into a global economic crisis. A significant drop in the oil price suggests that the impact of the crisis will be more tangible for the oil and gas industry than for other industries.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

## 27. COMMITMENTS AND CONTINGENCIES (continued)

### Coronavirus pandemic and market conditions (continued)

The most significant impact of the pandemic is the depreciation of the tenge against the US dollar and the euro for the year ended 31 December 2021, which was reflected by an increase in the expenses for foreign exchange losses on loans in US dollars.

The Company is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Company.

As a consequence, management performed an impairment test of the Company’s property, plant and equipment within a single cash-generating unit. The Company assessed that the quantitative effect of the pandemic cannot be estimated with sufficient confidence at this time due to the uncertainty and duration of the pandemic.

The management believes that it takes all the required steps to support stability and growth of the Company’s business under the current circumstances. The Company will continue to monitor the situation closely.

### Taxation

Kazakhstan’s tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. Recent events within Kazakhstan suggest that the tax authorities are taking a more assertive position in interpretation of the legislation and check of tax calculation. As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five (5) calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions on recording of income and expense and other items in the IFRS separate financial statements.

Because of the uncertainties associated with Kazakhstan’s tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021. As at 31 December 2021 management of the Company believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company’s tax, currency and customs positions will be sustained.

During 2016, there were changes in tax legislation affecting the Company, which entered into force on 1 January 2016. In particular, a corporate tax on income from the transportation of goods earned by vessels registered in the international ship registry of the Republic of Kazakhstan is reduced by 100%. This means that such income is exempt from income tax. In 2016, the Company re-registered its vessels in the international ship registry of the Republic of Kazakhstan.

In 2018, the Company leased out these vessels. Since the Company has ceased to receive income from cargo transportation activities by these vessels, the income tax reduction by 100% was no longer applied. In 2021, the Company applied income tax exemption conditions due to the fact that tankers “TK Aktau”, “TK Almaty”, “TK Astana” and bulk carriers “Beket Ata” and “Turkestan” were registered in the international register of vessels of the Republic of Kazakhstan (in 2020, the exemption did not apply in connection with leasing out of vessels).

### Legal claims

In the ordinary course of business, the Company can be subject to legal actions and complaints. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reliably estimated. No provision has been made in these separate financial statements as at 31 December 2021 and 31 December 2020 for legal actions and claims.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 27. COMMITMENTS AND CONTINGENCIES (continued)

**Legal claims (continued)**

On 11 September 2020, the Company received a claim from BUE Kazakhstan Ltd. LLP on the commencement of arbitration proceedings to reimburse funds for the maintenance of the “Barys”, “Berkut” and “Sunkar” vessels with the following requirements:

- Payments of the amount of 10,492,723.98 US dollars accrued to date and owed, and all those other amounts accrued during the time until the decision on this arbitration process is rendered; or
- Payments of an amount of 14,146,744.14 US dollars representing the amount due for the entire initial Caspian minimum period for all vessels; or
- Damage for violating TMSA.

In June 2021, the Company signed a Settlement Agreement with BUE Kazakhstan Ltd. with the following conditions:

- Within 21 days from the date of entering into the Settlement Agreement, the Company will pay 5,761,082.88 US dollars to BUE Kazakhstan Ltd. LLP
- Within 21 days from the date of entering into the Settlement Agreement, the Company will provide BUE Kazakhstan Ltd.LLP with items of equipment.
- Within 7 days from the date of entering into the Settlement Agreement, the Company will enter into negotiations with TCO regarding the payment of the outstanding amounts under Phase-2 in the amount of 199,736.17 US dollars, which will subsequently be paid to BUE Kazakhstan Ltd. LLP.

As of 31 December 2021, the arbitration dispute with BUE Kazakhstan Ltd. LLP has been finalized by fulfilling the terms of the Settlement Agreement.

**Environmental issues**

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan’s environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. According to current legislation, management believes that there are no probable or possible environmental liabilities which could have a material adverse effect on the Company’s operation activities and its separate financial position.

**Future operating lease commitments – Company as lessor**

The Company entered into a number of operating lease agreements for self-propelled barges, tankers and office premises. These lease agreements are concluded for periods of up to 2 years. The minimum lease payments to be received in future periods under the operating lease agreements as well as contracts with customers containing leases as at 31 December amount to:

| *In thousands of tenge* | **2021** | 2020 |
|---|---|---|
| Within one year | **3,320,714** | 713,890 |
| More than 1 year but less than 5 years | **–** | – |
| Over five years | **–** | – |
| | **3,320,714** | 713,890 |

### 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Main financial instruments of the Company comprise cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, trade and other accounts payable, loans received that arise directly from business operations. The Company did not trade financial instruments.

The Company is exposed to currency risk, credit risk and liquidity risk. The Company’s management oversees the management of these risks.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This instrument considers the term of settlement of financial investments and financial assets.

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

| *In thousands of tenge* | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | | |
| Lease liabilities | **–** | **254** | **–** | **–** | **–** | **254** |
| Trade and other payables | **57,474** | **1,313,003** | **210** | **–** | **–** | **1,370,687** |
| | **57,474** | **1,313,257** | **210** | **–** | **–** | **1,370,941** |
| **At 31 December 2020** | | | | | | |
| Lease liabilities | – | 351,608 | 670,805 | 254 | – | 1,022,667 |
| Trade and other payables | 2,685,677 | 1,407,521 | – | – | – | 4,093,198 |
| | 2,685,677 | 1,759,129 | 670,805 | 254 | – | 5,115,865 |

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of exchange rates changes. The Company’s exposure to foreign currency risk mainly relates to the outstanding loans and the Company’s trade accounts payable denominated in US dollars and euro. Thus, changes in currency rates might have a significant effect to the Company’s financial position.

The following table demonstrates the sensitivity to a reasonably possible changes in the US dollar and euro exchange rates as at 31 December 2021 and 31 December 2020, with all the variables held constant, of the Company’s profit before income tax (due to changes in the fair value of monetary assets and liabilities).

| | **31 December 2021** | | 31 December 2020 | |
|---|---|---|---|---|
| *In thousands of tenge* | **Increase/ (decrease) in exchange rate** | **Effect on profit before tax** | Increase/ (decrease) in exchange rate | Effect on profit before tax |
| US dollars | **+13.00%** | **433,963** | +14.00% | 1,208,555 |
| | **-10.00%** | **(333,818)** | -11.00% | (949,579) |
| Euro | **+13.00%** | **(1,310)** | +14.00% | (86) |
| | **-10.00%** | **1,008** | -11.00% | 67 |

**Credit risk**

Generally, the credit risk arises on cash and cash equivalents and with respect to the clients including unsettled accounts receivable and confirmed transactions. With respect to the banks and financial institutions, only institutions with high rating are accepted. The Company renders its services only to several major clients with stable financial position and appropriate credit story. Carrying amount of cash and cash equivalents and accounts receivable less allowance for expected credit losses represent the maximal amount of credit risk exposure. The Company does not have the policy of assigning internal ratings and establishing credit limits for counterparties.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

### 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Fair value of financial instruments**

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm’s length conditions, other than in a forced or liquidation sale.

To calculate the fair value of financial instruments, the model of cash flow discounting at current interest rate is used considering the period remaining until repayment for financial instruments with similar terms and credit risk. In case of assets and liabilities for which fair values are disclosed in the financial statements, future cash flows are discounted using the average market rate of financial instruments with similar maturities based on statistics published by the National Bank of the Republic of Kazakhstan (“NBRK”).

As at 31 December 2021 and 2020, the carrying amount of cash and cash equivalents, short-term bank deposits, trade and other receivables, trade payables approximates to their fair values due to their short-term maturity.

**Capital management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity structure.

The Company capital management strictly depends on the capital management strategy of the participant. The majority of decisions on capital management are adopted in consultation with the relevant committees of the Participant. To maintain and adjust the structure of the capital the participant may make increase the Company charter capital and/or authorize the Company to obtain debt financing from the third parties by providing guarantees for all existing external loans.

### 29. SUBSEQUENT EVENTS

On 2 January 2022, protests began in the Mangistau region of Kazakhstan after a significant increase in the retail price of liquefied natural gas. These protests spread to other cities and led to riots, property damage and loss of life. On 5 January 2022, the Government declared a state of emergency.

As a result of the above protests and the imposition of a state of emergency, the President of Kazakhstan made a number of public statements on possible measures, including changes to tax laws, the introduction of measures to support financial stability, control and stabilization of inflation and the tenge exchange rate.

As of 9 March 2022 , the state of emergency was lifted. “National Maritime Shipping Company “Kazmortransflot” LLP is currently unable to quantify what the impact, if any, may be on the National Maritime Shipping Company “Kazmortransflot” LLP financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of tenge against the US dollar and euro.

The Company considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be reliably measured at the moment.

The management of the Company is currently analyzing the possible impact of changing micro- and macroeconomic conditions on the financial position and performance of the Company.