Samruk-Kazyna Construction JSC

Financial statements

For the year ended 31 December 2022
with independent auditor's report

CONTENTS

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Independent auditor's report

To the Shareholder and Board of Directors of «Samruk-Kazyna Construction» JSC

Opinion

We have audited the financial statements of «Samruk-Kazyna Construction» JSC (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 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.

Key audit matters

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

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of financial assets	
As at 31 December 2022, the Company has significant loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions. The Company assesses the allowance for expected credit losses in respect of its financial assets under IFRS 9. The assessment of allowance for expected credit losses of loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions is complex, judgmental and based on assumptions, in particular, on forecasted ability of the debtor to pay. Therefore, it was the matter of most significance in our audit. Information on loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions are disclosed in Notes 9, 10, 14 and 16 to the financial statements.	We obtained understanding of the process of calculation of allowance for expected credit losses in respect of loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions and assessed respective accounting policy of the Company. We compared information used by the Company in its provision matrix with historical information on the Company's loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions settlements and with publicly available economic forecasts. We also considered information on loans receivable, finance lease receivables, aging structure and settlements before and after the reporting date. We considered current status of negotiations and correspondence with third parties. We analyzed disclosures made by the Company in respect of loans receivable, finance lease receivables, cash and cash equivalents and amounts due from credit institutions and the effect of IFRS 9.

Other information included in The Company's 2022 Annual Report

Other information consists of the information included in The Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and the board of directors of «Samruk-Kazyna Construction» JSC for the financial statements

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

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

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the Board of Directors of «Samruk-Kazyna Construction» JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Ernst & Young LLP

Rustamzhan Sattarov
Auditor / General Director
Ernst & Young LLP

Auditor Qualification Certificate
No, МФ-0000060 dated 6 January 2012

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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27 February 2023

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

In thousands of tenge	Notes	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	**187,681**	212,060
Investment property	6	**3,687,570**	3,793,230
Investment in an associate		**35,453**	15,544
Advances paid to construction companies	8	**–**	8,471,414
Intangible assets		**59,557**	41,194
Non-current financial assets	9	**42,451,822**	46,343,025
Non-current loans issued	14	**6,739,119**	17,602,955
Amounts due from credit institutions	10	**24,776,775**	31,386,386
Other non-current assets	12	**6,957,177**	6,376,111
		84,895,154	114,241,919
Current assets			
Inventories		**6,171**	6,836
Real estate for sale	7	**290,314**	53,092
Advances paid to construction companies	8	**3,739,091**	–
Trade accounts receivable	13	**320,370**	2,593
Loans issued	14	**17,399,086**	440,145
Prepaid income tax		**1,519,747**	537,257
Current financial assets	15	**5,317,120**	9,193,162
Amounts due from credit institutions	10	**75,813**	104,802
Other current assets	11	**2,260,297**	386,042
Cash and cash equivalents	16	**27,546,661**	40,785,783
		58,474,670	51,509,712
Total assets		**143,369,824**	165,751,631

The accounting policies and explanatory notes on pages 6 to 37 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Notes	2022	2021
Equity and liabilities			
Equity			
Share capital	17	**19,990,162**	19,990,162
Additional paid-in capital	17	**3,437,245**	3,437,245
Revaluation reserve for fair value of financial assets at fair value through OCI		**212,574**	227,317
Retained earnings		**40,345,386**	37,092,232
Total equity		**63,985,367**	60,746,956
Non-current liabilities			
Other non-current liabilities	20	**1,965,062**	2,161,832
Deferred income		**91,839**	107,145
Accounts payable, long-term	21	**–**	2,086,004
Deferred tax liabilities	28	**1,469,001**	1,083,958
		3,525,902	5,438,939
Current liabilities			
Loans, short-term	18	**59,082,123**	81,880,635
Bonds	19	**13,174,356**	11,801,600
Accounts payable	21	**2,158,781**	3,880,636
Other current liabilities	22	**1,443,295**	2,002,865
Total current liabilities		**75,858,555**	99,565,736
Total liabilities		**79,384,457**	105,004,675
Total equity and liabilities		**143,369,824**	165,751,631

Deputy Chairman of the Management Board for Economy and Finance – Member of the Management Board — Mukushev B.A.

Chief accountant — Sipuldina B.K.

The accounting policies and explanatory notes on pages 6 to 37 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
Revenue	23	**19,641,119**	14,314,798
Cost of sales	24	**(6,751,854)**	(1,304,390)
Gross profit		**12,889,265**	13,010,408
General and administrative expenses	25	**(1,675,694)**	(1,541,310)
Reversal of allowance for expected credit losses on financial assets	10,11,14,16	**1,146,253**	588,913
Accrual of impairment losses on non-financial assets		**(454,761)**	(167,119)
Operating income		**11,905,063**	11,890,892
Finance income	26	**4,230,814**	3,565,526
Finance costs	26	**(3,134,351)**	(2,971,425)
Share in profit of an associate		**22,019**	2,110
Foreign exchange loss, net	27	**(6,566,852)**	(329,440)
Other income		**203,402**	200,630
Other expenses		**(159,572)**	(28,022)
Profit before tax		**6,500,523**	12,330,271
Income tax expenses	28	**(1,216,821)**	(2,544,139)
Profit for the year		**5,283,702**	9,786,132
Other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods:			
Net (loss)/income from financial assets measured at fair value through other comprehensive income		**(14,743)**	32,876
Other comprehensive (loss)/income for the year, net of tax		**(14,743)**	32,876
Total comprehensive income for the year, net of tax		**5,268,959**	9,819,008

Deputy Chairman of the Management Board for Economy and Finance – Member of the Management Board Mukushev B.A.

Chief accountant Sipuldina B.K.

The accounting policies and explanatory notes on pages 6 to 37 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In thousands of tenge	Share capital	Additional paid-in capital	Revaluation reserve for fair value of financial assets at fair value through OCI	Retained earnings	Total
At 31 December 2020	19,990,162	3,437,245	194,441	28,325,877	51,947,725
Profit for the period	–	–	–	9,786,132	9,786,132
Other comprehensive income	–	–	32,876	–	32,876
Total comprehensive income	–	–	32,876	9,786,132	9,819,008
Dividends *(Note 17)*	–	–	–	(1,019,777)	(1,019,777)
At 31 December 2021	19,990,162	3,437,245	227,317	37,092,232	60,746,956
Profit for the period	–	–	–	**5,283,702**	**5,283,702**
Other comprehensive loss	–	–	**(14,743)**	–	**(14,743)**
Total comprehensive income	–	–	**(14,743)**	**5,283,702**	**5,268,959**
Dividends *(Note 17)*	–	–	–	**(2,030,548)**	**(2,030,548)**
At 31 December 2022	**19,990,162**	**3,437,245**	**212,574**	**(40,345,386)**	**63,985,367**

Deputy Chairman of the Management Board for Economy and Finance –
Member of the Management Board — Mukushev B.A.

Chief accountant — Sipuldina B.K.

The accounting policies and explanatory notes on pages 6 to 37 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
Cash flows from operating activities			
Sale of products and goods		**7,151,896**	589,449
Interest received		**5,269,421**	4,660,834
Rental proceeds		**13,110,470**	19,123,629
Other proceeds		**2,429,388**	9,775,225
Payments to suppliers for goods and services		**(5,538,923)**	(2,241,975)
Advances paid		**(37,929)**	(69,531)
Salary payments		**(1,263,890)**	(954,551)
Payment of interest on loans received and bonds	31	**(3,356,611)**	(3,021,953)
Corporate income tax		**(1,814,268)**	(2,131,520)
Other payments to the budget		**(381,415)**	(436,876)
Other payments		**(4,028,134)**	(2,422,672)
Net cash flows from operating activities		**11,540,005**	22,870,059
Cash flows from investing activities			
Real estate acquisition prepaid		**–**	(8,468,163)
Purchase of property, plant and equipment and intangible assets		**(41,819)**	(22,187)
Purchase of non - current assets		**(3,899,923)**	–
Loans to third parties		**(13,117,804)**	(11,333,041)
Return of bank deposits		**6,758,025**	11,320,901
Return of borrowings issued to third parties		**15,528,129**	2,697,448
Proceeds from the sale of an interest in an associate		**–**	13,982
Proceeds from sale of other equity instruments		**–**	8
Proceeds on debt securities		**–**	500,000
Other (payments)		**(69,593)**	(63,967)
Net cash flows from investing activities		**5,157,015**	(5,355,019)
Cash flows from financing activities			
Issue of bonds	31	**–**	11,500,000
Payment of the principal on loans received	31	**(28,029,326)**	(12,995,033)
Dividends paid	17	**(2,030,548)**	(1,019,777)
Net cash flows from financing activities		**(30,059,874)**	(2,514,810)
Net change in cash and cash equivalents		**(13,362,854)**	15,000,230
Change in allowance for expected credit losses	16	**7,124**	(8,982)
Effect of exchange rate changes on cash and cash equivalents		**116,608**	(10,585)
Cash and cash equivalents as at 1 January		**40,785,783**	25,805,120
Cash and cash equivalents as at 31 December	16	**27,546,661**	40,785,783

Deputy Chairman of the Management Board for Economy and Finance –
Member of the Management Board Mukushev B.A.

Chief accountant Sipuldina B.K.

The accounting policies and explanatory notes on pages 6 to 37 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

Samruk-Kazyna Construction JSC (the "Company") was established in accordance with the Decree of the Government of the Republic of Kazakhstan No. 265 dated 6 March 2009.

The Company's office is located at the following address: 17/10, Syganak Str., Yessil district, Astana, Republic of Kazakhstan.

The Company is controlled by the Government through Sovereign Wealth Fund "Samruk-Kazyna" (the "Parent company" or "Samruk-Kazyna"), which is the sole shareholder of the Company.

The Company's mission is to improve the living conditions of the population of the Republic of Kazakhstan through the provision of high-quality and affordable housing as well as improving the efficiency of construction and project management of a group of companies Samruk-Kazyna.

The Company's core activities include the following:

- Completion of participation in government programs;
- Property management;
- Investment activities;
- Trust management of company shares at the design and construction stages.
- Implementation of state social programs.

According to the Development Strategy for 2022-2031, which was approved by the decision of the Board of Directors on 15 September 2022, one of the Company's strategic goals is the implementation of state social programs. Within the framework of this strategic goal and in accordance with the Decree of the Government of the Republic of Kazakhstan dated 30 November 2022 No. 963 "On approval of the pilot national project in the field of education "Comfortable School", since 2023 the Company has been determined as the Directorate for the targeted construction of objects of secondary education organizations as part of the framework of the first of three mechanisms, where the Company manages the project in accordance with the Rules for the provision of engineering services in the field of architecture, urban planning and construction activities, while the Company is endowed with the function of the contracting authority.

The mission and vision of the Company are designed by taking into account the development strategy and vision of the Parent company. The mission reflects the strategic priorities of the Company and its role in the social and economic development of Kazakhstan.

Associates

As at 31 December 2022 and 31 December 2021, the Company had an interest ownership in the following organizations:

Name	Place of registration	Principal activities	Ownership 2022	Ownership 2021
SK Development LLP	Kazakhstan	Development, financing and further management/sale of real estate properties, engineering supervision	**49%**	49%

These financial statements represent the Company's financial results for the year ended 31 December 2022 and its financial position as at that date.

Financial results of the Company depend on the specifics of the construction industry for which long production cycle is typical, construction of properties is performed on average within a period from 1.5 to 3 years. During the period of construction and investment in construction, reduction in income from sales of real estate properties and increase in capitalisation of costs related to real estate properties / in advances issued to construction companies are observed. Correspondingly, increase in income from core activities of the Company is observed upon commissioning of real estate properties.

In addition, the financial results of the Company are affected by the recognition and subsequent measurement of financial instruments arising from cash management, including interest income and expenses from funding issued and received for the execution of government programs and interest income from placing temporarily free cash on deposits with the second tier banks of the Republic of Kazakhstan *(Note 31)*.

In general, such fluctuations in revenue from core activities from year to year is common to many local and foreign companies operating in construction industry.

1. CORPORATE INFORMATION (continued)

Associates (continued)

The financial statements of the Company for the year ended 31 December 2022 were approved for issue by the management of the Company on 27 February 2023.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these financial statements. The financial statements are presented in Kazakh tenge ("tenge") and all monetary amounts are rounded to the nearest thousands, except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assumptions and estimates are based on the Company's initial data, which it had at the time of preparation of the financial statements. However, current circumstances and assumptions about the future may vary due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Expected credit losses

The Company uses an allowance matrix to calculate ECLs for loans issued, amounts due from credit institutions and cash and cash equivalents. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For example, if forecast economic conditions (such as GDP) are expected to deteriorate over the next year, which may result in an increase in defaults in the production sector, the historical default rate is adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Expected credit losses (continued)

The Company has significant balances of finance lease receivables within non-current and current financial assets as at 31 December 2022. Finance lease receivables consist of individually insignificant balances due from more than 8,000 individual lessees under the Nurly Zher state program. The Company's management did not accrue allowance for expected credit losses on finance lease receivables as at 31 December 2022. The Company's management believes that 100% of the balance sheet is recoverable as the finance lease receivables are secured by lease assets, real estate, the fair value of which significantly exceeds the carrying amount of the finance lease receivables.

Operating lease commitments – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of investment property and real estate properties for sale

The Company determines whether real estate property is a property for sale or investment property as follows:

- Investment property includes apartments, parking areas and commercial premises, which are neither used in activities of the Company nor for sale in operating activities but are held, in the first place, in order to derive rental income and income from appreciation of capital;
- Real estate property for sale includes property held for sale in operating activities. These are mainly apartments, parking areas and commercial premises, which the Company intends to sell after completion of construction.

Cost of investment property and real estate properties for sale

Investment property is recognised in the accounting at cost less accumulated depreciation and impairment losses. Fair value is determined based on recent transactions with property with similar characteristics and location. The fair value of investment property items is disclosed in *Note 6*.

Real estate property for sale is stated at the lower of cost and net realisable value. Net realisable value for real estate for sale is measured taking into account market conditions and prices existing as at the reporting date, and is determined by the Company assuming relevant recent market transactions.

Trust management agreements

During 2022, the Company had trust management agreements with "Samruk-Kazyna Ondeu" LLP (hereinafter referred to as "SKO") - formerly United Chemical Company LLP, a related party, to manage SKO shares in Karabatan Utility Solutions LLP. The trust management agreements are valid until the completion of the construction of projects: "Construction of infrastructure facilities of the special economic zone "National Industrial Petrochemical Park". The Company analysed the trust management agreements for existence of control over SKO subsidiaries in connection with the transfer to the trust management and concluded that control over the interests in SKO subsidiaries did not transfer to the Company as at 31 December 2022.

On 24 January 2019, the Company and the Parent company entered into a trust management agreement for the office building. The Company analysed this agreement for existence of control in connection with the transfer to the trust management and concluded that control over the building was not transferred to the Company as at 31 December 2022. The Company provides administrative building management services by leasing premises to other entities, mainly related parties.

On 15 September 2022, the Company and the Parent company entered into a trust management agreement, which is the sole shareholder of the "PGU "Turkestan" LLP. The trust management agreements are valid within the period of design, construction, pre-commissioning and reaching the full capacity of facilities of "Construction of power plant based on the combined – cycle plant in a maneuverable generation mode with a capacity up to 1000 mw in Turkestan region" project. The Company analysed the trust management agreements for existence of control over "PGU "Turkestan" LLP in connection with the transfer to the trust management and concluded that control over the interests in "PGU "Turkestan" LLP did not transfer to the Company as at 31 December 2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments thereof

The Company applied for the first time certain standards and amendments, which are effective for annual reporting periods beginning on or after 1 January 2022. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and impact of each amendment are described below:

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

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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 had no impact on the financial statements of the Company. The Company intends to apply practical simplifications in the future periods, if any.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* 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 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC *21 Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof (continued)

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first - time adopter.

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

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. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement.*

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

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.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*;
- Amendments to IAS 8 – *Determination of Accounting Estimates*;
- Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS – *Accounting Policies Disclosures;*
- Amendments to IAS 12 – *Deferred taxation of assets and liabilities arising from one operation.*

Foreign currency translation

The Company's financial statements are presented in tenge, which is also the Company's functional currency and the presentation currency of these financial statements. The Tenge is the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are initially recognized by the Company in the functional currency, translated at the relevant exchange rates on the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at rates ruling at the dates of the original transactions. Non-monetary items that are measured at fair value in a foreign currency are translated at rates ruling at the date the fair value was determined. Gains or losses arising on the translation of non-monetary items measured at fair value are accounted for in accordance with the principles for recognizing gains or losses on changes in the fair value of the item (i.e. foreign exchange differences on itemized currency translation, gains and losses on remeasurement at fair value recognized in OCI or profit or loss are also recognized in either OCI or profit or loss, respectively).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

The transaction date, for the purposes of determining the current exchange rate to be used on initial recognition of a related asset, expense or income (or a portion thereof) on derecognition of a non-monetary asset or non-monetary liability arising from making or receiving a prepayment, is the date on which the Company initially recognizes a non-monetary asset or non-monetary liability arising from making or receiving a prepayment. In the case of multiple transactions for making or receiving prepayments, the Company determines the transaction date for each payment or receipt of prepayments.

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

Foreign exchange rates, in which the Company has conducted significant transactions are presented as follows:

End period exchange rates (to tenge)	31 December 2022	31 December 2021
1 US dollar	**462.55**	431.80
1 RUB	**6.43**	5.76

Average exchange rate (to tenge)	2022	2021
1 US dollar	**467.74**	426.03
1 RUB	**7.16**	5.79

Investments to associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is subsequently increased or decreased due to recognition of the Company's share in changes in net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Company's share of the financial performance of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit of an associate is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "*Share of profit of an associate*" in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (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 within normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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

Fair value measurement

The Company measures such financial instruments as derivatives at fair value at each date of the statement of financial position. Information on fair value of financial instruments measured at amortised cost and non-financial assets fair value of which shall be disclosed in the financial statements, is disclosed in *Note 31* and *Note 7*, respectively.

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

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

The principal or the most advantageous market must be accessible by the Company.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in *Note 31*.

Revenue recognition for contracts with customers

The Company's activities are associated with management of real estate and construction. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

The Company has concluded that it is the principal in all of its revenue arrangements taking into account payment terms defined in an agreement and net of taxes or duties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition for contracts with customers (continued)

Sale of real estate properties

Revenue from the sale of real estate properties is usually recognised when the significant risks and rewards of ownership of the real estate properties have passed to the buyer. Revenue from assignment of rights for objects under construction is recognised when the significant risks and rewards related to ownership rights have passed to the buyer.

Rental income

Income from investment property provided under operating leases is accounted for on a straight line basis over the lease term and is included in revenues due to its operating nature.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in revenue from core activities as related to financing of construction companies and in finance income as related to other interest income.

Expense recognition

Expenses are recognised as incurred and reported in the statement of comprehensive income in the period to which they relate on the accrual basis.

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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred 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 joint arrangements, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 assets 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 the statement of comprehensive income or directly in equity.

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

Employee benefits

Social tax

The Company pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax expenses are charged to expenses as incurred.

Defined contribution scheme

The Company withholds 10% from the salary of its employees as contribution to pension fund. Under the legislation, the Company is responsible for the retirement benefits and the Company has no present or future obligation to further benefit its employees upon their retirement.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, the contractual terms of the asset must give rise to cash flows that are "solely payments of principal and interest" on the principal the principal amount of the debt. This assessment is called the cash flow test (SPPI test) and is carried out at the level of each instrument. Financial assets that do not meet the 'cash flows' criterion are classified as at fair value through profit or loss, regardless of business model..

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Financial assets of the Company include cash and cash equivalents, finance lease receivables, loans issued, government bonds, 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.

Financial assets at amortised cost (debt instruments)

This is the category 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 includes loans issued, trade and other receivables, and finance lease receivables.

Financial assets at fair value through OCI (debt instruments)

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

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets. As at 31 December 2022 and 2021, the Company has government bonds – financial assets at fair value through other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. As at 31 December 2022 and 2021, the Company has not designated any equity instruments upon initial recognition as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derivatives embedded in host contracts are accounted for as derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the finance income or finance costs. Reassessment occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

For debt instruments that are measured at fair value through the OCI, the Company applies a simplification about low credit risk. At each reporting date, the Company assesses whether a debt instrument is a low credit risk instrument using all reasonable and corroborated information that is available without undue cost or effort. When conducting such an assessment, the Company reviews the internal credit rating of the debt instrument. Besides, the Company believes that there has been a significant increase in credit risk if contractual payments are over 30 days past due.

As at 31 December 2022 and 31 December 2021, the Company had debt securities measured through OCI and represented by quoted government bonds.

Cash and cash equivalents

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

Loans and receivables

Loans and receivables including long-term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less 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 amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income within finance costs in case of loans and within other operating expenses in case of accounts receivable.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

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

The Company's financial liabilities include accounts payable, loans and coupon bonds.

Subsequent measurement

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. d embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans, borrowings and coupon bonds.

Derecognition

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

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

Offsetting of financial instruments

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

Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of real estate property to be recognised at a later date in the statement of financial position as investment property or property for sale. Advances paid to construction companies are measured at cost (the consideration actually paid) as at the date of partnership agreements less impairment loss, if any. Advances paid to construction companies are settled upon transfer of title to the property from the construction company to the Company.

Investment property

Investment property includes property held for receiving lease payments or income from accretion to capital, or both.

Property owned on the lease terms is classified as investment property when it corresponds to the definition of investment property. Lease liabilities are recognised in accordance with IFRS 16 at fair value of fee of leased property.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Following initial recognition, investment property is carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair 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.

Investment property is transferred to non-current assets held for sale when the carrying amount is expected to be refunded by way of sale but not continuous using. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present condition on the terms general for sale of similar property.

Other non-current assets

Other non-current assets comprise properties for future leasing out under a finance lease agreement or for which the Company, as at the reporting date, has no certain plans related to recovery of its carrying amount. Other non-current assets are measured at cost, including transaction costs. Upon initial recognition, other non-current assets are carried at cost less accumulated impairment. Other non-current assets are not amortised. Transfers are made to (or from) other non-current assets only when there is a change in use.

Intangible assets

Intangible assets acquired by are measured on initial recognition at cost. The initial cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets generated internally, except for the capitalised costs for development of products, are not capitalised and the related expense is recognised in the statement of comprehensive income for the year in which it originated. Intangible assets have finite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and accrual method of amortisation for an intangible asset with finite useful life are reviewed at least at the end of each reporting period.

Change in the estimated useful life or alleged structure of consumption of future economic benefits embodied in the asset is recorded in the financial statements as a change in the period or accrual method of amortisation depending on the situation and accounted for as a change in accounting estimates. Expenses on amortisation of intangible assets with finite useful life are recognised in the statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

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

Intangible assets are mainly represented by the software and licenses. Intangible assets are amortised on a straight-line basis over their estimated useful lives, generally from 5 to 10 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the capitalisation 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 statement of comprehensive income as incurred.

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

	Years
Buildings and constructions	8-100
Machinery and equipment	3-50
Motor vehicles	3-15
Other	2-20

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate. Property, plant and equipment consists primarily of administrative building, land and office equipment.

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.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared by for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five (5) years. Long-term growth rates are calculated and applied to the projected future cash flows after the fifth year.

Impairment losses on continuing operations are recognized in the statement of comprehensive income in expense categories consistent with the purpose of the impaired asset.

The Company assesses at each reporting date whether there is any indication that a previously recognized impairment loss for an asset may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Recovery is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor can it exceed the carrying amount, less depreciation, at which the asset would have been recognized if no impairment loss had been recognized in prior years. This recovery is recognized in the statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. All inventories are determined based on weighted average cost method.

Real estate for sale

Property acquired for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Guarantee payments from lessees

Guarantee payments from lessees represent amounts paid by lessees as security of fulfilment of liabilities under finance lease agreements. At the end of lease term, the amount of guarantee payments are used by lessees to settle the last lease payment.

Rent

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessor

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance income and increase of the finance lease asset so as to achieve a constant rate of interest on the unrecoverable amount of the asset. Finance income is reflected directly in the statement of comprehensive income.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as income in the statement of comprehensive income on a straight line basis over the lease term.

Company as lessee

Leases which do not transfer substantially all the risks and benefits of ownership of the asset to the Company are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

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 asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment in 2022 and 2021 is presented as follows:

In thousands of tenge	Land	Buildings	Office equipment	Total
Cost				
At 31 December 2020	26,101	31,913	419,734	477,748
Additions	–	–	43,802	43,802
Disposals	–	–	(11,181)	(11,181)
At 31 December 2021	26,101	31,913	452,355	510,369
Additions	–	–	**15,438**	**15,438**
Disposals	–	–	**(5,671)**	**(5,671)**
At 31 December 2022	**26,101**	**31,913**	**462,122**	**520,136**
Accumulated depreciation				
At 31 December 2020	–	(4,521)	(270,389)	(274,910)
Depreciation charge for the year	–	(638)	(33,919)	(34,557)
Depreciation on disposal	–	–	11,158	11,158
At 31 December 2021	–	(5,159)	(293,150)	(298,309)
Depreciation charge for the year	–	**(638)**	**(38,220)**	**(38,858)**
Depreciation on disposal	–	**–**	**4,712**	**4,712**
At 31 December 2022	–	**(5,797)**	**(326,658)**	**(332,455)**
Net book value				
At 31 December 2021	26,101	26,754	159,205	212,060
At 31 December 2022	**26,101**	**26,116**	**135,464**	**187,681**

6. INVESTMENT PROPERTY

Movement of investment property for 2022 and 2021 is presented as follows:

In thousands of tenge	Building	Commercial premises	Total
Cost			
At 31 December 2020	4,850,854	10,345	4,861,199
At 31 December 2021	4,850,854	10,345	4,861,199
At 31 December 2022	**4,850,854**	**10,345**	**4,861,199**
Accumulated depreciation and impairment			
At 31 December 2020	(960,238)	(2,071)	(962,309)
Depreciation charge for the year	(105,660)	–	(105,660)
At 31 December 2021	(1,065,898)	(2,071)	(1,067,969)
Depreciation charge for the year	**(105,247)**	**(413)**	**(105,660)**
At 31 December 2022	**(1,171,145)**	**(2,484)**	**(1,173,629)**
Net book value			
At 31 December 2021	3,784,956	8,274	3,793,230
At 31 December 2022	**3,679,709**	**7,861**	**3,687,570**

In 2022, as a result of regular analysis of the fair value of investment properties, management of the Company came to a conclusion that the carrying amount of its commercial and residential premises did not exceed fair value of the properties.

6. INVESTMENT PROPERTY (continued)

As at 31 December 2022, the fair value of the Company's real estate properties amounts to 5,781,137 thousand tenge (2021: 5,825,228 thousand tenge).

7. REAL ESTATE FOR SALE

In thousands of tenge	Apartments	Parking lots	Other	Total
At 31 December 2020	19,538	–	53,092	72,630
Transferred from other non-current assets *(Note 12)*	7,916	–	–	7,916
Realised property *(Note 24)*	(27,454)	–	–	(27,454)
At 31 December 2021	–	–	53,092	53,092
Transferred from other non-current assets *(Note 12)*	**1,167**	**1,388**	–	**2,555**
Realised property *(Note 24)*	**(5,683,424)**	**(1,388)**	–	**(5,684,812)**
Additions *(Note 8)*	**5,931,904**	–	–	**5,931,904**
Other	–	–	**(12,425)**	**(12,425)**
At 31 December 2022	**249,647**	–	**40,667**	**290,314**

8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Company enters into agreements with construction companies (hereinafter, "Real estate developers") for acquirement of apartments, commercial premises and parking lots. In accordance with provisions of the agreements, the Company is obliged to make advance payments to the Real estate developers and the Real estate developers undertook to complete construction by the established dates. The Company becomes an owner of respective objects after completion of construction by the Real estate developers and their appropriate registration in state registration agencies.

The agreements of the Company with Real estate developers contain a guarantee provision according to which Real estate developers provide collateral in the form of land lots, construction-in-progress and insurance contracts to cover the risk of loss of the Company's advance payment.

The Real estate developer has a right to turn to the Company in writing form with a proposal to sell premises of the Company to third parties in accordance with the Company's share, and in case of receiving its written consent - to conclude an additional agreement to the Agreement with the right to sell these premises. Based on changes in the conditions of the construction agreement, the Company will classify advances issued into loans issued.

Movement of advances issued to construction companies for 2022 and 2021 is presented as follows:

In thousands of tenge	2022	2021
At the beginning of the year	**8,471,414**	–
Advances paid for the year	**9,043,856**	8,471,414
Real estate properties received *(Note 7)*	**(5,931,904)**	–
Impairment allowance	**(527,840)**	–
Transfer to loans issued *(Note 14)*	**(5,960,461)**	–
Guarantee payments	**177,957**	–
Transfer to other current assets *(Note 11)*	**(1,533,931)**	–
Advances for projects under construction	**3,739,091**	8,471,414
Less: current portion	**(3,739,091)**	–
Long - term portion	**–**	8,471,414

On 24 January 2022, the Company entered into an investment agreement with "Evergreen adv." LLP for construction of multifunctional residential complex with underground parking "Apple Residence" in Almaty city. According to the additional agreement dated 9 September 2022, real estate developer has to return the advance received in the amount of 1,683,931 thousands tenge and lost profits of the Company at the rate of 15.13% of the used advance in the amount of 254,779 thousands tenge. During 2022, the real estate developer made a return in the amount of 150,000 thousands tenge. According to the investment agreement, the Company has a collateral for the total amount of 3,622,708 thousands tenge. The remaining refund amount has been transferred to other current assets.

9. NON-CURRENT FINANCIAL ASSETS

Long-term financial assets are represented by finance lease debt, which includes the amount of minimum lease payments under existing finance lease agreements. The minimum lease payments receivable in future periods under finance leases, as well as the present value of the net minimum lease payments, are summarized in the table:

	2022		2021	
In thousands of tenge	**Minimum payments**	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**8,184,463**	**4,857,685**	9,177,372	8,722,907
More than one year, but less than five years	**31,435,829**	**17,833,438**	35,426,031	26,747,642
Over five years	**30,786,267**	**24,618,384**	41,210,930	19,595,383
Total minimum lease payments	**70,406,559**	**47,309,507**	85,814,333	55,065,932
Less financial income	**(23,097,052)**	**–**	(30,748,401)	–
Present value of minimum lease payments	**47,309,507**	**47,309,507**	55,065,932	55,065,932
Less: amounts due for settlement within 12 months *(Note 15)*	**–**	**(4,857,685)**	–	(8,722,907)
Amounts due for settlement after 12 months	**–**	**42,451,822**	–	46,343,025

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

In thousands of tenge	**2022**	2021
Deposits with Kazakh banks	**25,230,455**	32,017,469
Allowance for expected credit losses	**(377,867)**	(526,281)
	24,852,588	31,491,188
Less: current portion	**(75,813)**	(104,802)
Non-current portion	**24,776,775**	31,386,386

Long-term deposits comprise special deposits in tenge under the project "Zelenyi kvartal" with second tier banks with an interest rate of 3.5% per annum.

In thousands of tenge	**2022**	2021
At the beginning of the year	**526,281**	2,384,281
Recovery	**(148,414)**	(1,858,000)
At the end of the year	**377,867**	526,281

11. OTHER CURRENT ASSETS

In thousands of tenge	**2022**	2021
Cash with Delta Bank JSC	**5,067,301**	5,067,902
Advances paid to «Evergreen adv.» LLP *(Note 8)*	**1,533,931**	–
Cash with KazInvestBank JSC	**1,365,576**	1,365,576
Restricted cash in Halyk Bank of Kazakhstan JSC	**125,490**	33,577
Cash with SB Alfa Bank JSC	**4,690**	4,690
Other current assets	**604,923**	356,910
Allowance for expected credit losses	**(6,441,614)**	(6,442,613)
	2,260,297	386,042

As at 31 December 2022, other current assets consist of debts on claims, funds placed with KazInvestBank JSC of 1,365,576 thousand tenge and with Delta Bank JSC in the amount of 5,067,301 thousand tenge, for which the Company created a 100% allowance for expected credit losses due to the deprivation of banks of a license to conduct banking and other operations.

11. OTHER CURRENT ASSETS (continued)

The movement of allowance for expected credit losses on other assets is as follows:

In thousands of tenge	**2022**	2021
At the beginning of the year	**6,442,613**	6,600,158
Recovery	**(999)**	(71,549)
Written off from reserves	**–**	(85,996)
At the end of the year	**6,441,614**	6,442,613

12. OTHER NON-CURRENT ASSETS

In thousands of tenge	Finished real estate properties	Right of use of land	Other	Total
At 31 December 2020	831,797	–	2,550	834,347
Transferred to real estate for sale (*Note 7*)	(7,916)	–	–	(7,916)
Leased out	(462,352)	–	–	(462,352)
Termination of finance lease agreements	63,549	–	–	63,549
Transferred to intangible assets	–	–	(10,000)	(10,000)
Realized	833	–	–	833
Additions	–	7,335,694	10,683	7,346,377
Transfer to assets held for sale	–	1,000,000	–	1,000,000
Other	–	(2,221,608)	–	(2,221,608)
Impairment	(167,119)	–	–	(167,119)
At 31 December 2021	258,792	6,114,086	3,233	6,376,111
Transferred to real estate for sale (*Note 7*)	**(2,555)**	–	–	**(2,555)**
Leased out	**(19,970)**	–	–	**(19,970)**
Termination of finance lease agreements	**18,992**	–	–	**18,992**
Transferred to intangible assets	–	**(3,000)**	–	**(3,000)**
Additions	–	**505,678**	–	**505,678**
Reversal of impairment	**85,973**	–	–	**85,973**
Disposals	**(4,052)**	–	–	**(4,052)**
At 31 December 2022	**337,180**	**6,616,764**	**3,233**	**6,957,177**

Other non-current assets include completed and non-completed real estate properties, for which the Company has no specific plans for use. For the year ended 31 December 2022, reversal of allowance for impairment in the amount of 10,409 thousand tenge is recorded in the reversal of allowance for impairment of non-financial assets in the statement of comprehensive income (2021: allowance for impairment in the amount of 167,119 thousand tenge).

13. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable of the Company represent receivables from operating lease and direct sale of commercial and residential premises. At 31 December 2022 and 2021, accounts receivable were denominated in tenge. As at 31 December 2022 and 2021 trade accounts receivable were not overdue and impaired.

14. LOANS ISSUED

In thousands of tenge	2022	2021
Loan to Argon Stroy LLP	**9,701,519**	3,941,545
Loan to Ayt Housing Complex LLP	**5,478,011**	4,610,457
Loan to Smart Stroy 2050 LLP	**4,780,560**	–
Loan to Bavaria Construction LLP	**2,532,885**	–
Loan to KIK-Qurylys LLP	**2,287,830**	–
Loan to UK Buiding LLP	**2,150,234**	–
Loans issued to construction companies under Nurly Zher program	**116,492**	1,056,637
Loans to other companies	**1,268,552**	1,136,572
Loan to Bazis-Astana LLP	**–**	12,465,483
Less: allowance for expected credit losses	**(4,177,878)**	(5,167,594)
	24,138,205	18,043,100
Less: amounts to be repaid within 12 months	**(17,399,086)**	(440,145)
	6,739,119	17,602,955

Loan to Argon Stroy LLP

On 9 April 2021, the Company entered into an investment agreement with Shar-Kyrylys LLP in the construction 2nd stage of a multi-apartment residential complex on the Millennium Alley in the city of Astana. According to the additional agreement signed in December 2021, the loan obligations were transferred to Argon Stroy LLP. In accordance with the terms of the agreement, the Company provides construction financing with the accrual of investment income in the amount of 3,876,871 thousand tenge. In accordance with the terms of the investment agreement, the provided financing amounts and investment income must be reimbursed to the Company by 30 May 2023. The amount of financing tranches issued by the Company for the end of 2022 amounted to 4,689,965 thousand tenge (2021: 3,006,211 thousand tenge).

For the year ended 31 December 2022, the Company recognized interest income in the amount of 2,005,343 thousand tenge.

Loan to Ayt Housing Complex LLP

According to the investment agreement with Ayt Housing Complex LLP in the construction of 42 multi-apartment residential buildings dated 16 April 2021, the Company provides construction financing with an accrual of investment income in the amount of 3,232,425 thousand tenge. In accordance with the terms of the investment agreement, the amounts of the provided financing amounts and investment income must be reimbursed to the Company by 30 May 2024. The amount of financing tranches issued by the Company at the end of 2022 amounted to 3,549,584 thousand tenge, including a land plot with a carrying value of 1,221,608 thousand tenge.

For the year ended 31 December 2022, the Company recognized interest income in the amount of 2,205,236 thousand tenge.

Loan to Smart Stroy 2050

On 11 October 2022, the Company entered into an investment agreement in the construction of multi-apartment residential buildings located in Astana city. The Company provides construction financing with an accrual of investment income in the amount of 1,192,070 thousand tenge. In accordance with the terms of the investment agreement, the amounts of the provided financing amounts and investment income must be reimbursed to the Company by 26 June 2023. The amount of financing tranches issued by the Company at the end of 2022 amounted to 4,080,258 thousand tenge.

Loan to KIK – Qurylys LLP

On 14 September 2022, the Company entered into an investment agreement in the construction of multi-apartment residential building "Sun city" located in Konayev city. The Company provides construction financing with an accrual of investment income in the amount of 374,246 thousand tenge. The amount of financing tranches issued by the Company at the end of 2022 amounted to 1,401,430 thousand tenge. In accordance with the terms of the investment agreement, the amounts of the provided financing amounts and investment income must be reimbursed to the Company by 10 October 2023.

14. LOANS ISSUED (continued)

Loan to KIK – Qurylys LLP (continued)

In addition to that, the Company entered into an investment agreement with real estate developer in the construction of residential building dated 15 July 2022. The amount of financing tranches issued by the Company at the end of 2022 amounted to 753,648 thousand tenge. The expected investment income is 155,550 thousand tenge. The amount of provided financing and an investment income must be reimbursed by the Company until 10 November 2023.

Loan to UK Building

On 6 December 2022, the Company entered into an investment agreement in the construction of residential building with built-in and attached public facilities and multifunctional residential building located in Ust-Kamenogorsk city. The expected investment income amounted to 1,149,454 thousand tenge. The amount of financing tranches issued by the Company at the end of 2022 amounted to 2,128,619 thousand tenge. In accordance with the terms of the investment agreement, the amounts of the provided financing amounts and investment income must be reimbursed to the Company by 15 June 2025.

As at 31 December 2022, loans to other companies included debt mainly from construction companies.

Loans issued as at 31 December 2022 and 2021 were denominated in tenge.

Movements in allowance for expected credit losses on loans issued were as follows:

In thousands of tenge	**2022**	2021
At the beginning of the year	**5,167,594**	3,835,441
Recovery	**(2,487,677)**	(2,025,517)
Charge	**1,497,961**	3,357,670
At the end of the year	**4,177,878**	5,167,594

15. CURRENT FINANCIAL ASSETS

In thousands of tenge	**2022**	2021
Financial assets carried at amortised cost		
Finance lease payable *(Note 9)*	**4,857,685**	8,722,907
Other	**32,629**	30,117
	4,890,314	8,753,024
Financial assets at fair value through OCI		
Government bonds of the Republic of Kazakhstan	**426,806**	440,138
	426,806	440,138
Total current financial assets	**5,317,120**	9,193,162

Government bonds are coupon bonds of the Ministry of Finance of the Republic of Kazakhstan with an interest rate of up to 5.0% per annum.

16. CASH AND CASH EQUIVALENTS

In thousands of tenge	**2022**	2021
Short-term deposits	**22,611,050**	21,841,092
Reverse autoREPO agreements with initial maturity of less than 3 months	**4,768,058**	18,797,245
Accounts with banks	**172,033**	159,050
Allowance for expected credit losses	**(4,480)**	(11,604)
	27,546,661	40,785,783

As at 31 December 2022, cash and cash equivalents comprised current bank accounts in tenge. Interest is accrued on balance of cash in current bank accounts at various rates from 5.0% (2021: 5.0%).

Short-term deposits comprise deposits in tenge with maturity not more than 3 months placed with second-tier banks with an interest rate of 14.75-15.25%.

16. CASH AND CASH EQUIVALENTS (continued)

The movements in the provision for expected credit losses for cash and cash equivalents are as follows:

In thousands of tenge	2022	2021
At the beginning of the year	**11,604**	2,622
Charge	**(8,860)**	(1,418)
Recovery	**1,736**	10,400
At the end of the year	**4,480**	11,604

17. SHARE CAPITAL

The charter capital of the Company is fully paid and comprises of 16,247,541 ordinary shares: 15,000,000 shares with par value 1,000 tenge, 1,247,540 shares with par value 4,000 tenge and one share with par value 2,490 tenge.

Additional paid-in capital

Additional paid-in capital is the difference between the amount of loans received in previous years from the Parent Company and their fair value at the date of receipt.

Dividends

In 2022, the Company declared and paid dividends on its ordinary shares in the amount of 2,030,548 thousand tenge (2021: 1,019,777 thousand tenge).

18. LOANS

In thousands of tenge	% rate	Repayment	2022	2021
Credit facility No. 3	2.0%	2032		
Balance at the beginning of the period			**49,577,848**	56,657,835
Interest accrued			**967,555**	1,065,031
Payments			**(5,689,255)**	(8,145,018)
Balance at the end of the period			**44,856,148**	49,577,848
Credit facility No. 4	2.0%	2034		
Balance at the beginning of the period			**17,858,600**	23,263,567
Interest accrued			**316,434**	419,948
Payments			**(3,949,059)**	(5,824,915)
Balance at the end of the period			**14,225,975**	17,858,600
Loan agreement with SKCN Finance LLC	7.0%	2022		
Balance at the beginning of the period			**14,444,187**	14,149,079
Interest accrued			**901,604**	1,122,483
Foreign exchange difference			**5,439,433**	300,450
Payments			**(20,785,224)**	(1,127,825)
Balance at the end of the period			**–**	14,444,187
Current portion of loans			**59,082,123**	81,880,635
Non-current portion of loans			**–**	–

Credit facilities No. 3, and 4 were opened under contracts with the Parent company. All obtained funds were not secured by guaranties or collateral.

18. LOANS (continued)

Credit facility No. 3

This credit facility was opened in 2012 in the total amount of 99,053,000 thousand tenge to finance housing construction projects within the "Nurly Zher" Program, direction – rental housing with a purchase option, (previously – "Program for the Development of Regions – 2020"), approved by the Decree of the Government of Kazakhstan No. 922 dated 31 December 2016 . According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. Interest is paid on a semi-annual basis.

During 2022, the Company repaid principal in the amount of 4,721,700 thousand tenge and interest in the amount of 967,555 thousand tenge (2021: 7,079,987 thousand tenge and 1,065,031 thousand tenge, respectively).

Credit facility No. 4

In 2016, the Company entered into a loan agreement for a total of 29,000,000 thousand tenge to finance a project for the construction of the administrative and residential complex "Zelenyi Kvartal" for a period of 18 years with an interest rate of 2% per annum. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. During 2016, the Company received the entire amount of the loan.

During 2022, the Company repaid principal in the amount of 3,632,626 thousand tenge and interest in the amount of 316,433 thousand tenge (2021: 5,404,967 thousand tenge and 419,948 thousand tenge, respectively).

Loan agreement with SKCN Finance LLC

In December 2020, the Company entered into a loan agreement with SKCN Finance LLC for the total amount of 2,500,000 thousand Russian roubles for the purposes of implementation of the project for construction of a residential complex for a period of 21 months with the interest rate of 7% per annum. All funds were received on a non-collateral basis. During 2022, the Company fully repaid the loan amount.

19. BONDS

On 15 March 2021, the Company placed 2,000,000 bonds with a nominal value of 1,000 Russian roubles each with an interest rate of 8% per annum. The coupon is paid semi-annually until 9 September 2023.

As at 31 December 2022, the carrying amount of debt securities in issue is Tenge 12,860,000 thousand (31 December 2021: 11,520,000 thousand tenge). The amount of interest payable on debt securities issued at the end of the period is 314,356 thousand tenge (31 December 2021: 218,600 thousand tenge). During 2022, the Company repaid interest in the amount of 962,400 thousand tenge (31 December 2021: 451,889 thousand tenge).

20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represent guarantee payments contributed by lessees to secure performance of obligations of the Company under finance lease agreements. The Company uses guarantee payments to settle the obligations of lessees under the finance lease agreements at the end of the rent period.

21. ACCOUNTS PAYABLE

In thousands of tenge	**2022**	2021
Accounts payable on land plots	**2,086,004**	5,891,187
Other	**72,777**	75,453
	2,158,781	5,966,640
Minus: amounts due within 12 months	**(2,158,781)**	(3,880,636)
Amounts due in more than 12 months	**–**	2,086,004

Accounts payable on land plots as of 31 December 2022 mainly include the acquisition of land plots, the purpose of which is investment in construction. As of 31 December 2022 and 2021, accounts payable were denominated in tenge and were interest-free.

22. OTHER CURRENT LIABILITIES

In thousands of tenge	2022	2021
Due under TMA with respect to Edelweiss RC and Akkent RC	**480,725**	310,446
Advances received	**355,219**	908,859
Salary payable	**216,154**	409,018
Taxes payable other than income tax	**168,627**	83,308
Due on TMA for the office building	**125,490**	33,577
Liabilities to payments under guarantee	**29,958**	140,444
Deferred income	**15,306**	15,306
Other current liabilities	**51,816**	101,907
	1,443,295	2,002,865

23. REVENUE

In thousands of tenge	2022	2021
Income from sale of residential and commercial premises	**6,812,464**	33,192
Interest income on interest bearing financing of construction companies	**5,902,711**	5,029,882
Financing lease income	**5,302,715**	7,338,380
Interest on special deposits under the Zelenyi Kvartal program	**1,007,103**	1,218,559
Operating lease income	**351,625**	310,033
Property management fee	**203,952**	271,229
Other revenue	**60,549**	113,523
	19,641,119	14,314,798

Timing of revenue recognition from the sale of goods and services is as follows:

In thousands of tenge	2022	2021
Timing of revenue recognition		
The services are provided over a period in time	**12,828,655**	14,281,606
The goods are transferred at a certain point in time	**6,812,464**	33,192
	19,641,119	14,314,798

During 2022 and 2021, goods and services were sold in the Republic of Kazakhstan.

24. COST OF SALES

In thousands of tenge	2022	2021
Cost of residential and commercial premises sold *(Note 7)*	**5,684,812**	27,454
Interest expense	**316,433**	419,948
Payment indexation	**289,028**	276,809
Maintenance of real estate properties	**225,298**	309,241
Operating taxes	**125,405**	162,209
Depreciation and amortisation	**105,660**	105,660
Other	**5,218**	3,069
	6,751,854	1,304,390

25. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2022	2021
Payroll, other employee benefits and related taxes	**1,125,184**	1,099,934
Professional services	**245,174**	138,505
VAT expenses	**87,503**	61,393
Repair and maintenance	**54,392**	54,998
Depreciation and amortisation	**49,996**	46,253
Business trip expenses	**40,966**	17,849
Board of Directors expenses	**6,520**	7,781
Rent	**6,212**	10,800
Materials	**5,569**	3,153
Communication	**5,332**	5,670
Bank charges	**2,693**	2,182
Maintenance of building	**511**	625
Other	**45,642**	92,167
	1,675,694	1,541,310

26. FINANCE INCOME / FINANCE COSTS

In thousands of tenge	2022	2021
Finance income		
Interest income on bank deposits and current bank accounts	**2,746,136**	1,964,975
Income from reverse autoREPO agreements	**1,458,266**	1,419,132
Discount recognition	**-**	127,958
Income on government bonds	**26,412**	53,461
	4,230,814	3,565,526

Finance costs		
Interest expense on loans	**(1,869,159)**	(2,194,909)
Interest expenses for bonds issued	**(1,111,244)**	(738,156)
Discount amortization	**(127,958)**	-
Expenses associated with raising of funds	**(25,990)**	(38,360)
	(3,134,351)	(2,971,425)

27. FOREIGN EXCHANGE LOSS

As at 31 December 2022, the Company recognized a negative exchange rate difference in the amount of 6,566,852 thousand tenge (31 December 2021: negative exchange rate in the amount of 329,440 thousand tenge). The net negative exchange rate difference is caused mainly due to the significant change in exchange rate of Tenge to the Russian rouble.

28. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended 2022 and 2021:

In thousands of tenge	2022	2021
Current income tax expenses	**829,352**	1,639,426
Adjustment of prior periods income tax	**2,426**	171,665
Deferred tax expense as a result of origination and reversal of temporary differences	**385,043**	733,048
	1,216,821	2,544,139

28. INCOME TAX EXPENSES (continued)

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at 31 December 2022 and 2021 is as follows:

In thousands of tenge	2022	2021
Profit before tax	**6,500,523**	12,330,271
Statutory tax rate	**20%**	20%
Income tax at statutory income tax rate	**1,300,105**	2,466,054
Income on coupon interest of government securities	**(5,282)**	(10,692)
Accrual of allowances for doubtful debts	**(135,272)**	(79,030)
Adjustment of prior periods income tax	**2,426**	171,665
Discount recognition	**25,592**	(25,592)
Other permanent expenses	**29,252**	21,734
	1,216,821	2,544,139

As at 31 December components of deferred tax assets and liabilities are as follows:

	Statement of financial position		Statement of comprehensive income	
In thousands of tenge	2022	2021	2022	2021
Deferred tax assets				
Provisions for loans issued, current financial assets and accounts receivable	**42,807**	42,807	–	–
Taxes	**4,978**	1,639	**3,339**	(1,316)
Deferred income	**21,430**	24,490	**(3,060)**	(3,062)
Other	**49,300**	87,684	**(38,384)**	15,041
	118,515	156,620	**(38,105)**	10,663
Deferred tax liabilities				
Property, plant and equipment	**(443,618)**	(431,464)	**(12,154)**	(14,981)
Income from the sale of land	**–**	(298,175)	**298,175**	(298,175)
Expected interest on loans issued	**(1,143,898)**	(510,939)	**(632,960)**	(430,555)
	(1,587,516)	(1,240,578)	**(346,939)**	(743,711)
Deferred tax liabilities	**(1,469,001)**	(1,083,958)		
Net deferred tax expense			**(385,044)**	(733,048)

As at 31 December 2022 and 2021, the Company had no unrecognised deferred tax assets.

29. RELATED PARTY DISCLOSURES

Related parties include key management personnel of the Company, enterprises in which a substantial interest in the participation interest is owned, directly or indirectly, by the Company's key management personnel, and other entities controlled by the Participant. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The category 'parent-controlled entities' comprises entities controlled by the Parent.

Related party transactions were made on terms agreed to between the parties. Purchases and sales transactions are made on market terms. Outstanding balances at the year-end are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 31 December 2022 and 2021, the Company has not recorded any impairment of accounts receivables relating to amounts owned by related parties. 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.

29. RELATED PARTY DISCLOSURES (continued)

Major transactions with related parties for 2022 and 2021 are as follows:

In thousands of tenge	**2022**	2021
Entities under the Parent's control		
Sales to related parties	**204,499**	271,492
Purchases from related parties	**361,806**	52,103
Gain from operating lease	**11,496**	13,077

As a result of the above transactions, the Company had the following amounts due from related parties (due to related parties) as at 31 December 2022 and 2021:

In thousands of tenge	**2022**	2021
Entities under the Parent's control		
Accounts payable	**(2,093,406)**	(5,895,948)
Trade accounts receivable	**1,255**	–

Loans payable to the Parent company

Details of loans from the Parent are disclosed in *Note 18*.

Compensation to the key management personnel

In 2022, key management personnel consisted of four persons (2021: seven persons). Total compensation to the key management personnel included in payroll expenses amounted to 133,175 thousand tenge for the reporting period (2021: 158,268 thousand tenge). Compensation to the key management personnel mainly consists of contractual salary and year-end bonus.

The Company performed additional procedures to determine related parties with respect to the key management personnel. As a result of these procedures no related parties were identified.

30. FINANCIAL COMMITMENTS AND CONTINGENCIES

Contractual commitments

As at 31 December 2022, the Company had contractual obligations in the amount of 17,129,729 thousand tenge (2021: 18,065,145 thousand tenge) under agreements with construction companies.

On 24 January 2019, the Company entered into a trust management agreement for the administrative building with the Parent company. The Company manages commercial space by leasing it to related parties and third parties. According to the terms of the agreement, the Company is obliged to ensure the safety, proper functioning and operation of the property.

Finance lease contractual commitments – Company as lessor

The Company entered into a number of finance lease agreements for real estate property consisting of certain residential and non-residential areas. These lease agreements are concluded for periods ranging from 10 to 20 years.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions on approaches to revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally from 50% to 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. 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 2022.

30. FINANCIAL COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

The management believes that as at 31 December 2022 its interpretation of the relevant legislation is appropriate and that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in these financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main financial liabilities of the Company comprise loans from the Parent company, payables, other current financial liabilities and other current liabilities. The main purpose of these financial liabilities is to finance operating activities of the Company. The Company also has various financial assets such as cash and cash equivalents, finance lease debt, trade receivables, bank deposits and government bonds.

The main risks arising from these financial instruments are currency risk, liquidity risk and credit risk.

Currency risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates is primarily due to the financial activities of the Company. Also, the Company's exposure to foreign exchange risk is related to operating activities (when income and expenses are denominated in a currency other than the Company's functional currency).

The following tables provide a sensitivity analysis to possible changes in the exchange rate of the Russian ruble, assuming all other parameters remain unchanged. The Company's exposure to the risk of changes in foreign exchange rates is insignificant.

In thousands of tenge	Increase/(decrease) in the exchange rate in absolute terms (tenge)	Increase/(decrease) in the exchange rate	Impact on profit before tax
As of 31 December 2022			
Russian rouble	**1.4/(1.4)**	**22.05%/(22.05%)**	**(2,905,069)/2,905,069**
As of 31 December 2021			
Russian rouble	0.75/(0.75)	13.00%/(13.00%)	(3,411,952)/3,411,952

Liquidity risk

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. As at 31 December 2022, the Company's current liabilities exceeded its current assets by 22,319,972 thousand tenge (2021: 48,056,024 thousand tenge). This excess has developed, mainly due to the classification of the Parent loans in the amount of 59,082,123 thousand tenge as current due to the Parent's right to demand early repayment of these loans. However, the Parent company confirmed its readiness to provide further financial support and not to demand early repayment of loans. Management covers liquidity requirements by expanding its operating activities, as well as through funding from the Parent.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2022 and 31 December 2021, based on contractual undiscounted payments:

In thousands of tenge	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
At 31 December 2022						
Loans	59,082,123	2,460,739	3,974,725	3,306,486	–	68,824,073
Bonds	–	1,543,200	13,428,698	–	–	14,971,898
Accounts payable	–	2,158,781	–	–	–	2,158,781
	59,082,123	6,162,720	17,403,423	3,306,486	–	85,954,752

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

In thousands of tenge	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Loans	67,436,448	–	16,465,034	4,352,275	4,159,305	92,413,062
Bonds	–	460,800	12,211,200	–	–	12,672,000
Accounts payable	–	1,091,019	3,483,412	2,125,951	–	6,700,382
	67,436,448	1,551,819	32,159,646	6,478,226	4,159,305	111,785,444

Credit risk

Financial instruments that potentially expose the Company to credit risk consist of cash on deposits and current bank accounts, accounts receivable, issued loan and finance lease receivables. The maximum exposure to credit risk is represented by the balance sheet value of each financial asset.

The Company is exposed to credit risk from its operating activities and certain investing activities. In the course of investing activity, the Company mainly places its deposits with Kazakh banks.

The table below shows the balances of cash, bank deposits with banks as at the reporting date using Standard & Poor's, Fitch and Moody's credit rating symbols less provisions made:

		Rating		31 December	31 December
In thousands of tenge	Location	2022	2021	2022	2021
First Heartland Jysan Invest	Kazakhstan	**B1/stable**	B/stable	**24,852,590**	31,424,644
Reverse autoREPO with a basket of government securities	Kazakhstan	**No rating**	No rating	**4,768,058**	18,797,244
Forte Bank JSC	Kazakhstan	**BB-/stable**	B+/positive/B+	**1,488,827**	13,470,794
Halyk Bank of Kazakhstan JSC	Kazakhstan	**BBB-/stable**	BBB-/stable/BB+	**19,062,516**	6,546,295
Center Credit Bank JSC	Kazakhstan	**B+/stable**	B/ stable	**2,227,258**	1,999,933
				52,399,249	72,238,910

Fair value of financial instruments

As at 31 December 2022, financial assets at fair value through OCI comprised public debt securities. These financial assets are categorised within Level 1 of fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Management has determined that the fair value of cash and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximately equal to their carrying amount, mainly due to the short-term nature of these instruments.

The fair value of the financial assets and liabilities included in the financial statements represent an amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Fixed-rate receivables, finance lease receivables and borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics incidental to the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2022, the carrying amounts of such receivables, net of allowances, are not materially different from their fair values;

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, and is categorised within Level 3 of fair value hierarchy;

- Fair value of financial assets at fair value through profit or loss is determined based on the price quotations in active markets.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value measurement hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 – prices in active markets for identical assets or liabilities (without any adjustments);
- Level 2 – techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below discloses the measurement hierarchy for assets and liabilities of the Company at the fair value.

Measurement hierarchy for assets at fair value as at 31 December 2022:

			Fair value measurement using		
In thousands of tenge	Carrying amount	Fair value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Assets measured at fair value					
Government bonds of the Republic of Kazakhstan *(Note 15)*	**426,806**	**426,806**	**426,806**	**–**	**–**
Assets with disclosed fair value					
Loans issued *(Note 14)*	**24,138,205**	**24,138,205**	**–**	**–**	**24,138,205**
Finance lease receivable *(Note 9)*	**47,309,507**	**47,309,507**	**–**	**–**	**47,309,507**
Trade accounts receivable *(Note 13)*	**320,370**	**320,370**	**–**	**–**	**320,370**

Measurement hierarchy for liabilities at fair value as at 31 December 2022:

			Fair value measurement using		
In thousands of tenge	Carrying amount	Fair value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Liabilities for which fair values are disclosed					
Loans *(Note 18)*	**59,082,123**	**59,082,123**	**–**	**–**	**59,082,123**
Bonds *(Note 19)*	**13,174,356**	**13,174,356**	**–**	**–**	**13,174,356**
Accounts payable *(Note 21)*	**2,158,781**	**2,158,781**	**–**	**–**	**2,158,781**
Other current liabilities *(Note 22)*	**1,443,295**	**1,443,295**	**–**	**–**	**1,443,295**

Measurement hierarchy for assets at fair value as at 31 December 2021:

			Fair value measurement using		
In thousands of tenge	Carrying amount	Fair value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Assets measured at fair value					
Government bonds of the Republic of Kazakhstan *(Note 15)*	440,138	440,138	440,138	–	–
Assets for which fair values are disclosed					
Loans issued *(Note 14)*	18,043,100	18,043,100	–	–	18,043,100
Finance lease receivable *(Note 9)*	55,065,932	55,065,932	–	–	55,065,932
Trade accounts receivable *(Note 13)*	2,593	2,593	–	–	2,593

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value measurement hierarchy (continued)

Measurement hierarchy for liabilities at fair value as at 31 December 2021:

In thousands of tenge	Carrying amount	Fair value	Fair value measurement using: Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Liabilities for which fair values are disclosed					
Loans *(Note 18)*	81,880,635	81,880,635	–	–	81,880,635
Bonds *(Note 19)*	11,801,600	11,695,616	–	–	11,695,616
Accounts payable *(Note 21)*	5,966,640	5,966,640	–	–	5,966,640
Other current liabilities *(Note 22)*	2,002,865	2,002,865	–	–	2,002,865

Changes in liabilities arising from financing activities

The table below discloses the changes in short term financing liabilities for 2022 and 2021.

In thousands of tenge	1 January 2022	Cash inflow	Cash outflow	Change in exchange rates	Interest paid	Other*	31 December 2022
Loans *(Note 18)*	**81,880,635**	**–**	**(28,029,326)**	**5,439,433**	**(2,394,211)**	**2,185,592**	**59,082,123**
Bonds *(Note 19)*	**11,801,600**	**–**	**–**	**1,223,911**	**(962,400)**	**1,111,245**	**13,174,356**
Total liabilities from financing activities	**93,682,235**	**–**	**(28,029,326)**	**6,663,344**	**(3,356,611)**	**3,296,837**	**72,256,479**

In thousands of tenge	1 January 2021	Cash inflow	Cash outflow	Change in exchange rates	Interest paid	Other*	31 December 2021
Loans	94,581,167	–	(12,995,033)	300,450	(2,570,064)	2,564,115	81,880,635
Other current financial liabilities	–	11,500,000	–	15,333	(451,889)	738,156	11,801,600
Total liabilities from financing activities	94,581,167	11,500,000	(12,995,033)	315,783	(3,021,953)	3,302,271	93,682,235

* *The column "Other" mainly presents the amount of accrued interest on loans. The Company classifies interest paid as cash flows from operating activities.*

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were introduced in objectives, policies or processes from the date of formation through 31 December 2022.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Company includes loans from the Parent, government bonds and accounts payable within net debt.

The gearing ratio at 31 December 2022 and 2021 is presented in the following table:

In thousands of tenge	**2022**	2021
Loans	**59,082,123**	81,880,635
Bonds	**13,174,356**	11,801,600
Accounts payable	**2,158,781**	5,966,640
Net debt	**74,415,260**	99,648,875
Equity	**63,985,367**	60,746,956
Debt-equity ratio	**1.16**	1.64