Consolidated financial statements

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

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Independent auditor's report

To the Shareholders and the Audit committee of the Board of directors of Kazakhtelecom JSC

Opinion

We have audited the consolidated financial statements of Kazakhtelecom JSC and its subsidiaries (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Recognition and measurement of revenue from provision of telecommunication services was one of the matters of most significance in our audit due to the risk of improper revenue recognition as the billing systems employed by the Group are complex and automated processes. In addition, effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant. The selection and application of revenue recognition policies, including the application of IFRS 15 *Revenue from contracts with customers*, involve a number of key judgements and estimates, and therefore revenue could be subject to misstatement, whether due to fraud or error, including untimely recognition. The Group's disclosure of information in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and detailed revenue disclosures are included in Note 33 to the consolidated financial statements.	We have considered the relevant IT systems and the design of controls over capturing and recording data in billing systems related to revenue recognition; authorisation of changes and accounting treatment of tariff rates input to the billing systems; and calculation of amounts billed to the customers. We performed analytical procedures, including monthly fluctuations analysis and analysis of changes in key drivers of revenue, and compared financial and non-financial data. We also analysed the timing of revenue recognition. We analysed the key judgements and estimates, and the accounting policy for compliance with IFRS 15. We considered the disclosures related to revenue recognition in light of the requirements of IFRS 15.

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Other information included in the Group's 2022 Annual report

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

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

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

Responsibilities of management and the Audit committee of the Board of directors for the consolidated financial statements

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

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

The Audit committee of the Board of directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Adil Syzdykov
Auditor

Audit qualification certificate
No. МФ-0000172 dated 23 December 2013

Rustamzhan Sattarov
General Director
Ernst & Young LLP
State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan dated 15 July 2005

050060, Republic of Kazakhstan, Almaty
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20 April 2023

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of tenge	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property and equipment	8	501,991,438	476,038,092
Investment properties	12	1,976,652	–
Intangible assets	9	195,141,499	205,424,785
Goodwill	11	152,402,245	152,402,245
Right-of-use assets	24	63,294,805	70,849,066
Advances paid for non-current assets	8	6,830,659	3,647,122
Investments in associates	10	–	3,460,120
Cost to obtain contracts		2,781,123	2,494,814
Cost to fulfil contracts		80,103	135,051
Other non-current non-financial assets	14	6,624,903	5,601,003
Other non-current financial assets	13	6,973,300	7,141,361
Deferred tax assets	43	1,470,763	660,170
Total non-current assets		**939,567,490**	**927,853,829**
Current assets			
Inventories	15	13,857,314	11,962,754
Trade receivables	16	45,305,186	36,873,043
Advances paid	17	6,206,238	7,500,551
Corporate income tax prepaid		3,944,275	7,527,978
Cost to fulfil contracts		690,565	854,321
Other current non-financial assets	20	12,070,418	13,310,432
Other current financial assets	18	4,374,070	11,592,724
Financial assets carried at amortised cost	19	14,832,821	–
Assets under reverse repurchase agreements	19	–	49,999,824
Cash and cash equivalents	21	242,122,154	167,109,839
		343,403,041	306,731,466
Assets held for sale	10	3,763,284	–
Total current assets		**347,166,325**	**306,731,466**
Total assets		**1,286,733,815**	**1,234,585,295**

In thousands of tenge	Note	31 December 2022	31 December 2021
Equity and liabilities			
Share capital	22	12,136,529	12,136,529
Treasury shares	22	(7,065,614)	(7,065,614)
Foreign currency translation reserve		26,183	(18,338)
Other reserves	22	1,820,479	1,820,479
Retained earnings		641,236,831	569,486,063
		648,154,408	576,359,119
Non-controlling interests	6	82,453,415	67,818,247
Total equity		**730,607,823**	**644,177,366**
Non-current liabilities			
Borrowings: non-current portion	23	222,858,631	282,246,983
Lease liabilities: non-current portion	24	28,360,505	33,810,098
Other non-current financial liabilities		414	707
Employee benefit obligations	25	16,687,529	21,848,722
Debt component of preferred shares	22	814,868	814,868
Non-current contract liabilities	26	7,554,205	8,188,122
Government grants: non-current portion	32	20,690,473	14,596,405
Asset retirement obligation	27	6,595,165	7,416,005
Deferred tax liabilities	43	31,521,131	34,571,582
Total non-current liabilities		**335,082,921**	**403,493,492**
Current liabilities			
Borrowings: current portion	23	25,018,246	33,544,325
Lease liabilities: current portion	24	12,465,379	15,341,478
Other current financial liabilities	29	27,616,881	19,952,085
Employee benefit obligations: current portion	25	1,562,857	1,526,442
Trade payables	28	104,832,254	75,100,611
Current corporate income tax payable		2,131,847	1,087,723
Current contract liabilities	30	26,742,107	21,880,659
Government grants: current portion	32	6,167,493	4,202,083
Other current non-financial liabilities	31	14,506,007	14,279,031
Total current liabilities		**221,043,071**	**186,914,437**
Total liabilities		**556,125,992**	**590,407,929**
Total equity and liabilities		**1,286,733,815**	**1,234,585,295**

Chairman of the Management Board — Yessekeyev K.B.

Chief financial officer — Atamuratova L.A.

Chief accountant — Urazimanova M.M.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2022

In thousands of tenge	Note	2022 год	2021 год
Revenue from contracts with customers	33	621,837,582	581,495,220
Compensation for provision of universal services in rural areas	34	6,326,916	6,412,945
Income from government grants	32	6,331,898	6,285,022
		634,496,396	594,193,187
Cost of sales	35	(399,170,034)	(368,002,607)
Gross profit		**235,326,362**	**226,190,580**
General and administrative expenses	36	(44,158,784)	(48,922,105)
Impairment losses on financial assets	47	(7,622,160)	(3,256,363)
Impairment losses on non-financial assets	47	(1,478,876)	(6,001,959)
Selling expenses	37	(16,908,727)	(13,681,240)
Reversal of tax and related fines and penalties provision	31, 48	–	682,820
Income from compensation from Telia and Turkcell	41	–	9,386,963
Loss on disposal of property and equipment, net		(229,712)	(671,797)
Other operating income	42	17,052,723	4,249,587
Other operating expenses	42	(1,322,018)	(998,537)
Operating profit		**180,658,808**	**166,977,949**
Share in profits of associates	10	380,019	512,364
Loss from disposal of a subsidiary	44	–	(425,818)
Finance costs	39	(40,469,547)	(46,436,473)
Finance income	39	15,977,954	5,842,984
Net foreign exchange gain	40	7,901,638	2,259,417
Profit before tax		**164,448,872**	**128,730,423**
Income tax expenses	43	(35,695,727)	(31,286,637)
Profit for the year		**128,753,145**	**97,443,786**

In thousands of tenge	Note	2022 год	2021 год
Other comprehensive income/(loss)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange differences from translation of financial statements of foreign subsidiaries		44,521	(1,138)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**44,521**	**(1,138)**
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial losses on defined benefits plans	25	(3,348,018)	(6,830,107)
Tax effect	43	387,506	527,236
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(2,960,512)**	**(6,302,871)**
Other comprehensive loss for the year, net of tax		**(2,915,991)**	**(6,304,009)**
Total comprehensive income for the year, net of tax		**125,837,154**	**91,139,777**
Profit attributable to:			
Equity holders of the Parent		114,117,977	90,759,490
Non-controlling interests	6	14,635,168	6,684,296
		128,753,145	97,443,786
Total comprehensive income attributable to:			
Equity holders of the Parent		111,201,986	84,455,481
Non-controlling interests	6	14,635,168	6,684,296
		125,837,154	91,139,777
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, tenge	22	10,377.97	8,255.40

Chairman of the Management Board — Yessekeyev K.B.

Chief financial officer — Atamuratova L.I.

Chief accountant — Urazimanova M.M.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

	Attributable to equity holders of the Parent							
In thousands of tenge	Shares outstanding	Treasury shares	Foreign currency translation reserve	Other Reserves	Retained earnings	Total	Non-controlling interests	Total Equity
Note	22	22		22			6	
At 1 January 2021	**12,136,529**	**(7,065,614)**	**(17,200)**	**1,820,479**	**476,006,801**	**482,880,995**	**35,659,002**	**518,539,997**
Net profit for the year	–	–	–	–	90,759,490	90,759,490	6,684,296	97,443,786
Other comprehensive loss	–	–	(1,138)	–	(6,302,871)	(6,304,009)	–	(6,304,009)
Total comprehensive income	**–**	**–**	**(1,138)**	**–**	**84,456,619**	**84,455,481**	**6,684,296**	**91,139,777**
Dividends (Note 22)	–	–	–	–	(18,958,368)	(18,958,368)	(4,394,500)	(23,352,868)
Discount on loan received from non-controlling interests (Note 23)	–	–	–	–	–	–	1,260,102	1,260,102
Other transactions with owners (Note 22)	–	–	–	–	1,310,411	1,310,411	–	1,310,411
Change in interests in subsidiaries that do not result in a loss of control (Note 5)	–	–	–	–	26,670,600	26,670,600	28,609,347	55,279,947
At 31 December 2021	**12,136,529**	**(7,065,614)**	**(18,338)**	**1,820,479**	**569,486,063**	**576,359,119**	**67,818,247**	**644,177,366**
Net profit for the year	–	–	–	–	114,117,977	114,117,977	14,635,168	128,753,145
Other comprehensive loss	–	–	44,521	–	(2,960,512)	(2,915,991)	–	(2,915,991)
Total comprehensive income	**–**	**–**	**44,521**	**–**	**111,157,465**	**111,201,986**	**14,635,168**	**125,837,154**
Dividends (Note 22)	–	–	–	–	(39,421,921)	(39,421,921)	–	(39,421,921)
Other transactions	–	–	–	–	15,224	15,224	–	15,224
At 31 December 2022	**12,136,529**	**(7,065,614)**	**26,183**	**1,820,479**	**641,236,831**	**648,154,408**	**82,453,415**	**730,607,823**

Chairman of the Management Board — Yessekeyev K.B.

Chief financial officer — Atamuratova L.T.

Chief accountant — Urazimanova M.M.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 December 2022

In thousands of tenge	Note	2022	2021
Operating activities			
Profit before tax for the year		164,448,872	128,730,423
Adjustments for:			
Depreciation of property and equipment and right of use assets	8, 24	90,445,532	90,332,002
Amortisation of intangible assets	9	28,203,711	27,512,149
Impairment loss of non-financial assets	47	1,478,876	6,001,959
Impairment loss on financial assets	47	7,622,160	3,256,363
Net foreign exchange gain	40	(7,901,638)	(2,259,417)
Changes in employee benefit obligations		(8,472,796)	(871,089)
Write-down of inventories to net realizable value	36	314,205	521,450
Share in profits of associates	10	(380,019)	(512,364)
Finance costs	39	40,469,547	46,436,473
Finance income	39	(15,977,954)	(5,842,984)
Provisions for tax risks	31	1,019,959	2,226,548
Income from government grants	32	(6,331,898)	(6,285,022)
Loss on disposal of property and equipment, net		229,712	671,797
Loss on cancellation of lease agreements	24	–	319,436
Reversal of tax and related fines and penalties provision	31, 48	(2,130,246)	(682,820)
Operating cash flows before changes in operating assets and liabilities		**293,038,023**	**289,554,904**
Changes in operating assets and liabilities			
Change in trade receivables		(15,518,083)	(5,253,423)
Change in inventories		(2,208,765)	3,005,825
Change in other current assets		3,700,055	(7,199,343)
Change in advances paid		1,294,313	(2,829,011)
Change in trade payables		18,881,620	6,895,576
Change in cost to obtain contracts and cost to fulfil contracts		(67,605)	(535,474)
Change in contract liabilities		2,645,145	5,123,969
Changes in other current liabilities		21,808,177	16,944,554
Cash flows from operating activities		**323,572,880**	**305,707,577**
Income tax paid		(33,721,779)	(28,239,119)
Interest paid	47	(39,103,847)	(44,661,377)
Interest received		14,224,876	4,372,735
Net cash flows from operating activities		**264,972,130**	**237,179,816**

In thousands of tenge	Note	2022	2021
Investing activities			
Purchase of property and equipment		(101,551,623)	(83,802,273)
Purchase of intangible assets		(19,948,771)	(17,425,609)
Proceeds from sale of property and equipment, intangible assets		1,724,661	1,797,882
Cash paid for assets under reverse repurchase agreements	19	–	(49,999,824)
Purchase of financial assets at amortized cost	19	(84,163,285)	(140,018,401)
Proceeds from redemption of financial assets at amortized cost	19	69,350,275	158,630,603
Cash received from assets under reverse repurchase agreement	19	49,999,824	–
Placement of deposits	13, 18	(908,440)	(10,136,700)
Refund on deposits	13, 18	9,227,472	–
Proceeds from disposal of subsidiary, net of cash disposed	44	–	987,132
Issue of long-term loans to employees		(2,018,873)	(935,162)
Repayment of loans by employees		496,026	472,912
Return of cash restricted in use		–	7,548
Dividends received from associate	10	76,855	35,201
Net cash flows used in investing activities		**(77,715,879)**	**(140,386,691)**
Financing activities			
Borrowings received	47	–	62,500,000
Borrowings repaid	47	(66,673,091)	(107,240,887)
Dividends paid to equity holders of the Parent	22	(39,511,557)	(17,661,587)
Dividends paid to non-controlling interests	6, 22	–	(4,394,500)
Repayment of principal portion of lease liabilities	47	(13,759,891)	(15,072,509)
Proceeds from sale of non-controlling shares	5	–	55,279,947
Net cash flows used in financing activities		**(119,944,539)**	**(26,589,536)**
Effect of exchange rate changes on cash and cash equivalents		7,703,007	2,201,914
Effect of changes in expected credit losses	21	(2,404)	(4,830)
Net change in cash and cash equivalents		75,012,315	72,400,673
Cash and cash equivalents, as at 1 January	21	167,109,839	94,709,166
Cash and cash equivalents, as at 31 December	**21**	**242,122,154**	**167,109,839**

Disclosure of significant non-cash transactions is presented in Note 45.

Chairman of the Management Board — Yessekeyev K.B.

Chief financial officer — Atamuratova L.T.

Chief accountant — Urazimanova M.M.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Kazakhtelecom JSC (the "Company" or "Kazakhtelecom") was established in June 1994 in accordance with the legislation of the Republic of Kazakhstan.

The Company is incorporated, domiciled and operates in the Republic of Kazakhstan. The legal address of the Company is: 12 Sauran Str., Astana, 010000, Republic of Kazakhstan.

The Company is controlled by the Government of the Republic of Kazakhstan through Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna" or the "Parent"), which owns 51% of the Company's controlling shares. Below is a list of the Company's shareholders as at 31 December 2022:

	At 31 December 2022	At 31 December 2021
Samruk-Kazyna	51.0%	51.0%
Committee of State Property and Privatization of the Ministry of finance of the Republic of Kazakhstan	28.2%	–
ADR (The Bank of New York – depositor)	9.6%	9.6%
Corporate fund "Development fund"	3.4%	3.4%
SKYLINE INVESTMENT COMPANY S.A.	–	24.5%
Alatau Capital Invest LLP	–	3.7%
Other	7.8%	7.8%
	100%	100%

The Company is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network ("PSTN"), connection services provided to third party telecommunication operators, and rental of phone channels to telecommunication operators for connection to PSTN.

The Company and its subsidiaries listed in Note 5 (hereinafter collectively referred to as the "Group") have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

These consolidated financial statements of the Group were approved for issue by the Chairman of the Management Board on behalf of the Management of the Company on 20 April 2023.

2. BASIS OF PREPARATION

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

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

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes continuation of the course of business, realization of assets and settlement of liabilities in the normal course of business.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2. BASIS FOR PREPARATION (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

For the first time, the Group has applied certain standards and amendments that are effective for annual reporting periods beginning on or after 1 January 2022 (unless otherwise indicated). The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under 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 include 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 as well as 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.

The amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts within the scope of these amendment that arose during the period.

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.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and 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

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.

These amendments had no impact on the consolidated financial statements of the Group 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.

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 consolidated financial statements of the Group 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**.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

IAS 41 Agriculture — Taxation in fair value measurements

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 Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

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

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

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

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Disclosures

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreementis classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities.

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

Definition of Accounting Estimates — Amendments to IAS 8

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

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

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

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

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

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

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

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

On 7th May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

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

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. The Group is currently assessing the impact of the amendments.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiary. Tenge is the currency of the primary economic environment in which the Company and its subsidiary operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION (CONTINUED)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate established by the "KASE" and published by the National Bank of the Republic of Kazakhstan (the "NBRK") at the reporting date. All translation differences are recognized in the consolidated statement of comprehensive income.

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

Foreign exchange rates are presented in the following table:

	31 December 2022	31 December 2021
US dollar	462.65	431.8
Euro	492.86	489.1
Russian rubles	6.43	5.76

The functional currency of foreign operation KT-IX LLC (Russian Federation) is Russian rubles. During consolidation the assets and liabilities of foreign operation are translated into tenge at the rate of exchange prevailing at the reporting date and its statement of comprehensive income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 **Financial Instruments**, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

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

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

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

CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 (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 in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

FAIR VALUE MEASUREMENT

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the Note 47.

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 Group.

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

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

The Group uses valuation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

The respective unit of the Group (hereinafter, the "Working Group") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations. The composition of the Working Group is determined by the Management of the Group.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Working Group after discussion with and approval by the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Working Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

The Working Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Working Group and external valuers of the Group provide valuation results to the Audit Committee and independent auditors of the Group on a regular basis that assumes discussion of main assumptions used in valuation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Please refer to asset retirement obligation (Note 27) for further information about decommissioning provision recognised.

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

	Years
Buildings	50
Constructions	10-20
Telecommunication equipment	3-20
Other	3-20

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Land is not depreciated

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

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

Construction-in-progress

Construction-in-progress represents property and equipment under construction and machinery and equipment awaiting installation and is recorded at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. When construction of such assets is completed or when the machinery and equipment are ready for their intended use, construction-in-progress is transferred to the appropriate category of depreciable assets. Construction-in-progress is not depreciated.

INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing component 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. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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 Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets have finite useful lives.

Intangible assets with finite useful 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 amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Expenses on amortization of intangible assets with finite useful life are recognized in the consolidated 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 consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets are amortized on a straight-line basis within the following estimated useful lives.

	Годы
Licenses	3-20
Computer software	1-14
Customer base	8-10
Other	2-15

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: the fair value of an asset (cash generating unit) less costs of disposal and its value in use (cash generating unit). 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 (five) years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Goodwill

Goodwill is tested for impairment annually as at 31 December (Note 11), and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Financial assets of the Group include cash and cash equivalents, trade receivables, financial assets at amortized cost and other current financial assets.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (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 Group's financial assets at amortised cost includes trade receivables, loans to employees, bank deposits and other non-current and current financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed excluded from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

Financial assets carried at amortised cost

The Group 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 Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the 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, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, 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 and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise trade payables, loans and borrowings, lease liabilities, debt component of preferred shares.

Subsequent measurement

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

Loans and borrowings

This category is the most relevant to the Group. 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 fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. Further details are contained in Note 23.

Financial guarantee obligations

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 **Financial Instruments** and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 **Revenue from Contracts with Customers**.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Subsequent measurement (continued)

Debt component of preferred shares recorded in liabilities

The debt component of the preferred shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding minimal guaranteed dividends on those shares are charged as interest expense in the consolidated statement of comprehensive income. On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows at a market interest rate for a comparable debt instrument. The fair value of the equity component on initial recognition is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. Subsequently, the liability component is measured according to the same principles used for loans and borrowings, and the equity component is not remeasured in subsequent years.

Trade payables

Liabilities for trade payables are recognised at fair value to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

LEASES

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

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Buildings and constructions	5-10
Equipment	3-15

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section **Impairment of non financial assets**.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Group as a lessor

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

INVENTORIES

Inventories are valued at the lower of: cost of acquisition and net realisable value.

Cost comprise expenses 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 estimated costs of completion and the estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. All inventories are determined based on weighted average cost method.

CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

REVERSE REPURCHASE AGREEMENTS

Securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

PROVISIONS

General

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

EMPLOYEE BENEFIT

Social tax

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

Besides, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement, except as provided below.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement. Upon retirement of employees, all pension payments are administered by the pension funds directly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFIT (CONTINUED)

Defined benefits pension plan

In accordance with the Collective Agreement the Company provides certain long-term and retirement benefits to some of its employees (the “Defined Benefit Scheme”).

Long-term benefits are paid to employees upon completion of a certain number of years of service whereas retirement benefits represent one-off payments paid upon retirement in accordance with the the Collective Agreement. Both items vary according to the employee’s average salary and length of service.

Cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit obligation and the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset. The Group recognises the outlined changes of net defined benefit obligation in the lines: “cost of sales”, “general and administrative expenses” in the consolidated statement of comprehensive income.

CASH DIVIDEND AND NON-CASH DISTRIBUTION TO EQUITY HOLDERS OF THE PARENT

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

TREASURY SHARES

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the acquisition, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The Group’s activities mainly relates to the provision of data transmission services, rendering of fixed line and wireless phone services, rent of channels, local, intercity and international calls, interconnect / traffic transmission of other operators, value added services and sale of equipment and mobile devices.

At the beginning of the contract, the Group assesses the goods and services promised in the contract with the buyer and defines as a performance obligation each promise to transfer to the buyer a certain product or service or a set of certain goods or services.

The Group has concluded that it is acting as a principal in all of its revenue arrangements, since in all cases it is the main party that assumed obligations under the contract, controls the goods and services before transferring them to the customer.

Rendering of services

The main sources of income of the Group are the provision of wireless and fixed line local, long-distance and international telecommunication services.

Interconnection fees from domestic and foreign telecommunication operators are recognized when the services are rendered based on the actual minutes of traffic transferred through the network.

Revenue from international and intercity calls and calls to local operators are recognized at the time the call is made over the Group’s network.

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet services or voice services, are recognised as revenue over time on a straight-line basis. Revenue from dial up internet is recognized based on the actual airtime provided to the customers.

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognised on a straight-line basis over the period to which it relates.

Non-refundable upfront fees received for initial connection of new subscribes to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer period and industry practice.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Equipment provided to customers

The Group provides Internet and other data transmission services and equipment for the provision of these services, including modem, routers and others.

Based on the analysis of current operating indicators, the Group concluded that equipment that cannot be used by the subscriber separately from the services of the Group is not a separately identifiable performance obligation.

The Group capitalized the cost of equipment provided free of charge as costs to fulfil a contract. Costs to fulfil a contract are amortized over the period the service is provided to the customer.

Sale of equipment and mobile devices

The Group may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Costs associated with the equipment are recognised when revenue is recognised. The revenue is allocated to separate product and services on a relative stand-alone selling price method.

The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices and telecommunication services. Customised equipment that can be used only in connection with services or products provided by the Group is not accounted for separately and revenue is deferred over the total service arrangement period.

In revenue arrangements where more than one performance obligation, transaction price is allocated between the goods and services using relative stand-alone selling price method. Determining the transaction price for each separate performance obligation can require complex estimates. The Group generally determines the stand-alone selling price for each separate performance obligation based on prices at which the good or services are regularly sold on a stand-alone basis after considering volume discounts where appropriate.

Roaming discounts

The Group enters into roaming discount agreements with a number of wireless operators. According to the terms of the agreements the Group is obliged to provide and entitled to receive a discount that is generally dependent on the volume of inter operator roaming traffic. The Group uses various estimates and assumptions, based on historical data and adjusted for known changes, to determine the amount of discount to be received or granted. Such estimates are adjusted monthly to reflect newly-available information.

The Group accounts for discounts received as a reduction of roaming expenses and discounts granted as reduction of roaming revenue. The Group considers terms of the various roaming discount agreements to determine the appropriate presentation of amount of receivable from and payable to its roaming partners in its consolidated statement of financial position.

Significant financing component

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

The Group also receives long-term advances from customers for the connection to international telecommunication network. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Costs to obtain a contract

The Group sells part of payment scratch cards, sim cards, and handsets using sales agents. The Group pays commission to sales agents for new connected subscribers in the B2C segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Government grants and compensation for provision of universal services in rural areas

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government grants and compensation for provision of universal services are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

CONTRACT BALANCES

Contract assets

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

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section **Financial instruments — initial recognition and subsequent measurement**.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRACT BALANCES (CONTINUED)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

INTEREST INCOME

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income.

DIVIDENDS

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

EXPENSE RECOGNITION

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

Connection cost

The Group records connection costs incurred and attributable to the related deferred income over the expected period of the customer relationship.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group 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 at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated 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 recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in transaction that is not a business combination and, at the same time of 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.

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 arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX (CONTINUED)

Deferred tax (continued)

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

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

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

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

CONTINGENT ASSETS AND LIABILITIES

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Contingent liabilities are not recognized in the consolidated financial statements unless an outflow of resources embodying economic benefits has become probable. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

RELATED PARTIES

In accordance with IAS 24 **Related Party Disclosures**, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with related parties are used to reflect the status of settlements for property, works and services received from companies or sold to companies that are related parties to the Group. Items of a similar nature are disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Financial instruments and financial risk management objectives and principles — Note 47;
- Sensitivity analyses disclosures — Notes 11 and 25.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options — Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of space for technical sites with shorter non cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

ESTIMATES AND ASSUMPTIONS

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

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

ESTIMATES AND ASSUMPTIONS (CONTINUED)

Useful lives of property and equipment and intangible assets

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

In 2021 the Group started optimization and modernization of network, swapping from old end of life equipment, expansion of capacity and coverage of network according to approved investment plan and strategy of the Group in order to achieve strategic goals to strengthen and form leading positions in the telecommunication markets of the Republic of Kazakhstan. The Group plans to dismantle certain base stations on locations earlier and install upgraded. Such business operation shall provide further savings on capital expenditures and provide a better competitive position in the market. Therefore, in 2021, the Group reassessed the remaining useful lives of certain telecommunication equipment that is subject for dismantling earlier than initially planned or otherwise would not be used once integration process is finalized. The Group performed reassessment from 1 January 2021, which resulted in decrease in remaining useful life of those assets by 4 years on average. The change in the remaining useful life led to an overall increase in depreciation charges for the year ended 31 December 2022, in the amount of KZT 2,889,119 thousand (for the year ended 31 December 2021, in the amount of KZT 2,152,469 thousand).

The effect of change in estimate for 2023-2026 approximated to KZT 540,000 thousand.

	2023	2024	2025	Total
Accelerated depreciation	180.000	180.000	180.000	540.000

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs of disposal 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 5 (five) years and do not include restructuring activities that the Group 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 growth rates used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

Provision for expected credit losses

The Group recognizes provision for expected credit losses for trade receivables, other current financial assets and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are 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 Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 16.

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

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

Thus, as at 31 December 2022 provision for expected credit losses was created in the amount of KZT 18,309,842 thousand (2021: KZT 11,427,430 thousand) (Notes 13, 16, 18 and 21). Changes in the economy, industry or specific customer conditions would have impact to these allowances recorded in the consolidated financial statements.

Significant financing component

The Group concludes that certain long-term contracts contain significant financing components due to the time interval between the provision of the Group's services to the customer and the moment the customer pays for such services.

The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Costs to obtain a contract

The Group considers commission to sales agents to be an additional cost to obtain a contract, and capitalizes such costs as an asset on expenses under contracts with customers. The Group depreciates the costs to obtain a contract with customers on a systematic basis, which corresponds to the timing of the provision of services to customers. The Group reviews depreciation periods if the expected service dates have changed.

Contract liabilities

Deferred revenues are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from contracts with customers set out in IFRS 15, industry practice and the Company's historical churn rate.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

ESTIMATES AND ASSUMPTIONS (CONTINUED)

Non-refundable upfront fees

Upfront fees received for activation and connection to the fixed line and wireless network that do not represent a separate earning process are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from connection fees set out in IFRS 15, industry practice and the Company's historical churn rate. As at 31 December 2022, average customer relationship period is assessed as 13 (thirteen) years for fixed line customers and 5 (five) years for internet customers.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

In 2021, Kazakhtelecom JSC together with its subsidiaries, Kcell JSC and Mobile Telecom-Service LLP (further "MTS") developed network integration plan. In accordance with integration plan, the Group reassessed maturity of decommissioning of certain telecommunication base stations across Kazakhstan and reflected effect on asset retirement obligation estimation. Impacts are disclosed in Note 27.

Employee benefit obligations

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit obligation and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future salary increases). Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The current portion of employee benefit obligations represents the obligations which the Group is going to repay within the twelve months period since the end of the annual reporting period.

In determining the appropriate discount rate, management of the Group considers the interest rates of high-yield corporate bonds in respective currencies.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about employee benefit obligations are contained in Note 25.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2022, deferred tax assets of the Group were equal to KZT 1,470,763 thousand (at 31 December 2021: KZT 660,170 thousand). Further details are contained in Note 43.

Leases — estimating the incremental borrowing rate

For those lease agreements, for which the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value measurement of financial instruments

When the fair value of financial instruments and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on data in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements. For more details on the fair values refer to Note 47.

5. CONSOLIDATION

The following subsidiaries have been included in these consolidated financial statements:

		Percentage ownership	
	Country of incorporation	31 December 2022	31 December 2021
Mobile Telecom-Service LLP	Kazakhstan	100.00%	100.00%
KT-IX LLC	Russia	100.00%	100.00%
VostokTelecom LLP	Kazakhstan	100.00%	100.00%
Digital Economy Development Center LLP	Kazakhstan	100.00%	100.00%
Nursat+ LLP	Kazakhstan	100.00%	100.00%
KT-Telecom JSC	Kazakhstan	100.00%	100.00%
Kcell JSC	Kazakhstan	51.00%	51.00%
Khan Tengri Holding B.V.	Netherlands	–	100.00%

5. CONSOLIDATION (CONTINUED)

On 21 September 2021, the Board of Directors of Kazakhtelecom JSC decided to sell 24% of shares in the authorized equity of Kcell JSC through open trading on the Kazakhstan Stock Exchange (KSE). On 30 September 2021, the Group sold 24% of the voting shares of Kcell JSC, as a result of which the Group's share decreased to 51%. For the sale of this share to non-controlling shareholders, compensation was received in cash in the amount of KZT 55,279,947 thousand. The book value of the net assets of Kcell JSC (excluding goodwill recognized at the initial acquisition) at the date of sale was KZT 119,205,613 thousand.

On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V. that was the holder of shares in Mobile Telecom-Service LLP) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the stake in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC.

On 26 December 2022, the Company transferred the remaining funds in the bank account in full as Liquidation Proceeds to Kazakhtelecom JSC. The amount of funds received amounted to KZT 1,562,180 thousand. The liquidation of Khan Tengri Holding B.V. ended on 27 December 2022.

6. MATERIAL PARTLY-OWNED SUBSIDIARIES

KCELL JSC

The following is a summary of financial information of the subsidiary that has material non-controlling interests of 49%. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income of Kcell JSC for 2022 and 2021 from the acquisition date:

In thousands of tenge	2022	2021
Revenue from contracts with customers	219,002,382	194,080,886
Income from government grants	2,229,406	2,108,241
Cost of sales	(149,370,828)	(138,991,033)
General and administrative expenses	(16,259,344)	(14,137,364)
Impairment of financial assets	(6,265,499)	(2,106,078)
Impairment of non-financial assets	–	(588,658)
Selling expenses	(2,713,999)	(3,105,692)
Reversal of tax and related fines and penalties provision	–	682,820
Finance costs	(9,269,786)	(10,326,302)
Finance income	4,349,947	2,560,723
Net foreign exchange income	(32,355)	402,606
Other income	1,185,572	794,569
Other expenses	(736,966)	(1,296,604)
Profit before tax	**42,118,530**	**30,078,114**
Income tax expenses	(12,250,840)	(8,071,206)
Profit for the year	**29,867,690**	**22,006,908**
Profit attributable to equity holders of the Parent	15,232,522	15,322,612
Profit attributable to non-controlling interests	14,635,168	6,684,296
Dividends paid to non-controlling interests	–	4,394,500

Summarised consolidated statement of financial position of Kcell JSC as at 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Non-current assets	217,067,822	214,368,308
Current assets	103,311,358	86,413,592
Non-current liabilities	(75,740,005)	(85,572,007)
Current liabilities	(67,646,745)	(68,086,154)
Total equity	**176,992,430**	**147,123,739**
Attributable to:		
Equity holders of the Participants	94,539,015	79,305,492
Non-controlling interests	82,453,415	67,818,247

Summarised consolidated cash flow information of Kcell JSC for the years ended 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Operating cash flows	65,928,336	74,056,106
Investing cash flows	(52,463,179)	(12,452,350)
Financing cash flows	(18,370,212)	(33,652,906)
Foreign exchange effect on cash and cash equivalents	(249,271)	428,455
Net increase in cash and cash equivalents	**(5,154,326)**	**28,379,305**

7. SEGMENT INFORMATION

For management purposes, the Group represents business units based on the organizational structure of the Group and has reportable operating segments as follows:

- Rendering fixed-line telecommunication services by business units of Kazakhtelecom JSC, Vostoktelecom LLP;
- Rendering mobile telecommunication services in GSM and LTE standards by business units of Mobile Telecom-Service LLP and Kcell JSC.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables disclose revenue and profit information for the Group's operating segments for the years ended 31 December 2022 and 2021.

7. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022

In thousands of tenge	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	232,536,678	387,613,412	1,687,492	–	621,837,582
Inter-segment	38,598,380	20,358,415	2,044,761	(61,001,556)	–
Total revenue from contracts with customers	**271,135,058**	**407,971,827**	**3,732,253**	**(61,001,556)**	**621,837,582**
Compensation for provision of universal services in rural areas	6,326,916	–	–	–	6,326,916
Income from government grants	1,755,766	4,576,132	–	–	6,331,898
Total	**279,217,740**	**412,547,959**	**3,732,253**	**(61,001,556)**	**634,496,396**
Financial results					
Depreciation and amortisation	(38,410,683)	(81,842,592)	(65,294)	1,669,326	(118,649,243)
Finance costs	(22,615,516)	(19,528,225)	5,453	1,668,741	(40,469,547)
Finance income	9,644,772	7,770,013	72,199	(1,509,030)	15,977,954
Dividends income	45,548,416	–	–	(45,548,416)	–
Share in profits of associates	–	–	380,019	–	380,019
Impairment losses on non-financial assets	8,275	(1,463,856)	(23,295)	–	(1,478,876)
Impairment losses on financial assets	(822,142)	(6,631,371)	(16,100)	(152,547)	(7,622,160)
Income tax expenses	(7,156,518)	(33,258,755)	(58,895)	4,778,441	(35,695,727)
Segment profit before tax /(loss before tax)	**96,922,361**	**112,450,208**	**775,217**	**(45,698,914)**	**164,448,872**
Operating assets	**1,231,669,037**	**800,777,903**	**2,349,528**	**(748,062,653)**	**1,286,733,815**
Operating liabilities	**300,556,012**	**291,337,564**	**1,460,707**	**(37,228,291)**	**556,125,992**
Other disclosures					
Investments in associates (Note 10)*	–	–	3,763,284	–	3,763,284
Capital expenditures	55,588,403	70,521,370	16,980	–	126,126,753

* On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender. At 31 December 2022, assets and liabilities of QazCloud LLP were classified as an assets held for sale.

For the year ended 31 December 2021

In thousands of tenge	Fixed line	Mobile telecommunication services in GSM and LTE standards	Other	Eliminations and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	232,578,232	347,749,151	1,167,837	–	581,495,220
Inter-segment	38,643,063	16,992,770	1,733,903	(57,369,736)	–
Total revenue from contracts with customer	**271,221,295**	**364,741,921**	**2,901,740**	**(57,369,736)**	**581,495,220**
Compensation for provision of universal services in rural areas	6,412,945	–	–	–	6,412,945
Income from government grants	1,930,763	4,354,259	–	–	6,285,022
Total	**279,565,003**	**369,096,180**	**2,901,740**	**(57,369,736)**	**594,193,187**
Financial results					
Depreciation and amortisation	(38,758,287)	(80,619,313)	(32,971)	1,566,420	(117,844,151)
Finance costs	(25,129,166)	(22,896,207)	–	1,588,900	(46,436,473)
Finance income	4,110,254	3,308,252	–	(1,575,522)	5,842,984
Dividends income	37,484,192	–	–	(37,484,192)	–
Share in profit of associates	–	–	512,364	–	512,364
Impairment losses on non-financial assets	(2,654,397)	(3,347,563)	1	–	(6,001,959)
Impairment losses on financial assets	(632,827)	(2,637,118)	9,543	4,039	(3,256,363)
Income tax expenses	(9,818,899)	(21,241,803)	(53,588)	(172,347)	(31,286,637)
Segment profit before tax /(loss before tax)	**86,234,388**	**85,635,478**	**700,168**	**(43,839,611)**	**128,730,423**
Operating assets	**794,655,256**	**749,504,167**	**5,467,577**	**(315,041,705)**	**1,234,585,295**
Operating liabilities	**315,082,967**	**296,628,298**	**1,438,901**	**(22,742,237)**	**590,407,929**
Other disclosures					
Investments in associates (Note 10)	–	–	3,460,120	–	3,460,120
Capital expenditures	38,636,762	74,950,823	60,533	(1,420)	113,646,698

1. Income and expenses between segments are excluded during consolidation;
2. Finance costs and finance income comprise intersegment finance costs and intersegment finance income;
3. Operating income of segments comprises income from intersegment transactions;
4. Capital expenditures include additions to property and equipment and intangible assets.

7. SEGMENT INFORMATION (CONTINUED)

RECONCILIATION OF PROFIT

In thousands of tenge	2022	2021
Segment profit before tax	210,147,786	172,570,034
Other	(45,698,914)	(43,839,611)
Profit of the Group	164,448,872	128,730,423

RECONCILIATION OF ASSETS

In thousands of tenge	2022	2021
Segment operating assets	2,034,796,468	1,549,627,000
Elimination of the Company's investments in subsidiaries	(699,527,549)	(291,256,203)
Elimination of intra-group receivables and payables	(48,535,104)	(23,785,502)
Total assets of the Group	1,286,733,815	1,234,585,295

RECONCILIATION OF LIABILITIES

In thousands of tenge	2022	2021
Segment operating liabilities	593,354,283	613,150,166
Elimination of intra-group receivables and payables	(37,228,291)	(22,742,237)
Total liabilities of the Group	556,125,992	590,407,929

8. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2022 and 2021 were as follows:

In thousands of tenge	Land	Buildings and constructions	Equipment	Other	Construction in progress	Total
Cost						
At 1 January 2021	3,259,629	85,260,801	742,011,055	19,355,732	67,383,843	917,271,060
Additions	1,618	250,399	23,266,947	825,316	70,536,573	94,880,853
Asset retirement obligation (Note 27)	–	–	1,205,990	–	–	1,205,990
Transfers	–	4,215,650	50,412,085	526,897	(55,154,632)	–
Disposals	(33,438)	(960,382)	(20,203,697)	(226,382)	(21,529)	(21,445,428)
At 31 December 2021	3,227,809	88,766,468	796,692,380	20,481,563	82,744,255	991,912,475
Additions	832	580,753	15,214,917	1,833,506	90,721,644	108,351,652
Asset retirement obligation (Note 27)	–	–	(1,352,105)	–	–	(1,352,105)
Transfers to investment property	–	(3,536,100)	–	–	–	(3,536,100)
Transfers	(884)	1,039,978	28,701,043	371,155	(30,111,292)	–
Disposals	(390)	(1,060,398)	(16,998,345)	(252,377)	(1,343,346)	(19,654,856)
At 31 December 2022	3,227,367	85,790,701	822,257,890	22,433,847	142,011,261	1,075,721,066
Accumulated depreciation and impairment						
At 1 January 2021	–	25,388,943	405,434,476	14,250,000	9,150,305	454,223,724
Depreciation charge	–	3,868,538	71,219,221	1,604,877	–	76,692,636
Impairment	–	(95,100)	974,512	11,446	3,055,954	3,946,812
Disposals	–	(449,527)	(18,326,683)	(212,579)	–	(18,988,789)
At 31 December 2021	–	28,712,854	459,301,526	15,653,744	12,206,259	515,874,383
Depreciation charge	–	4,062,886	71,923,023	1,471,163	–	77,457,072
Impairment	–	(504)	164,157	(516)	1,013,226	1,176,363
Disposals	–	(1,001,000)	(16,670,356)	(223,120)	(1,324,266)	(19,218,742)
Transfers to investment property	–	(1,559,448)	–	–	–	(1,559,448)
At 31 December 2022	–	30,214,788	514,718,350	16,901,271	11,895,219	573,729,628
Net book value						
At 31 December 2021	3,227,809	60,053,614	337,390,854	4,827,819	70,537,996	476,038,092
At 31 December 2022	3,227,367	55,575,913	307,539,540	5,532,576	130,116,042	501,991,438

As at 31 December 2022 and 2021, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

During 2022, the building with a carrying value of KZT 1,976,652 thousand was transferred to investment real estate, since it was no longer used by the Group, and it was decided to lease the building to third and related parties. As of 31 December 2022, the fair value of investment property amounted to 2,700,000 thousand tenge (Note 12).

As at 31 December 2022, the gross carrying value of property and equipment which has been fully depreciated and still in use was KZT 478,739,825 thousand (as at 31 December 2021: KZT 436,917,636 thousand).

8. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2022, advances paid for non-current assets in the amount of kzt 3,308,209 thousand mainly represented by advances paid for installation of base stations, construction and delivery of fixed assets (as at 31 december 2021: kzt 3,647,122 thousand). During 2022, the group has recognized impairment loss on its advances paid for non current assets for kzt 510,195 thousand (2021: kzt 111,377 thousand) (note 47).

IMPAIRMENT TEST

During 2022, the Group recognized impairment loss on equipment of KZT 164,157 thousand and on construction-in-progress of 1,013,226 thousand tenge (2021: impairment loss on property and equipment of KZT 890,858 thousand and impairment loss on construction-in- progress of KZT 3,055,954 thousand), which represented the write-off of certain assets to recoverable value as a result of technological obsolescence and damage. Impairment was recognized in the consolidated statement of comprehensive income as an operating expense.

9. INTANGIBLE ASSETS

Movements of intangible assets for 2022 and 2021 were as follows:

In thousands of tenge	Licenses	Software	Other	Intangible assets under development	Total
Cost					
At 1 January 2021	**226,039,966**	**44,655,920**	**21,128,003**	**472,733**	**292,296,622**
Additions	7,260,626	8,165,812	1,145,772	987,645	17,559,855
Disposals	(3,154,844)	(327,080)	(1,847,433)	–	(5,329,357)
Transfers	(240,107)	1,227,752	–	(987,645)	–
At 31 December 2021	**229,905,641**	**53,722,404**	**20,426,342**	**472,733**	**304,527,120**
Additions	8,076,875	10,863,912	186,419	–	19,127,206
Disposals	(1,249,434)	(2,336,957)	(614)	–	(3,587,005)
Transfers	45,555	(47,777)	2,222	–	–
At 31 December 2022	**236,778,637**	**62,201,582**	**20,614,369**	**472,733**	**320,067,321**
Accumulated amortisation and impairment					
At 1 January 2021	**37,971,380**	**30,596,771**	**5,901,858**	**472,733**	**74,942,742**
Amortisation charge	17,620,372	8,055,489	1,836,288	–	27,512,149
Disposals	(3,142,446)	(326,438)	(1,847,433)	–	(5,316,317)
Impairment	565,793	1,397,968	–	–	1,963,761
At 31 December 2021	**53,015,099**	**39,723,790**	**5,890,713**	**472,733**	**99,102,335**
Amortisation charge	19,120,305	7,212,809	1,870,597	–	28,203,711
Reversal of impairment	(93,265)	(218,066)	–	–	(311,331)
Disposals	(1,133,352)	(935,321)	(220)	–	(2,068,893)
At 31 December 2022	**70,908,787**	**45,783,212**	**7,761,090**	**472,733**	**124,925,822**
Net book value					
At 31 December 2021	**176,890,542**	**13,998,614**	**14,535,629**	**–**	**205,424,785**
At 31 December 2022	**165,869,850**	**16418,370**	**12,853,279**	**–**	**195,141,499**

Licenses and trademarks, software and other include intangible assets acquired as a result of business combinations.

During 2022, the Group recognized income from reversal of impairment of intangible assets of KZT 311,331 thousand (31 December 2021: loss of impairment of intangible assets of KZT 1,963,761 thousand). The income was recorded in the consolidated statement of comprehensive income as an operating income .

As at 31 December 2022 the gross carrying value of intangible assets, which have been fully amortized non-financial assets was KZT 69,108,150 thousand (as at 31 December 2021: KZT 68,599,192 thousand).

On 22-23 December 2022 the Group participaterd in an open electronic auction of radio frequencies for the fifth generation of mobile communications (5G). Internet trading was organized by Ministry of Digital Development, Innovation and Aerospace Industry. Participants competed for the 3600-3700 MHz (100 MHz) and 3700-3800 MHz (100 MHz) radio frequency bands for 5G technology. The Group paid starting price of the auction of KZT 3,522,450 thousand to participate in the auction. The Group consisting of Mobile Telecom Service LLP (under the Tele2 and Altel brands) and Kcell JSC (under the Kcell and Activ brands) won the auction by bidding final price of KZT 156,069,426 thousand. The balance of the final bid price less initially paid starting price will be paid in 2023. The Group classified prepayment of KZT 3,522,450 thousand as non-current as result of the auction was already known.

10. INVESTMENTS IN ASSOCIATES

The following associates have been included in these consolidated financial statements:

			31 December 2022		31 December 2021	
In thousands of tenge	Primary activities	Country of incorporation	Carrying amount	Ownership share	Carrying amount	Ownership share
QazCloud LLP	IT services	Kazakhstan	–	–	3,460,120	49%
			–		3,460,120	

Movements in investments in associates for the years 2022 and 2021 are as follows:

In thousands of tenge	QazCloud LLP
At 1 January 2021	**2,982,957**
Share in profits of associates	512,364
Dividends declared	(35,201)
At 31 December 2021	**3,460,120**
Share in profits of associates	380,019
Dividends declared	(76,855)
Transfers to assets held for sale	(3,763,284)
At 31 December 2022	**–**

On 20 September 2022 the Board of Directors of Kazakhtelecom JSC decided to sell 49% of share of QazCloud LLP through an open two-stage tender.

On 26 December 2022 the results of the tender for realization were announced with the selling price of KZT 4,590,010 thousand. The tender winner was selected. In accordance with the tender terms, the conclusion of sale and purchase agreement can only be made after the approval of Samruk-Kazyna, the Parent of the Group. The Group assesses the sale of QazCloud LLP as highly probable.

10. INVESTMENTS IN ASSOCIATES (CONTINUED)

Investment in associate of QazCloud LLP was classified as an assets held for sale from 20 September 2022. The Group discontinued the use of the equity method from the date that the investment was classified as held for sale. Instead, the associate is measured at the lower of its carrying amount and fair value less cost to sell.

During 2022, QazCloud LLP announced and paid dividends to the Group in the amount of KZT 76,855 thousand.

The table below provides a summarized financial information on the Group's investment in QazCloud LLP:

In thousands of tenge	31 December 2022	31 December 2021
Non-current assets	11,088,391	6,934,261
Current assets, including	5,374,394	5,822,194
Cash and cash equivalents	2,062,794	2,490,816
Non-current liabilities, including	(3,517,175)	(1,604,501)
Non-current financial liabilities	–	(99,284)
Current liabilities, including	(5,265,438)	(4,090,485)
Current financial liabilities	(2,989,889)	(2,657,079)
Equity	**7,680,172**	**7,061,469**
Transfer to assets held for sale	(3,763,284)	–
Share of the ownership – 49%	–	3,460,120
Carrying amount of the investment of the Group	**–**	**3,460,120**

В тыс. тенге	2022	2021
Revenue from contracts with customers	10,047,578	13,423,846
Depreciation and amortization	(2,019,180)	(2,072,460)
Finance income	53,325	42,134
Finance costs	(444,341)	(421,906)
Income tax expense	(25,622)	(261,410)
Profit for the year	**775,549**	**1,045,640**
Total comprehensive income	**775,549**	**1,045,640**
Share of the Group in profit for the year	**380,019**	**512,364**

11. IMPAIRMENT TESTING

GOODWILL

For impairment testing, goodwill acquired through business combinations was allocated to three cash-generating units ("CGUs") ("IP TV", "Kcell JSC" and "Khan Tengri Holding B.V."). On 30 September 2022, Kazakhtelecom JSC (sole owner of all issued and paid-up equity of Khan Tengri Holding B.V.) decided to liquidate Khan Tengri Holding B.V. According to the Distribution Act, all assets, including 100% of the share in Mobile Telecom-Service LLP, were transferred to Kazakhtelecom JSC. Accordingly, goodwill acquired through business combinations of purchase of Khan Tengri Holding B.V. was allocated to 100% of the share in Mobile Telecom-Service LLP.

IP TV CGU is part of the fixed telecommunications segment, while Kcell JSC and Mobile Telecom-Service LLP are the part of the mobile telecommunication segment. The carrying amount of goodwill allocated to each of CGUs was as follows:

In thousands of tenge	2022	2021
Mobile Telecom-Service LLP	96,205,967	96,205,967
Kcell JSC	53,489,943	53,489,943
IP TV	2,706,335	2,706,335
	152,402,245	152,402,245

The Group performed its annual impairment test in December 2022 and 2021.

MOBILE TELECOM-SERVICE LLP

The recoverable amount of the Mobile Telecom-Service LLP (further "MTS") CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

The discount rate of 2022: 16.33% (2021: 21.09%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of MTS 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of MTS goodwill was recognised.

KCELL JSC

The recoverable amount of the Kcell JSC (further "Kcell") CGU has been determined based on a discounted cash flow model as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

The discount rate of 2022: 16.33% (2021: 19.56%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. Forecasted cash flows till to 2027 were based on five-years business plan of Kcell JSC 2023-2027, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2028 was forecasted by applying expected inflation rate of 2022: 1.5% (2021: 1.5%).

As at 31 December 2022 and 2021 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of Kcell JSC goodwill was recognised.

11. IMPAIRMENT TESTING (CONTINUED)

IP TV

The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections is 14.97% (2021: 16.94%), and cash flows beyond the

five-year period are extrapolated using a 1.5% growth rate (2021: 1.5%).

As a result of the analysis, management did not identify an impairment for this CGU as at 31 December 2022.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The calculation of value-in-use for IPTV, MTS and Kcell CGUs is most sensitive to the following assumptions:

- Customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates;
- The level of capital investments included in the financial plan;
- EBITDA margin included in the financial plan;
- Growth rate for cash flow extrapolation beyond the forecast period;
- Discount rate.

Customer base and average revenue per customer

The customer base and average revenue per customer is important because management of the Group estimates how the unit's position may change over the forecast period against its competitors.

The Group expects to increase IPTV customer base over the forecast period, as the Group plans to use the advantage of Kazakhtelecom JSC infrastructure to increase the market share of Kazakhtelecom JSC.

The Group's management expects an increase in the customer base of mobile segment over the forecast period based on forecasted increase in population. As a result, the Group expects modest increase in revenue of the unit over the entire forecast period.

Level of capital investments

The level of capital investments is important in MTS and Kcell CGUs because it defines the ability of the unit to technically maintain its customer base and meet the changing market requirements. The level of investments is determined by the needs of the units in completing the technical integration of the two networks in a timely manner, as well as the need to secure and strengthen the advantages of covering the public demand for communication services and improve network quality.

EBITDA margin

EBITDA margin reflects the rate of return included by the unit MTS and Kcell JSC CGUs into its financial plan with consideration of market conditions, competition and other factors. The growing dynamics of this index corresponds to operational growth of the unit and related cost savings.

Growth rates

Rates are based on published industry research.

Discount rate

Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the CGU underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

SENSITIVITY TO CHANGES IN ASSUMPTIONS — IP TV

The effect of changes in key assumptions on the recoverable amount is discussed below:

Customer base, average revenue per customer and revenue growth rates

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 8.40% (2021: 8.08%), would result in a loss from impairment in IP TV GCU for KZT 82,195 thousand (2021: KZT 59,462 thousand).

Level of capital investments

Increase in capital investments by more than 255% (2021: 240%) would result in loss from impairment in IP TV CGU for KZT 16,095 thousand (2021: KZT 2,523 thousand).

Growth rates

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction in the long-term growth rate in IP TV CGU would not result in impairment loss.

Discount rate

An increase in discount rate by 23% from 14.97% to 18.42% (2021: increase by 23.56% from 16.33% to 26.62%) would result in impairment loss in IP TV CGU for KZT 152,362 thousand (2021: KZT 47,663 thousand).

11. IMPAIRMENT TESTING (CONTINUED)

SENSITIVITY TO CHANGES IN ASSUMPTIONS — MTS

The effect of changes in key assumptions on the recoverable amount is discussed below:

Customer base, average revenue per customer and revenue growth rates

Although the management expects that the market share owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 16% (2021: 6.67%), would result in a loss from impairment in MTS CGU for KZT 1,065,907 thousand (2021: KZT 389,162 thousand).

Level of capital investments

Increase in capital investments by more than 94% (2021: 45%) would result in loss from impairment in MTS CGU for KZT 2,295,209 thousand (2021: KZT 3,481,170 thousand).

EBITDA margin

Decrease in EBITDA margin by 16% (2021: by 8%) would result in loss from impairment in MTS CGU for KZT 2,074,865 thousand (2021: KZT 2,210,532 thousand).

Growth rates

A reduction in the growth rates in MTS CGU would not result in impairment loss.

Discount rate

An increase in discount rate by 82% from 16.33% to 29.72% (2021: by 31% from 21.09% to 27.63%) would result in impairment loss in MTS CGU for KZT 167,873 thousand (2021: KZT 34,820 thousand).

SENSITIVITY TO CHANGES IN ASSUMPTIONS — KCELL JSC

The effect of changes in key assumptions on the recoverable amount is discussed below:

Customer base and average revenue per customer

Although the management expects that the market share of mobile telecommunications owned by the Group would grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 14.10% (2021: 11.87%), would result in a loss from impairment in Kcell CGU for KZT 180,275 thousand (2021: KZT 176,947 thousand).

Level of capital investments

Increase in capital investments by more than 93% (2021: 154%) would result in loss from impairment in Kcell CGU for KZT 336,528 thousand (2021: KZT 249,101 thousand).

EBITDA margin

Decrease in EBITDA margin by more than 13% (2021: 15%) would result in loss from impairment in Kcell CGU for KZT 4,111,354 thousand (2021: KZT 246,588 thousand).

Growth rates

A reduction in the growth rates in Kcell CGU would not result in impairment loss.

Discount rate

An increase in discount rate by 88% from 16.33% to 30.70% (2021: by 38.8% from 19.56% to 27.15%) would result in loss from impairment in Kcell CGU for KZT 1,378,723 thousand (2021: KZT 445,014 thousand).

12. INVESTMENT PROPERTY

Movements in investment property for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	Buildings and constructions	Total
Cost		
At 1 January 2021	**1,264,668**	**1,264,668**
At 31 January 2021	**1,264,668**	**1,264,668**
Transfer from property and equipment (Note 8)	3,536,100	3,536,100
At 31 December 2022	**4,800,768**	**4,800,768**
Accumulated depreciation and impairment		
At 1 January 2021	**1,264,668**	**1,264,668**
At 31 January 2021	**1,264,668**	**1,264,668**
Transfer from property and equipment (Note 8)	1,559,448	1,559,448
At 31 December 2022	**2,824,116**	**2,824,116**
Carrying amount		
At 31 January 2021	**–**	**–**
At 31 December 2022	**1,976,652**	**1,976,652**

Investment property as at 31 December 2021 is represented by an office building constructed in order to lease it out to the Government related entities.

The impairment of KZT 1,264,668 thousand represents the write down of the carrying amount of the investment property to its recoverable amount. The recoverable amount was based on analysis of value in use and fair value less costs to sell and estimated to be nil as at 31 December 2022 and 2021, as it is unlikely that the Group will receive reimbursement for its construction costs either through sale of the office building or rental payments. However, these assumptions may change in the future.

12. INVESTMENT PROPERTY (CONTINUED)

During 2022, the building with a carrying amount of KZT 1,976,652 thousand was transferred to investment real estate, since it was no longer used by the Group, and it was decided to lease the building to third and related parties. As of 31 December 2022, the fair value of investment property amounted to KZT 2,700,000 thousand. The fair value of investment property is determined by reference to significant unobservable in-puts (Level 3).

13. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31 December 2022 and 2021, other non-current financial assets comprised:

In thousands of tenge	2022	2021
Long-term trade receivable	4,344,884	4,147,622
Loans to employees	1,731,327	1,854,480
Long-term deposits	642,726	830,526
Cash restricted in use	–	43,243
Other	364,547	375,674
	7,083,484	7,251,545
Less: allowance for expected credit losses	(110,184)	(110,184)
	6,973,300	7,141,361

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	2022	2021
Allowance for expected credit losses at the beginning of the year	**(110,184)**	**–**
Charge for the year (Note 47)	–	(110,184)
Allowance for expected credit losses at the end of the year	**(110,184)**	**(110,184)**

As at 31 December 2022 and 2021, the Group's other non-current financial assets were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	6,973,300	7,098,118
US dollars	–	43,243
	6,973,300	7,141,361

As at 31 December 2022, the long-term accounts receivable represented by special agreements with customers for the purchase of contract phones for KZT 4,344,884 thousand (as at 31 December 2021: KZT 4,147,622 thousand). These long-term accounts receivable were discounted as at market interest rates of 18.1% per annum (2021: 7.5% per annum).

Loans to employees are interest free loans provided for the period from 1 to 15 years. These loans were discounted as at the issue date using market interest rates of 9.6% per annum to 19.1% (2021: from 9.6% to 19.1% per annum). Repayment of long-term loans to employees is made through withholding of amounts due from employees' salaries. Loans are secured by employees' real estate properties.

During 2022, the Group placed several long-term deposits in Halyk Bank of Kazakhstan JSC for the total amount of KZT 908,440 thousand (2021: KZT 1,977,700 thousand) with the maturity date in 2037 and an interest rate of 0.1% per annum (2021: 0.1%). These bank deposits were discounted as at the issue date using market interest rates of 4.1% per annum to 8% (2021: 4.1% per annum to 8%). As a result, the Group has recognized discount in the amount of KZT 609,330 thousand (2021: KZT 1,180,433 thousand). At the placement date, long-term deposits were recognized at its fair value equal to KZT 299,110 thousand (2021: KZT 797,267 thousand). During 2022 the Group withdrew KZT 871,358 thousand from deposits. During 2022 the Group has recognized amortization of discount for KZT 384,448 thousand (2021: KZT 33,259 thousand).

14. OTHER NON-CURRENT NON-FINANCIAL ASSETS

As at 31 December 2022 and 2021, other non-current non-financial assets comprised:

In thousands of tenge	2022	2021
Deferred connection cost of operators	6,104,403	4,907,385
Other	520,500	693,618
	6,624,903	5,601,003

15. INVENTORIES

As at 31 December 2022 and 2021, inventories comprised:

In thousands of tenge	2022	2021
Goods for resale at lower of cost and net realisable value	10,036,992	8,345,018
Cable materials at cost	1,797,938	1,592,830
Raw and other materials at cost	1,059,764	1,174,480
Fuel at cost	512,807	373,962
Spare parts at cost	449,813	476,464
	13,857,314	11,962,754

During 2022, an amount of KZT 314,205 thousand (2021: KZT 521,450 thousand) was recognized as expenses in respect of inventories recorded at net realizable value. In 2022, this amount was recorded within the item "General and administrative expenses" in the consolidated statement of comprehensive income.

16. TRADE RECEIVABLES

As at 31 December 2022 and 2021, trade receivables comprised:

In thousands of tenge	2022	2021
Trade receivables	58,301,294	43,125,578
	58,301,294	43,125,578
Less: allowance for expected credit losses	(12,996,108)	(6,252,535)
	45,305,186	36,873,043

16. TRADE RECEIVABLES (CONTINUED)

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	2022	2021
Allowance for expected credit losses at the beginning of the year	**(6,252,535)**	**(6,135,606)**
Charge for the year (Note 47)	(7,464,288)	(2,971,041)
Write-off for the year	720,715	2,854,112
Allowance for expected credit losses at the end of the year	**(12,996,108)**	**(6,252,535)**

Below is information as at 31 December 2022 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

		Days past due						
In thousands of tenge	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	Total
Estimated credit loss rate	0.68%	7.60%	23.01%	18.23%	26.31%	74.14%	100%	
Estimated total gross carrying amount at default	35,640,680	6,712,577	1,773,035	1,557,994	791,946	1,856,360	9,968,702	58,301,294
Allowance for expected credit losses	(240,876)	(509,907)	(407,929)	(283,988)	(208,392)	(1,376,314)	(9,968,702)	(12,996,108)

Below is information as at 31 December 2021 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

		Days past due						
In thousands of tenge	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	Total
Estimated credit loss rate	0.33%	6.41%	18.96%	21.48%	33.27%	70.72%	100%	
Estimated total gross carrying amount at default	30,226,850	4,261,151	1,452,441	1,031,152	528,807	1,430,581	4,194,596	43,125,578
Allowance for expected credit losses	(100,287)	(273,025)	(275,421)	(221,529)	(175,955)	(1,011,722)	(4,194,596)	(6,252,535)

As at 31 December 2022 and 2021, the Group's trade receivables were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	43,123,448	35,252,251
US dollars	1,972,245	1,413,021
Euro	200,812	199,179
Other currencies	8,681	8,592
	45,305,186	36,873,043

17. ADVANCES PAID

As at 31 December 2022 and 2021, advances paid comprised:

In thousands of tenge	2022	2021
Advances paid	6,211,957	7,509,687
	6,211,957	7,509,687
Less: allowance for impairment	(5,719)	(9,136)
	6,206,238	7,500,551

Movements in the allowance for impairment were as follows for the years ended 31 December:

In thousands of tenge	2022	2021
Allowance for impairment at the beginnings of the year	**(9,136)**	**(37,066)**
(Accrual) / Reversal for the year	(103,649)	19,991
Write-off for the year	107,066	7,939
Allowance for impairment at the end of the year	**(5,719)**	**(9,136)**

As at 31 December 2022 and 2021, advances paid for short term assets were given to contractors for services and delivery of inventories for operational activities of the Group.

18. OTHER CURRENT FINANCIAL ASSETS

As at 31 December 2022 and 2021, other current financial assets comprised:

In thousands of tenge	2022	2021
Bank deposits	3,399,500	11,558,500
Loans to employees (Note 13)	1,235,750	1,245,820
Restricted cash	912,769	912,769
Due from employees	375,093	372,763
Other accounts receivable	3,643,862	2,559,341
	9,566,974	16,649,193
Less: allowance for expected credit losses	(5,192,904)	(5,056,469)
	4,374,070	11,592,724

As at 31 December 2022 and 2021, the allowance for expected credit losses includes a provision in the amount of KZT 3,399,500 thousand accrued on a deposit placed in Eximbank Kazakhstan JSC due to the liquidation of the bank.

Restricted cash is cash on accounts with Kazinvestbank JSC and Eximbank Kazakhstan JSC in the amount of KZT 413,315 thousand and KZT 499,454 thousand, respectively, which are assessed as unlikely to be recovered due to the revocation of banking licenses. The provision for expected credit losses was taken into account for the entire amount of these funds.

18. OTHER CURRENT FINANCIAL ASSETS (CONTINUED)

As at 31 December 2021, the Group placed bank deposits with initial maturity of more than 3 (three) months but less than 12 (twelve) months, in tenge in VTB Bank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, in Sberbank JSC at the interest rate of 9.0% for KZT 3,000,000 thousand, and in USD dollars in Bank RBK JSC at the interest rate of 1.2% for KZT 2,159,000 thousand. The Group withdrew deposits from the banks during 2022 before its maturity for the total amount of KZT 8,305,500 thousand.

Changes in allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	2022	2021
Allowance for expected credit losses at the beginning of the year	**(5,056,469)**	**(4,901,841)**
Charge for the year (Note 47)	(155,468)	(168,526)
Write-off for the year	19,033	13,898
Allowance for expected credit losses at the end of the year	**(5,192,904)**	**(5,056,469)**

Below is information as at 31 December 2022 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

		Days past due						
In thousands of tenge	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	Total
Estimated credit loss rate	7.09%	5.04%	9.06%	10.40%	18.93%	29.87%	100%	
Estimated total gross carrying amount at default	4,497,727	4,306	18,558	5,605	6,903	233,325	488,281	5,254,705
Allowance for expected credit losses	(318,882)	(217)	(1,681)	(583)	(1,307)	(69,684)	(488,281)	(880,635)

Below is information as at 31 December 2021 about the credit risk exposure on the Group's loans to employees, due from employees and other receivables using the reserve matrix:

		Days past due						
In thousands of tenge	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days	Over 360 days	Total
Estimated credit loss rate	7.28%	4.98%	28.80%	13.52%	29.50%	47.03%	100%	
Estimated total gross carrying amount at default	3,645,929	21,030	500	3,218	3,309	44,611	459,327	4,177,924
Allowance for expected credit losses	(265,298)	(1,048)	(144)	(435)	(976)	(20,979)	(459,327)	(748,207)

As at 31 December 2022 and 2021, other current financial assets were denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	4,369,873	9,425,976
US dollars	4,197	2,166,748
	4,374,070	11,592,724

19. ASSEST UNDER REVERSE REPURCHASE AGREEMENTS AND FINANCIAL ASSETS AT AMORTIZED COST

FINANCIAL ASSETS AT AMORTIZED COST

As at 31 December 2022 financial assets at amortized cost in the amount of KZT 14,832,821 thousand were represented by short-term discount notes of National Bank of the Republic of Kazakhstan ("NBRK") denominated in tenge. In 2022 and 2021, the Group acquired short term discount notes at purchase price KZT 84,163,285 thousand and KZT 140,018,401 thousand, respectively. In 2022 short term discount notes with nominal value in the amount of KZT 69,350,275 thousand and interest income in the amount of KZT 649,725 thousand was redeemed (2021: KZT 158,630,603 thousand of nominal value and interest income of KZT 1,369,397 thousand, respectively).

As at 31 December 2022 and 2021, financial assets at amortised cost comprised of the following:

In thousands of tenge	Maturity date	Yield to maturity	Nominal value	31 December 2022	31 December 2021
NBRK note	25 January 2023	16.46%	15,000,000	14,832,821	–
			15,000,000	14,832,821	–

The Group recognized the financial assets at amortized cost as the contractual cash flows are solely principal and interest and the financial assets are held within a business model for collecting contractual cash flows.

ASSETS UNDER REVERSE REPURCHASE AGREEMENTS

In December 2021 the Group had entered into reverse repurchase agreement with Halyk Finance JSC. The subject of this agreement is coupon Eurobonds (ISIN XS1120709669) and coupon MEUKAM (ISIN KZKD000915) issued by the Ministry of Finance of the Republic of Kazakhstan. The Group has a right to sell or repledge the transferred securities in the absence of default of the counterparty. Fair value of the transferred securities held as collateral under reverse repurchase agreement amounted to KZT 49,999,824 thousand. The agreement matured on 31 March 2022. The redemption of the securities purchased was in 2022 in the amount of KZT 51,172,262 thousand, including interest in the amount of KZT 1,172,438 thousand (presented as part of operating cash flows) and currency of the agreement is tenge.

20. OTHER CURRENT NON-FINANCIAL ASSETS

As at 31 December 2022 and 2021, other current non-financial assets comprised:

In thousands of tenge	2022	2021
VAT receivable	4,355,432	6,850,749
Taxes prepaid other than corporate income tax	3,143,939	3,536,444
Deferred connection cost of operators	1,293,116	906,594
Other	3,277,931	2,016,645
	12,070,418	13,310,432

21. CASH AND CASH EQUIVALENTS

As at 31 December 2022 and 2021, cash and cash equivalents comprised:

In thousands of tenge	2022	2021
Cash on current bank accounts	146,451,791	97,556,615
Deposits with less than 90 days' maturity from the date of opening	95,672,493	69,547,376
Cash on hand	8,516	14,090
	242,132,800	167,118,081
Less: allowance for expected credit losses	(10,646)	(8,242)
	242,122,154	167,109,839

Cash on current bank accounts earn interest at the rates ranging from 0.1% to 7.25% per annum (2021: from 0.2% to 7.0% per annum).

Short-term bank deposits opened for a period from one day to three months, depending on the Group's current cash needs, as of 31 December 2022 amounted to KZT 95,672,493 thousand with a rate up to 15.60% (as at 31 December 2021: KZT 69,547,376 thousand with a rate of up to 8.90%).

As at 31 December 2022 and 2021, cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	2022	2021
US dollars	149,734,206	104,821,000
Tenge	90,509,732	60,770,210
Euro	1,343,271	1,212,064
Russian roubles	422,368	305,666
Other	112,577	899
	242,122,154	167,109,839

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousands of tenge	2022	2021
Allowance for expected credit losses at the beginning of the year	**(8,242)**	**(3,412)**
Charge for the year (Note 47)	(2,404)	(4,830)
Allowance for expected credit losses at the end of the year	**(10,646)**	**(8,242)**

22. EQUITY

AUTHORISED AND ISSUED SHARES

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total issued shares
At 31 December 2020	**10,922,876**	**1,213,653**	**10,922,876**	**1,213,653**	**12,136,529**
At 31 December 2021	**10,922,876**	**1,213,653**	**10,922,876**	**1,213,653**	**12,136,529**
At 31 December 2022	**10,922,876**	**1,213,653**	**10,922,876**	**1,213,653**	**12,136,529**

TREASURY SHARES

	Number of shares		In thousands of tenge		
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	Total issued shares
At 31 December 2020	**216,852**	**914,868**	**3,052,617**	**4,012,997**	**7,065,614**
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 31 December 2021	**216,852**	**914,868**	**3,052,617**	**4,012,997**	**7,065,614**
Treasury shares reacquired	–	–	–	–	–
Sale of treasury shares	–	–	–	–	–
At 31 December 2022	**216,852**	**914,868**	**3,052,617**	**4,012,997**	**7,065,614**

SHARES ISSUED LESS REACQUIRED SHARES

As at 31 December 2022 and 2021, number of common and preferred shares issued net of reacquired shares was 10,706,024 and 298,785 shares, respectively.

PREFERRED SHARES

Holders of preferred shares are entitled to receive annual cumulative dividends in the amount of KZT 300 per share, and at least the amount of dividends per share paid to holders of ordinary shares. Payment of dividends on preferred shares does not require a resolution of the shareholders' meeting of Kazakhtelecom JSC. The discounted value of future cash flows of annual cumulative dividends represents a financial liability as of 31 December 2022 in the amount of KZT 814,868 thousand (as of 31 December 2021: KZT 814,868 thousand). This obligation is reflected as a debt component of preferred shares as part of long-term liabilities.

22. EQUITY (CONTINUED)

DIVIDENDS

The preferred shares earn a non-discretionary dividend of 300 tenge per share in accordance with the Company's charter documents. Preferred shares are considered to be compound financial instruments, and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. Dividends in the amount of KZT 89,636 thousand were accrued as at 31 December 2022 (at 31 December 2021: KZT 89,636 thousand) and are recorded as interest expenses in the consolidated statement of comprehensive income (Note 39).

On the basis of the decision made at the annual shareholders general meeting of Kazakhtelecom JSC on 30 April 2022, the Company declared dividends on preferred shares based on 2021 results in the amount of KZT 983,119 thousand and dividends on common shares in the amount of KZT 38,438,802 thousand (2021: KZT 427,525 thousand and KZT 18,530,843 thousand, respectively). The dividends accrued on common shares were paid during 2022. As of 31 December 2022, dividends per share (common and preferred) amounted to KZT 3,590.39 (as of 31 December 2021: KZT 1,730.88 per common and preferred share).

Movements in dividends payable for the years ended 31 December were as follow:

In thousands of tenge	2022	2021
Dividends payable at the beginning of the year	**17,573**	**17,577**
Dividends declared on common shares to equity holders of the parent	38,438,802	18,530,843
Dividends declared on common shares to non-controlling interests	–	4,394,500
Dividends declared on preferred shares in excess of the obligatory amount	983,119	427,525
Interest on debt component of preferred shares (Note 39)	89,636	89,636
Offsetting	–	(1,386,421)
Dividends paid to equity holders of the parent	(39,511,557)	(17,661,587)
Dividends paid to non-controlling interests	–	(4,394,500)
Dividends payable at the end of the year (Note 29)	**17,573**	**17,573**

For the year ended 31 December 2022 the Group paid withholding tax on dividends in the amount of KZT 909 thousand (2021: KZT 3,191 thousand).

OTHER TRANSACTIONS WITH OWNERS

In accordance with the decision of Samruk-Kazyna JSC, in 2018-2021 Kazakhtelecom JSC engaged independent consultants to perform IPO of Kazakhtelecom JSC. In accordance with the decision of the Management Board of Samruk Kazyna JSC, these expenses have to be reimbursed by Samruk-Kazyna JSC. Thus, in 2021 both parties concluded an agreement on reimbursement of expenses. The total amount of expenses to be reimbursed amounted to KZT 1,310,411 thousand, excluding VAT. Part of the expenses was reimbursed by offsetting with dividends payable for KZT 1,386,421 thousand, including VAT (KZT 1,237,876 thousand, excluding VAT). The remaining part of KZT 72,535 thousand was entirely received in cash in 2021.

OTHER RESERVES

According to the Company's Charter, the Company created a reserve capital equal to 15% of the authorized share capital. This reserve capital was created through appropriation of the retained earnings. There were no movements in the reserve capital in 2022 and 2021.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in these consolidated financial statements in accordance with the accounting policy disclosed in Note 3.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to common equity holders of the Parent (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of common and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential common shares.

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

In thousands of tenge	2022	2021
Net profit	**114,117,977**	**90,759,490**
Interest on preferred shares (Note 39)	89,636	89,636
Net profit for calculating of basic and diluted earnings per share	**114,207,613**	**90,849,126**
Weighted average number of common and preferred shares for calculation of basic and diluted earnings per share	11,004,809	11,004,809
Basic and diluted earnings per share, tenge	**10,377.97**	**8,255.40**

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of preparation of these consolidated financial statements.

22. EQUITY (CONTINUED)

EARNINGS PER SHARE (CONTINUED)

Additional information disclosed in accordance with Kazakhstan Stock Exchange (KASE) requirements

The cost of common shares, calculated in accordance with the requirements of the KASE

Below is the cost of one ordinary share, calculated in accordance with the requirements of the KASE:

In thousands of tenge	2022	2021
Total assets	1,286,733,815	1,234,585,295
Less: intangible assets, including goodwill	347,543,744	357,827,030
Less: total liabilities	556,125,992	590,407,929
Less: preferred shares issued net of reacquired shares	298,785	298,785
Net assets for calculation of cost of ordinary share in accordance with listing requirements of KASE	**382,765,294**	**286,051,551**
Number of ordinary shares	10,706,024	10,706,024
Cost of ordinary share, calculated in accordance with listing requirements of KASE (in tenge)	**35,752**	**26,719**

Another requirement for disclosure is the amount of the dividends payable to owners of preferred non-voting shares. The carrying book value of one preferred non-voting share is calculated as the sum of the preferred non-voting shares in the equity and debt component of preferred non-voting shares, divided by the number of preferred non-voting shares. At the same time, according to the methodology of KASE, the dividend payable on preferred shares, which are not paid due to the lack of up-to-date information about the shareholders, their payment details, are not taken into account. As at 31 December 2022, this indicator amounted to 3,727 tenge (as at 31 December 2021: 3,727 tenge).

23. BORROWINGS

As at 31 December 2022 and 2021, borrowings comprised:

In thousands of tenge	Weighted average effective interest rate	2022	Weighted average effective interest rate	2021
Borrowings with a fixed interest rate of 7.12% to 12.90% per annum	10.99%	125,061,369	10.90%	157,690,590
Bonds with a fixed interest rate of 11.84% to 11.86% per annum	11.86%	122,815,508	11.85%	158,100,718
		247,876,877		315,791,308

Borrowings are repayable as follows:

In thousands of tenge	2022	2021
Current portion of borrowings	**25,018,246**	**33,544,325**
Maturity between 1 and 2 years	110,270,990	24,453,132
Maturity between 2 and 5 years	101,977,816	239,849,225
Maturity over 5 years	10,609,825	17,944,626
Total non-current portion of borrowings	**222,858,631**	**282,246,983**
Total borrowings	**247,876,877**	**315,791,308**

As of 31 December 2022 and December 2021, loans represented by the following:

Borrowings	Maturity date	Currency	Effective interest rate	2022	2021
Halyk Bank of Kazakhstan JSC	21 May 2027	Tenge	12.20%	47,508,167	58,057,949
First Heartland Jusan Bank JSC	10 November 2024	Tenge	12.90%	40,209,056	39,870,617
Development Bank of Kazakhstan JSC (Note 46)	30 June 2032	Tenge	7.95%-8.41%	21,470,046	23,611,713
Development Bank of Kazakhstan JSC (Note 46)	19 December 2024	Tenge	7.12%-9.30%	8,839,409	16,039,080
VTB Bank JSC	15 October 2023	Tenge	11.90%	5,001,538	7,006,228
Bank of China Kazakhstan JSC	1 June 2024	Tenge	10.70%	2,033,153	13,105,003
Total				**125,061,369**	**157,690,590**

As at 31 December 2022 and 2021 the Group's borrowings have fixed interest rates.

Halyk Bank of Kazakhstan JSC (with maturity date — 21 May 2027)

During 2022, the Group made repayment of principal amount for KZT 10,428,192 thousand and interest amount for KZT 6,331,832 thousand under the credit line agreements concluded with the Halyk Bank JSC with the maturity in 21 May 2027 (2021: KZT 10,428,192 thousand and KZT 7,546,064 thousand, respectively).

First Heartland Jusan Bank JSC (with maturity date — 10 November 2024)

On 10 November 2021, the Group's subsidiary, Kcell JSC, and First Heartland Jusan Bank JSC signed a credit line agreement in the amount of KZT 60,500,000 thousand. On 11 November 2021 two tranches were received from First Heartland Jusan Bank JSC in the amount of KZT 22,000,000 thousand and KZT 12,000,000 thousand with an interest rate of 11% per annum and 10.7% per annum, respectively. Additionally, on 25 November 2021, third tranche was received from First Heartland Jusan Bank JSC in the amount of KZT 6,500,000 thousand with an interest rate of 11% per annum, with a maturity until 10 November 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 12.9% at the time the loan was issued. On initial recognition of all three tranches total discount in the amount of KZT 1,260,102 thousand was recognised within equity in 'Non-controlling interest' part. During 2022, the Group made repayment of interest amount for KZT 4,506,175 thousand.

Development Bank of Kazakhstan JSC (with maturity date — 30 June 2032)

During 2022, the Group made repayment of principal amount for KZT 2,133,333 thousand and interest amount for KZT 1,651,723 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in June 2032 (2021: KZT 2,133,332 thousand and KZT 1,814,734 thousand, respectively).

23. BORROWINGS (CONTINUED)

Development Bank of Kazakhstan JSC (with maturity date — 19 December 2024)

During 2022, the Group made repayment of principal amount for KZT 7,111,566 thousand and interest amount for KZT 1,047,811 thousand under the credit line agreements concluded with the Development Bank of Kazakhstan JSC with the maturity in December 2024 (2021: KZT 7,425,363 thousand and KZT 1,813,732 thousand, respectively).

Bank of China Kazakhstan JSC (with maturity date — 1 June 2024)

During 2019 and 2020, the Group obtained loan in the amount of KZT 5,000,000 thousand and KZT 6,000,000 thousand, respectively, within credit line agreement with Bank of China Kazakhstan JSC with a repayment period of 36 months and a fixed interest rate of 10.5% per annum. On 14 October 2020 the Group has signed addendum to loan agreement with Bank of China to decrease interest rate from 10.5% to 10.3% per annum under credit line agreement. The change in the interest rate does not represent a substantial modification as in accordance with IFRS 9 and thus, it did not lead to the derecognition of the original liability.

On 2 June 2021 the Group obtained additional tranche in the amount of KZT 2,000,000 thousand from Bank of China JSC within the same credit line agreement. During 2022, the Group made repayment of principal amount for KZT 11,000,000 thousand and interest repayment for KZT 1,026,854 thousand (2021: interest repayment for KZT 1,253,453 thousand).

VTB Bank JSC (with maturity date — 15 October 2023)

On 28 October 2020 the Group obtained loan in the amount of KZT 6,000,000 thousand within the credit line agreement with VTB Bank JSC with maturity till October 2023 at interest rate 10.7% per annum. On 31 December 2021 the Group signed an additional agreement with VTB Bank JSC to increase the amount of the credit line from KZT 6,000,000 thousand to KZT 7,000,000 thousand, and obtained KZT 1,000,000 thousand with a maturity until 15 October 2023 and an interest rate of 10.7% per annum. During 2022, the Group made repayment of principal amount for KZT 2,000,000 thousand and interest amount for KZT 574,868 thousand (2021: interest repayment for KZT 721,718 thousand).

As of 31 December 2022 and 2021, debt securities issued represented by the following:

Bonds	Maturity date	Currency	Effective interest rate	2022 год	2021 год
Local bonds of Kazakhtelecom JSC (KZTKb3)	19 June 2026	Tenge	11.86%	80,243,841	80,225,718
Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) (Note 45)	1 November 2024	Tenge	11.84%	42,571,667	77,875,000
				122,815,508	158,100,718

Local bonds of Kazakhtelecom JSC (KZTKb3)

On 19 June 2019, the Group placed bonds on the Kazakhstan Stock Exchange JSC for amount of KZT 80,000,000 thousand at an effective interest rate of 11.86% and maturity in June 2026. The nominal value of one bond is one thousand tenge. During 2022, the Group has repaid interest for KZT 9,200,001 thousand (2021: interest repayment for KZT 9,200,001 thousand).

Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024)

On 6 November and 12 December 2018, the Group made a listing of coupon bonds on the stock exchange of the International Financial Center Astana (AIX) for amount of KZT 100,000,000 thousand at an effective interest rate of 11.84% and maturity in November 2024. The nominal value of one bond is one thousand tenge. Bonds on these issues were purchased by the Parent company.

In accordance with the terms of the bonds sale agreements concluded with the Parent, the Group is obliged to provide collateral represented by shares of Kcell JSC sufficient to cover the total amount of the agreements before 31 December 2019 or the primary/secondary public offering of shares of Kazakhtelecom JSC on the stock market, depending on what comes last. On 18 August 2020, 150 million shares or 75% of shares of Kcell JSC were pledged to the Parent as a collateral for the bonds of the Group.

On 10 December 2020, the Group early redempted local bonds with the maturity till 1 November 2024 in the amount of KZT 25,000,000 thousand from Parent company.

During 2022, the Group has bought out part of the bonds ahead of schedule amount for KZT 34,000,000 thousand and interest for KZT 9,048,583 thousand (2021: interest repayment for KZT 8,625,000 thousand).

COVENANTS

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 December 2022 and 31 December 2021, the Group complied with all financial and non-financial covenants.

24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

In thousands of tenge	Buildings and constructions	Equipment	Total
Cost			
At 1 January 2021	**60,846,301**	**42,848,491**	**103,694,792**
Additions	4,072,579	–	4,072,579
Modifications	1,795,233	–	1,795,233
Cancellation	(1,179,162)	–	(1,179,162)
At 31 December 2021	**65,534,951**	**42,848,491**	**108,383,442**
Additions	3,099,088	211,757	3,310,845
Modifications	786,573	2,035,434	2,822,007
Cancellation	(884,365)	–	(884,365)
At 31 December 2022	**68,536,247**	**45,095,682**	**113,631,929**
Accumulated depreciation			
At 1 January 2021	**16,569,720**	**7,430,654**	**24,000,374**
Depreciation charge	10,451,786	3,187,580	13,639,366
Cancellation	(105,364)	–	(105,364)
At 31 December 2021	**26,916,142**	**10,618,234**	**37,534,376**
Depreciation charge	4,495,171	8,493,289	12,988,460
Cancellation	(185,712)	–	(185,712)
At 31 December 2022	**31,225,601**	**19,111,523**	**50,337,124**
Net book value			
At 31 December 2021	**38,618,809**	**32,230,257**	**70,849,066**
At 31 December 2022	**37,310,646**	**25,984,159**	**63,294,805**

24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

In thousands of tenge	31 December 2022	31 December 2021
At the beginning of the year	**49,151,576**	**59,110,635**
Additions (Note 47)	3,310,845	4,072,579
Modifications (Note 47)	2,822,007	1,795,233
Cancellation (Note 47)	(698,653)	(754,362)
Interest expenses (Note 39)	5,716,000	7,469,004
Payment of interest part (Note 47)	(5,716,000)	(7,469,004)
Payment of principal part (Note 47)	(13,759,891)	(15,072,509)
At the end of the year	**40,825,884**	**49,151,576**

Set out below are the carrying amounts of non-current and current lease liabilities:

In thousands of tenge	31 December 2022	31 December 2021
Non-current portion of liabilities	28,360,505	33,810,098
Current portion of lease liabilities	12,465,379	15,341,478

The following are the amounts recognised in profit or loss:

In thousands of tenge	31 December 2022	31 December 2021
Depreciation expense of right-of-use assets	12,988,460	13,639,366
Interest expense on lease liabilities (Note 39)	5,716,000	7,469,004
Expense relating to short-term leases and leases of low-value assets (included in cost of sales) (Note 35)	1,133,982	1,007,372
Expense relating to short-term leases (included in general and administrative expenses) (Note 36)	221,786	241,174
	20,060,228	22,356,916

The Group had total cash outflows for leases of KZT 20,831,659 thousand in 2022, including cash outflow of KZT 1,355,768 thousand related to leases of low-value assets and short-term leases (2021: KZT 23,790,059 thousand and KZT 1,248,546 thousand, respectively). The Group also had non-cash additions to right-of-use assets and lease liabilities of KZT 3,310,845 thousand in 2022 (2021: KZT 4,072,579 thousand).

25. EMPLOYEE BENEFIT OBLIGATIONS

STATE CONTRIBUTION PLAN

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. The social tax and salary accruals are recorded in expenses as incurred. In addition, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. These expenses are recorded in the period when they were incurred.

EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2022 and 2021, the total employee benefit obligations of the Group comprised the following:

In thousands of tenge	2022	2021
Present value of defined benefit pension plan obligation	17,508,382	22,685,554
Present value of obligations for other long-term payments	742,004	689,610
	18,250,386	23,375,164

A defined benefit pension plan provides for the fulfilment of obligations under the state pension provision in accordance with the Collective Agreement concluded between the Company and employees. Other long-term payments include anniversaries, funeral payments, and others. The Group did not create a fund for such obligations.

A reconciliation of the present value of the defined benefit plan obligation with specified payments was as follows for the years ended 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Total liability at the beginning of the year	**22,685,554**	**16,688,944**
Current service cost	833,583	569,878
Past service cost	(9,646,346)	–
Interest expenses	1,745,547	1,326,771
Benefits paid during the year	(1,457,974)	(2,730,146)
Actuarial losses recognized during the year within other comprehensive income	3,348,018	6,830,107
Total liability at the end of the year	**17,508,382**	**22,685,554**
Liability payable within one year	(1,471,855)	(1,425,479)
Liability payable after one year	**16,036,527**	**21,260,075**

A reconciliation of the present value of obligations for other long-term payments with specified payments was as follows for the years ended 31 December 2022 and 2021:

In thousands of tenge	2022	2021
Total liability at the beginning of the year	**689,610**	**727,200**
Current service cost	43,184	52,375
Previous years service cost	53,576	–
Interest expenses	51,972	57,812
Benefits paid during the year	(71,745)	(85,975)
Actuarial income recognized during the year in profit and loss	(24,593)	(61,802)
Total liability at the end of the year	**742,004**	**689,610**
Liability payable within one year	(91,002)	(100,963)
Liability payable after one year	**651,002**	**588,647**

25. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Gain from changes of previous years service cost recognized in 2022 resulted primarily from changes in collective agreement amended in February 2022 (2021: actuarial losses resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments). Cost of current service, changes in previous years service cost, interest expenses and actuarial losses in the total amount of KZT (6,943,077) thousand were recorded in cost of sales and general and administrative expenses within personnel costs (2021: KZT 1,945,034 thousand) (Notes 38 and 39).

Actuarial losses recognized in 2022 within other comprehensive income were equal to KZT 3,348,018 thousand (2021: actuarial losses, net of income tax, of KZT 6,302,871 thousand).

There were no unrecognised actuarial losses or past service costs.

The estimates of the liability were made on the basis of the published statistical data regarding mortality of employees and actual Company's data concerning the number, age, gender and years of employee service. Other principal assumptions used in determining benefit obligations for the Company's plan were shown below:

In thousands of tenge	2022	2021
Discount rate	9.92%	7.95%
The expected rate of future annual minimum salary increases	9.00%	8.10%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022, was as follows:

	Discount rate		The expected rate of future annual minimum salary increases	
Sensitivity level	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(710,018)	798,215	1,033,723	(912,421)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021, was as follows:

	Discount rate		The expected rate of future annual minimum salary increases	
Sensitivity level	Growth by 0.5%	Reduction by 0.5%	Growth by 1%	Reduction by 1%
Impact on defined benefit plan obligations, in thousands tenge	(1,178,236)	1,459,647	1,653,978	(1,557,960)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

26. NON-CURRENT CONTRACT LIABILITIES

As at 31 December 2022 and 2021, non-current contract liabilities comprised:

In thousands of tenge	2022	2021
Contract liabilities from operators	4,047,586	4,766,404
Contract liabilities for connection of subscribers	426,653	544,722
Other contract liabilities	3,079,966	2,876,996
	7,554,205	8,188,122

Movements in liabilities for the years ended 31 December were as follows:

In thousands of tenge	2022	2021
Contract liabilities as at 1 January	**30,068,781**	**24,944,812**
Deferred during the year	287,690,513	232,019,257
Recognised as revenue during the year	(283,462,982)	(226,895,288)
Total contract liabilities as at 31 December	**34,296,312**	**30,068,781**
Current portion (Note 30)	26,742,107	21,880,659
Non-current portion	7,554,205	8,188,122

27. ASSET RETIREMENT OBLIGATION

Provision for asset retirement obligation is recorded at the discounted value of expected costs to bring the sites and facilities to their original condition using estimated cash flows and is recognised as part of the cost of the specific asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation.

Movements in provision for asset retirement obligation for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
Provision for asset retirement obligation as at 1 January	**10,284,324**	**8,480,576**
Amortization of discount (Note 39)	610,541	597,758
Change in estimate (Note 8)	(1,352,105)	1,205,990
Provision for asset retirement obligation as at 31 December	**9,542,760**	**10,284,324**
Current portion (Note 31)	2,947,595	2,868,319
Non-current portion	6,595,165	7,416,005

28. TRADE PAYABLES

As at 31 December 2022 and 2021, trade payables comprised:

In thousands of tenge	2022	2021
Trade payables for supply of property and equipment	56,524,594	46,945,570
Trade payables for services rendered	46,382,181	27,284,558
Trade payables for inventory received	1,925,479	870,483
	104,832,254	75,100,611

As at 31 December 2022 and 2021, trade payables were interest-free.

28. TRADE PAYABLES (CONTINUED)

As at 31 December 2022 and 2021, trade payables were mainly denominated in the following currencies:

In thousands of tenge	2022	2021
Tenge	98,267,568	56,541,166
US dollars	3,137,656	16,879,626
Euro	3,035,534	1,478,207
Russian rubles	384,720	194,828
Other	6,776	6,784
	104,832,254	75,100,611

29. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December 2022 and 2021, other current financial liabilities comprised:

In thousands of tenge	2022	2021
Payable to employees	24,352,049	19,363,782
Dividends payable (Note 22)	17,573	17,573
Other	3,247,259	570,730
	27,616,881	19,952,085

As at 31 December 2022 and 2021, other current financial liabilities were not interest bearing and the balances were mainly denominated in tenge.

30. CURRENT CONTRACT LIABILITIES

As at 31 December 2022 and 2021, current contract liabilities comprised:

In thousands of tenge	2022	2021
Advances received	24,597,725	19,697,210
Contract liabilities from operators	1,678,156	1,674,654
Contract liabilities for connection of subscribers	261,527	312,099
Other contract liabilities	85,025	82,586
Other	119,674	114,110
	26,742,107	21,880,659

Advances received represents the prepayment for the services of the Group like telecommunications services, internet services, IP-TV by customers. The customers can be divided to three major groups: individuals, private firms and legal firms under government sector.

31. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 31 December 2022 and 2021, other current non-financial liabilities comprised:

In thousands of tenge	2022	2021
Provisions		
Legal claims on contractual obligation and penalties	3,684,675	3,684,675
Asset retirement obligation (Note 27)	2,947,595	2,868,319
Accrual of provisions for tax risks	1,910,312	3,842,611
	8,542,582	10,395,605
Other non-financial liabilities		
Taxes payable other than income tax	4,249,869	2,745,141
Payable to pension funds	1,009,829	712,895
Other	703,727	425,390
	5,963,425	3,883,426
	14,506,007	14,279,031

Movements in tax provisions for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
Provision as at 1 January	**3,842,611**	**1,616,063**
Accrual of provisions for tax risks	1,019,959	2,226,548
Use of provision	(822,012)	–
Reversal of fines and penalties provision	(2,130,246)	–
Provision as at 31 December	**1,910,312**	**3,842,611**

During 2021, the Group accrued tax provision for KZT 2,226,548 thousand, KZT 1,055,681 thousand of which relates to conducted tax review by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (Note 48) and KZT 1,170,867 thousand relates to conducted tax review performed by independent tax specialists.

During 2022 the Group accrued a provision for corporate income tax and withholding tax in the amount of KZT 1,019,959 thousand and recovered KZT 1,896,577 thousand based on the own tax review for 2021, as well as for the 3rd quarter of 2022. The Company has analyzed and reflected in the financial statements those risks that the Company cannot eliminate or reduce to a significant extent.

In 2022, on the basis of the Protocol on the results of the monitoring conducted within the framework of the pilot project on horizontal monitoring of Kazakhtelecom JSC for the period from 2016-2020 dated 05/17/2022 and the Tax Audit Act dated 12/23/2022 No. 520, taxes were recognized against the previously created reserve in the amount of KZT 822,012 thousand. Due to the completion of the documentary tax audit, the balance of the unused reserve in the amount of KZT 233,669 thousand was written off.

31. OTHER CURRENT NON-FINANCIAL LIABILITIES (CONTINUED)

Movements in provisions for legal claims on contractual obligation and penalties for the years ended 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
Provision as at 1 January	**3,684,675**	**4,385,679**
Reversal of fines and penalties provision	–	(682,820)
Reversal of other provision	–	(18,184)
Provision as at 31 December	**3,684,675**	**3,684,675**

In 2020 the Group accrued certain amount of provision related to legal claims on contractual obligation and fines and penalties that Management considers as probable in the amount of KZT 3,684,675 thousand tenge and KZT 701,004 thousand, respectively (Note 48).

Portion of provision of fines and penalties in the amount of KZT 682,820 thousand was reversed in 2021 due to finalization of custom audit (Note 48).

32. GOVERNMENT GRANTS

As at 31 December 2022 and 2021, government grants comprised:

In thousands of tenge	2022	2021
Government grants as at 1 January	**18,798,488**	**–**
Received during the period	14,391,376	25,083,510
Released to the statement of profit or loss	(6,331,898)	(6,285,022)
Government grants as at 31 December	**26,857,966**	**18,798,488**
Current portion	6,167,493	4,202,083
Non-current portion	20,690,473	14,596,405

In 2021 the Government approved the changes to the Rules for the assignment of frequency bands, radio frequencies, operation of radio-electronic means and high-frequency devices ("the Rules"), based on which the Group is eligible for government grants in form of 90% reduction in the annual fee for use of radio frequencies from 1 January 2020 till 1 January 2025. The government grants are subject to conditions, namely financing of the projects related to broadband internet in rural and urban areas. If the financing of the projects related to broadband internet is lower than the amount of the tax incentive received, the Group should pay the annual fee equal for use of radio frequencies to the amount of unfulfilled obligations to the authorities.

The funds released as a result of reduction in the annual fee for use of radio frequencies for 2021 and 2022 in the amount of KZT 13,571,431 thousand and KZT 14,391,376 thousand, respectively, were used by the Group for the purchase and construction of certain items of property and equipment (mainly base stations). Government grants related to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. As of 31 December 2022 the balance of government grants was equal to KZT 26,857,966 thousand, and part of the government grants released to the profit and loss over the period necessary to match the related depreciation charges equal to KZT 6,331,898 thousand.

As of 31 December 2022 there are no unfulfilled conditions or contingencies attached to these grants.

33. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customer for the years ended 31 December comprised:

	For the year ended 31 December 2022			
In thousands of tenge	Fixed line	Mobile connection	Other	Total
Data transfer services	138,767,808	176,141,850	15,838	314,925,496
Rendering of fixed line and wireless phone services	37,096,001	127,814,640	–	164,910,641
Sale of equipment and mobile devices	8,380	44,123,457	–	44,131,837
Interconnect	17,930,063	14,633,308	–	32,563,371
Rent of channels	2,854,076	–	–	2,854,076
Other	52,848,428	8,218,746	1,384,987	62,452,161
	249,504,756	370,932,001	1,400,825	621,837,582
Services transferred over time	249,496,376	326,808,544	1,400,825	577,705,745
Goods transferred at a point of time	8,380	44,123,457	–	44,131,837
	249,504,756	370,932,001	1,400,825	621,837,582
B2C*	128,917,266	315,510,583	1,167,135	445,594,984
B2B**	43,032,890	28,358,396	233,690	71,624,976
B2O***	19,996,768	26,767,658	–	46,764,426
B2G****	57,557,832	295,364	–	57,853,196
	249,504,756	370,932,001	1,400,825	621,837,582

	For the year ended 31 December 2021			
In thousands of tenge	Fixed line	Mobile	Прочие	Итого
Data transfer services	123,740,238	160,025,192	14,013	283,779,443
Rendering of fixed line and wireless phone services	36,408,258	127,891,407	–	164,299,665
Sale of equipment and mobile devices	6,744	37,999,601	–	38,006,345
Interconnect	15,856,166	13,318,623	–	29,174,789
Rent of channels	3,009,668	–	–	3,009,668
Other	53,557,159	8,514,327	1,153,824	63,225,310
	232,578,233	347,749,150	1,167,837	581,495,220
Services transferred over time	232,571,489	309,749,549	1,167,837	543,488,875
Goods transferred at a point of time	6,744	37,999,601	–	38,006,345
	232,578,233	347,749,150	1,167,837	581,495,220
B2C*	122,030,130	294,464,846	992,996	417,487,972
B2B**	39,135,832	27,859,795	174,841	67,170,468
B2O***	18,449,109	25,173,331	–	43,622,440
B2G****	52,963,162	251,178	–	53,214,340
	232,578,233	347,749,150	1,167,837	581,495,220

* B2C (Business-to-Consumer) — services rendered to private end consumers (individuals).
** B2B (Business to Business) — services rendered to the corporate sector, including large enterprises and SMEs.
*** B2O (Business-to-Operator) — services rendered to communication operators.
**** B2G (Business-to-Government) — services rendered to the state sector.

34. COMPENSATION FOR PROVISION OF UNIVERSAL SERVICES IN RURAL AREAS

In 2017, the regulatory documents on subsidy were amended. In particular, under the Resolution of the Government of the Republic of Kazakhstan No. 238 dated 2 May 2017, new tender rules for the identification of universal services operators were approved, including the calculation of the subsidy rates and the procedure for the authorised body to assign the obligation to provide universal services to telecom operators, requirements for telecoms operators to provide universal communications services, a list of universal communications services and the recognition of certain decisions which have lost their force, of the Government of the Republic of Kazakhstan.

The tender for the identification of universal services operator was conducted in September 2022 and based on the results of the tender Kazakhtelecom JSC was selected as the universal services operator. As at 31 December 2022 there were no unfulfilled conditions or contingencies attached to these subsidies.

The compensation received for the year ended 31 December 2022 was equal to KZT 6,326,916 thousand (2021: KZT 6,412,945 thousand).

35. COST OF SALES

Cost of sales for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Depreciation and amortization	112,252,977	111,995,228
Personnel costs (Note 38)	102,695,145	86,709,615
Cost of SIM-card, scratch card and handsets	40,760,854	34,511,790
Interconnect	29,941,817	30,002,086
Repair and maintenance	21,368,503	22,657,762
Fees for radiofrequencies use	18,684,797	17,032,520
Electricity	12,201,887	10,367,857
Rent of channels	9,454,585	9,576,912
Fee to provide telecom services	8,932,534	7,937,629
Inventories	6,511,029	5,946,359
Content	5,486,641	6,544,992
Fees for the usage of license software	3,303,201	3,545,055
Security and safety	3,122,944	3,296,045
Utilities	2,156,791	2,602,614
Labelling costs	1,859,154	1,874,790
Business trip expenses	1,715,207	1,290,262
Short-term leases and leases of low-value assets (Note 24)	1,133,982	1,007,372
Insurance	995,354	961,921
Costs of hiring consultants	974,860	924,271
Satellite communication servies	795,778	799,349
Network sharing agreement	582,961	814,643
Emergency expenses	103,442	1,003,104
Other	14,135,591	6,600,431
	399,170,034	368,002,607

36. GENERAL AND ADMINISTRATIVE EXPENSES

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

In thousands of tenge	2022	2021
Personnel costs (Note 38)	22,064,056	20,933,606
Taxes other than corporate income tax	7,944,097	7,444,303
Depreciation and amortization	6,396,266	5,848,923
Consulting services	1,589,259	5,808,933
Social activities	1,396,638	642,660
Business trips	777,428	593,516
Trainings	642,475	430,248
Inventories	506,214	361,277
Bank fees	458,947	230,099
Repair and maintenance expenses	319,344	747,285
Write-down of inventories to net realizable value (Note 15)	314,205	521,450
Personnel outsources expenses	262,592	832,488
Short-term lease expenses (Note 24)	221,786	241,174
Insurance	187,431	220,943
Security and safety	116,529	148,762
Collectors services	–	284,271
Other	961,517	3,632,167
	44,158,784	48,922,105

37. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Marketing and advertising	9,953,872	8,959,743
Amortization of cost to obtain a contract	4,245,766	3,568,740
Other	2,709,089	1,152,757
	16,908,727	13,681,240

38. PERSONNEL EXPENSES

Personnel expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Payroll	119,067,416	96,389,163
Payroll related taxes	12,634,862	9,309,024
Employee benefits (Note 25)	(6,943,077)	1,945,034
	124,759,201	107,643,221

38. PERSONNEL EXPENSES (CONTINUED)

Personnel expenses for the years ended 31 December were allocated as follows:

In thousands of tenge	2022	2021
Cost of sales (Note 35)	102,695,145	86,709,615
General and administrative expenses (Note 36)	22,064,056	20,933,606
	124,759,201	107,643,221

39. (FINANCE COSTS) / FINANCE INCOME

Finance costs and finance income for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Finance costs		
Interest expense on loans (Note 47)	(31,724,945)	(36,617,616)
Interest expense on lease liabilities (Note 24)	(5,716,000)	(7,469,004)
Discounting of long-term loans to employees	(1,170,102)	(110,649)
Discounting of other non-current financial assets	(633,068)	(1,356,558)
Unwinding of discount (provision for asset retirement obligation) (Note 27)	(610,541)	(597,758)
Unwinding of discount on long-term borrowings (Note 47)	(421,562)	–
Interest on debt component of preferred shares (Note 22)	(89,636)	(89,636)
Other costs	(103,693)	(195,252)
	(40,469,547)	(46,436,473)
Finance income		
Interest income on deposits	8,322,955	2,672,065
Interest income on financial assets at amortised cost	4,167,327	1,058,200
Interest income on cash balances	1,841,974	910,686
Unwinding of discount on long-term loans to employees	720,411	818,676
Unwinding of discount on long-term accounts receivable	445,401	162,137
Other income	479,886	221,220
	15,977,954	5,842,984

40. NET FOREIGN EXCHANGE GAIN

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan announced the transition to "free floating exchange rate of tenge" and cancelation of the currency corridor. As a result, Kazakhstani tenge significantly devalued against US dollar and other major currencies approximately by 90%. Subsequently, the exchange rate of tenge to US dollar significantly fluctuated in accordance with the market conditions. During 2022, the exchange rate increased by 7,57% from 426.03 KZT per US Dollar to 460.93 KZT per US Dollar (during 2021, the exchange rate increased by 3.06% from 413.36 KZT per US Dollar to 426.03 KZT per US Dollar). Net foreign exchange gain for the year ended 31 December 2022 was KZT 7,901,638 thousand (net foreign exchange gain for the year ended 31 December 2021 was KZT 2,259,417 thousand).

41. INCOME FROM COMPENSATION FROM TELIA AND TURKCELL

On 20 May 2021, Kazakhtelecom JSC, Telia Company A. B. and Turkcell Iletişim Hizmetleri A. Ş. settled out of court within the framework of arbitration proceedings initiated by Kazakhtelecom JSC in 2019 at the London Court of International Arbitration on claims related to violation of certain guarantees contained in the Contract for the Purchase of Shares of Kcell JSC dated 12 December 2018.

At the conclusion of negotiations, Telia Company A. B. and Turkcell Iletişim Hizmetleri A.Ş. committed to repay compensation to Kazakhtelecom JSC in the amount of USD 22,000 thousand, equivalent to KZT 9,386,963 thousand. In May 2021, the Group received amount of compensation in full.

42. OTHER OPERATING INCOME/(EXPENSES)

Other operating income and expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Other operating income		
Income from damages (Note 48)	11,368,772	–
Rental income	1,786,562	1,645,395
Fines and penalties	1,105,628	378,858
Income from liabilities write-off	764,932	266,905
Reimbursement of utilities expenses	139,508	141,975
Services for the provision of secure communication channels	–	115,308
Other	1,887,321	1,701,146
	17,052,723	4,249,587
Other operating expenses		
Utilities expenses	(520,164)	(495,641)
Rental expenses	(434)	(10,369)
Write-off of inventories (Note 48)	(553,000)	–
Other	(248,420)	(492,527)
	(1,322,018)	(998,537)

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary of Skyline Investment Company S.A. and Alatau Capital Invest LLP, was detained by the Anti-corruption Service of Kazakhstan on suspicion of abuse of office and embezzlement of funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile", the Company recognized compensation for damages in the amount of KZT 12,733,024 thousand, including VAT.

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period.

42. OTHER OPERATING INCOME/(EXPENSES) (CONTINUED)

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed.

The entire amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full.

Rental income mainly represents rent of spaces used for the installation of technological equipment by third parties.

43. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

In thousands of tenge	2022	2021
Current corporate income tax expenses	39,878,423	33,297,458
Adjustments in respect of income tax of previous year	(709,158)	(1,136,840)
Deferred income tax benefit	(3,473,538)	(873,981)
	35,695,727	31,286,637

The Group and its subsidiaries except for KT-IX LLC are subject to taxation in the Republic of Kazakhstan. KT-IX LLC is subject to taxation in the Russian Federation. Tax rate for the Group and subsidiaries except for subsidiaries stated above was 20% in 2022 and 2021. A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 20% (2021: 20%), with the current corporate income tax expenses for the years ended 31 December is out below:

In thousands of tenge	2022	2021
Profit before taxation	**164,448,872**	**128,730,423**
Income tax at statutory income tax rate of 20%	**32,889,774**	**25,746,085**
Adjustments in respect of deferred income tax of previous year	2,103,971	2,110,967
Changes in unrecognized tax loss carry forward	(1,530,000)	1,530,000
Impairment of non-financial assets	180,448	1,200,392
Tax provision expenses	(178,453)	445,310
Reimbursement of expenses related to IPO	–	262,082
(Non-taxable income) / on-deductible expenses related to employee benefits obligations	(1,893,763)	243,710
Share in profit of associates	(76,004)	(102,473)
Recognition of tax loss carry forward	1,804,000	(192,000)
Adjustments in respect of income tax of previous year	(709,158)	(1,136,840)
Non-deductible expenses	3,104,912	1,179,404
Total income tax expenses	**35,695,727**	**31,286,637**

As at 31 December 2022, deferred taxes calculated by applying the official tax rates effective at the reporting date to the temporary differences between the tax bases of assets and liabilities and the amounts recognized in the consolidated financial statements included the following items:

	Consolidated statement of financial position		Consolidated statement of comprehensive income		As part of other comprehensive loss	
In thousands of tenge	31 December 2022	31 December 2021	2022 год	2021 год	2022 год	2021 год
Deferred tax assets						
Property and equipment	3,220,475	6,976,577	(3,756,102)	(5,193,942)	–	–
Deferred services	5,248,087	5,088,426	159,661	568,008	–	–
Government grants	5,371,953	3,759,698	1,612,255	3,759,698	–	–
Reserves on employee bonuses	3,352,474	2,488,757	863,717	28,236	–	–
Asset retirement obligation reserves	1,908,874	2,056,865	(147,991)	393,863	–	–
Tax loss carry forward	8,486	1,887,152	(1,878,666)	202,536	–	–
Employee benefit obligations	2,588,383	1,551,305	649,572	(306,606)	387,506	527,236
Lease liabilities	1,132,732	1,185,390	(52,658)	321,202	–	–
Accrued provisions for unused vacations	843,101	834,007	9,094	80,763	–	–
Allowance for expected credit losses	1,253,765	528,638	725,127	(98,737)	–	–
Intangible assets	96,306	258,912	(162,606)	77,606	–	–
Trademark payment obligation	–	–	–	(372,258)	–	–
Other	1,274,023	1,120,466	153,557	(76,177)	–	–
Less: unrecognized tax assets	–	(1,530,000)	1,530,000	(1,530,000)	–	–
Less: deferred tax assets less deferred tax liabilities	(24,827,896)	(25,546,023)	718,127	298,071	–	–
Deferred tax assets	**1,470,763**	**660,170**	**423,087**	**(1,847,737)**	**387,506**	**527,236**
Deferred tax liabilities						
Property and equipment	28,471,199	29,929,543	(1,458,344)	(762,293)	–	–
Intangible assets	27,154,373	29,706,769	(2,552,396)	(2,552,396)	–	–
Other	723,455	481,293	242,162	294,900	–	–
Less: deferred tax assets less deferred tax liabilities	(24,827,896)	(25,546,023)	718,127	298,071	–	–
Deferred tax liabilities	**31,521,131**	**34,571,582**	**(3,050,451)**	**(2,721,718)**	**–**	**–**
Deferred income tax benefit	**–**	**–**	**3,473,538**	**873,981**	**387,506**	**527,236**

43. INCOME TAX EXPENSES (CONTINUED)

Deferred tax assets and liabilities are presented in the consolidated statement of financial position as follows:

In thousands of tenge	2022	2021
Deferred tax assets	1,470,763	660,170
Deferred tax liabilities	(31,521,131)	(34,571,582)
Net deferred tax liabilities	**(30,050,368)**	**(33,911,412)**

Reconciliation of deferred tax liabilities, net		
Balance at 1 January	**(33,911,412)**	**(35,312,629)**
Income tax benefit for the reporting period — origination and recovery of temporary differences	3,473,538	873,981
Less: deferred tax recognised within other comprehensive loss	387,506	527,236
Balance at 31 December	**(30,050,368)**	**(33,911,412)**

The Group performs offsetting of tax assets and liabilities only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relating to income tax collected by the same taxation authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In accordance with legislation of the Republic of Kazakhstan, tax losses may be deferred for 10 (ten) years from the date of their origination and will expire in 2029. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at 31 December 2022, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was equal to KZT 13,026,150 thousand (as at 31 December 2021: KZT 13,713,293 thousand). The Group is able to control the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

44. DISPOSAL GROUP

KT CLOUD LAB LLP

On 17 June 2021, the Group concluded an agreement on sale of KT Cloud Lab LLP. At 31 December 2020, assets and liabilities of KT Cloud Lab LLP were classified as an assets held for sale and liabilities directly associated with the assets held for sale and were equal to KZT 18,872,008 thousand and KZT 895,217 thousand.

In accordance with the agreement, payments shall be made in 3 tranches (the first tranche in the amount of 30% of the purchase price within 30 days after agreement signing date, the second tranche in the amount of 35% of the purchase price within 12 months after signing date and the third tranche in the amount of 35% of the purchase price within 24 months after signing date).

On 14 July 2021, the buyer made the first tranche under the purchase agreement in the amount of 30% of the purchase price. The buyer's intention to exercise his right to early repurchase the remaining stake in KT Cloud Lab LLP allowed the Group to recognize the disposal of KT Cloud Lab LLP from the moment of receipt of the first tranche and to recognize the payment arrears from the winner of the tender in full.

On 20 October 2021, the buyer repaid the remaining part of the purchase price ahead of the repayment schedule.

Net assets of KT Cloud Lab LL are presented as follows:

In thousands of tenge	Дата выбытия	31 December 2021
Assets		
Property and equipment		525,792
Intangible assets		483,934
Other non-current financial assets		77,431
Inventories		8,546
Trade receivables		916,395
Other current non-financial assets		22,958
Other current financial assets		164,340
Advanced paid		15,819
Cash and cash equivalents		447,868
Assets held for sale		**2,663,083**
Liabilities		
Deferred tax liabilities		11,099
Trade payables		146,423
Other current financial liabilities		199,715
Contract liabilities		63
Other current non-financial liabilities		444,965
Liabilities directly associated with the assets held for sale		**802,265**
Net assets directly associated with the disposal group		**1,860,818**

During 2021, the Group has recognized loss from disposal of the subsidiary in the consolidated statement of comprehensive income for KZT 425,818 thousand.

Following is a schedule of consideration received from the disposal of KT Cloud Lab LLP:

In thousands of tenge	2021
Cash consideration received	1,435,000
Less: cash disposed	(447,868)
Total cash consideration received	**987,132**

45. NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows:

In 2022 the Group received government grants in the total amount of KZT 14,391,376 thousand represented by 90% reduction in the annual fee for use of radio frequencies.

In 2022, the Group paid an amount of KZT 46,945,570 thousand for property and equipment purchased in prior year (2021: KZT 34,791,317 thousand). Property and equipment in the amount of KZT 56,524,594 thousand was purchased in 2022 but not paid as at 31 December 2022 (2021: KZT 46,945,570 thousand).

In 2022, the Group withhold from the salary of employees the amount of previously issued loans for KZT 1,206,379 thousand (2021: KZT 1,632,947 thousand).

46. RELATED PARTY TRANSACTIONS

The category 'entities under control of the Parent' include entities controlled by the Parent Company. Transactions with such entities are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC, NC KazMunayGaz JSC, KEGOC JSC, Kazpost JSC. The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of government-related entities includes different government agencies and ministries.

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short term, and settlements are made in cash, except as described below.

At 31 December 2022, the Group recognized a provision for expected credit loss in the amount of KZT 294,214 thousand in respect of receivables from related parties.

Sales and purchases with related parties during the years ended 31 December 2022 and 2021 and the balances with related parties at 31 December 2022 and 2021 were as follows:

In thousands of tenge	2022	2021
Sales of goods and services		
Parent	13,275	22,762
Parent-controlled entities	2,963,506	1,972,355
Associate (Qaz Cloud LLP)	1,161,487	1,007,919
Government-related entities	53,041,835	54,090,034
Purchases of goods and services		
Parent-controlled entities	2,631,988	3,841,442
Associate (Qaz Cloud LLP)	1,773,632	1,563,631
Government-related entities	277,973	264,391
Interest accrued on borrowings and bonds		
Entities under state control (Development Bank of Kazakhstan JSC)	2,603,095	3,401,926
Average interest rate on borrowings	8,02%	8.09%
Parent*	7,745,250	8,625,000
Average interest rate on bonds	11,85%	11.84%

* Local bonds of Kazakhtelecom JSC (KTCB.1024 and KTCB2.1024) were purchased by the parent company, Samruk-Kazyna.

In thousands of tenge	2022	2021
Cash and cash equivalents		
Entities under state control (Development Bank of Kazakhstan JSC)	31	229
Borrowings and bonds (Note 23)		
Entities under state control (Development Bank of Kazakhstan JSC)	30,309,455	39,650,793
Parent*	42,571,667	77,875,000
Trade receivables		
Parent	1,229	1,521
Parent-controlled entities	566,382	378,563
Associate (Qaz Cloud LLP) (Note 10)	222,479	130,273
Government-related entities	7,833,829	8,970,497
Trade payables		
Parent	59	59
Parent-controlled entities	234,945	1,069,641
Associate (Qaz Cloud LLP) (Note 10)	863,154	423,755
Government-related entities	1,643,367	1,676,754
Other non-current assets		
Long-term loans to key management personnel	–	11,655

* Local bonds of Kazakhtelecom JSC (KTCB,1024 and KTCB2,1024) were purchased by the parent company, Samruk-Kazyna.

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the years ended 31 December 2022 and 2021, the total compensation to key management personnel included in the accompanying consolidated statement of comprehensive income under general and administrative expenses was KZT 3,594,862 thousand and KZT 3,051,642 thousand, respectively, Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

As disclosed in Note 32 and 34, the Government of the Republic of Kazakhstan provides the Group with certain compensation for the provision of universal services in rural areas and government grants.

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Impairment losses on financial assets for the year ended 31 December 2022, comprise accrued/(reversed) allowance for expected credit loss for trade receivables in amount of KZT 7,464,288 thousand (Note 16), other current financial assets in amount of KZT 155,468 thousand (Note 18), cash and cash equivalents in amount of KZT 2,404 thousand (Note 21) (2021: other non-current financial assets in amount of KZT 110,184 thousand, trade receivables in amount of KZT 2,971,041 thousand, other current financial assets in amount of KZT 168,526 thousand, cash and cash equivalents in amount of KZT 4,830 thousand and trade receivables of KT Cloud Lab LLP (before disposal) in amount of KZT 1,782 thousand).

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

Impairment losses on non-financial assets for the year ended 31 December 2022, comprise accrued/(reversed) allowance for impairment for advances paid for non-current assets for KZT 510,195 thousand (Note 8), advances paid for current assets for KZT 103,649 thousand (Note 17), impairment of property and equipment for KZT 1,176,363 thousand (Note 8) and reversal of impairment of intangible assets for KZT (311,331) thousand (Note 9) (2021: advances paid for non-current assets for KZT 111,377 thousand, advances paid for current assets for KZT (19,991) thousand, impairment of property and equipment for KZT 3,946,812 thousand and impairment of intangible assets for KZT 1,963,761 thousand).

The Group's principal financial instruments include loans, lease obligations, cash and cash equivalents, bank deposits and accounts receivable and accounts payable, assets under reverse repurchase agreements and financial assets at amortized cost. The main risks associated with the Group's financial instruments include interest rate risk, currency and credit risk, In addition, the Group monitors market risk and liquidity risk associated with all financial instruments.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As at 31 December 2022 and 2021, the Group had no loans or borrowings with floating interest rates and was not subjected to the risk of changes in market interest rates.

FOREIGN CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of available significant loans and borrowings, accounts payable, cash and cash equivalents and accounts receivable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates of US dollar to tenge, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

	2022		2021	
In thousands of tenge	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	21%	32,688,318	13%	12,599,504
	-21%	(32,688,318)	-10%	(9,691,926)

CREDIT RISK

Credit risk is the risk that the Group will incur finance costs because its customers, clients or counterparties failed to discharge their contractual obligations, The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities, including bank deposits and financial organizations, foreign exchange transactions and other financial instruments.

TRADE RECEIVABLES AND CONTRACT ASSETS

Financial instruments in which the Group's credit risk is concentrated are primarily trade and other receivables, The credit risk associated with these assets is limited due to the large number of the Group's customers and the continuous monitoring procedures for customers and other debtors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, The provision rates are based on days past due for groupings of various customer segments with similar loss patterns

(i,e,, by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance), The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity, The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 13, 16, 18 and 19.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

In accordance with the financial policy, the Group places free cash in several of the largest Kazakhstani banks (with the highest credit ratings), To manage the credit risk associated with the placement of free cash in banks, the Group's management periodically conducts procedures for assessing the solvency of banks, To facilitate such an assessment, deposits are primarily placed in banks, where the Group already has comparable credit obligations, a current checking account and can easily monitor the activities of such banks.

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

FINANCIAL INSTRUMENTS AND CASH DEPOSITS (CONTINUED)

In thousands of tenge	Rating 2022	Rating 2021	Cash balance 2022	Cash balance 2021	Balance on deposit accounts 2022	Balance on deposit accounts 2021
JSC "Halyk Bank of Kazakhstan"	BB+/stable/ BBB-, kzAA	BB+/ stable /BBB-, kzAA	134,827,224	74,754,897	81,489,820	34,752,026
JSC "Citibank Kazakhstan"	A+/ stable /A+	A+/ stable /A+	7,498,826	174,505	37,530	1,040
JSC "Bank "Bank RBK"	B2+/positive/	B+/ stable /	2,336,823	–	–	–
Electronic money	–	–	994,814	–	–	–
JSC "Bank CenterCredit"	B+/ stable, kzBBB-	B/ stable, kzBBB-	311,568	51,091	–	–
JSC "Kaspi Bank"	BB-/positive, Ba1,kzA	BB-/positive, kzA	225,382	65,733	–	–
PJSC "Sberbank of Russia"/	–	Baa3/ stable	125,509	188,971	–	–
JSC "Altyn Bank" (DB JSC "Halyk Bank of Kazakhstan")	BBB-/ stable, kzAA+	BBB-/ stable, kzAA+	72,383	772,040	7,025,890	20,000,400
PJSC "Bank Uralsib"	–	–	26,697	–	–	–
Credit Suisse (Schweiz) AG	A-	A+	12,266	1,838,596		–
DB Sberbank JSC/ Bereke bank JSC	–	BBB-/ stable, kzAA+	4,978	44,131	–	3,793,910
JSC "First Heartland Jýsan Bank"	B+/positive, kzBB+	B/ stable, kzBB+	2,611	19,657,548	19,253	11,000,000
TO JSC VTB Bank (Kazakhstan)	–	BB+/ stable, kzAA	1,177	103	–	–
JSC "Bank Freedom Finance Kazakhstan"	B-/positive	–	739	–	–	–
JSC Kazpost	Baa3/ stable	–	83	–	7,100,000	–
JSC "Development Bank of Kazakhstan"	BBB/ stable / BBB, kzAAA	BBB-/ stable / BBB, kzAAA	31	229	–	–
JSC DB "Bank of China in Kazakhstan"	BBB+/ stable , kzAAA	BBB+/ stable, kzAAA	23	465	–	–
JSC "ForteBank"	BB-/ stable/ BB-, kzA-	BBB+/ stable / BBB+, kzAA	11	–	–	–
JSC DB Alfa-Bank	–	BB/ stable / BB-, kzA+	–	64	–	–
Total			**146,441,145**	**97,548,373**	**95,672,493**	**69,547,376**

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and leases, The Group's policy is that not more than 30% of borrowings and leases should mature in the next 12 month period, Approximately 17% of the Group's debt will mature in less than one year at 31 December 2022 (31 December 2021: 13%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total
At 31 December 2022						
Borrowings	49,541,166	8,418,364	39,444,127	259,610,911	23,096,186	380,110,754
Lease liabilities	–	4,423,948	13,330,621	50,459,590	18,424,535	86,638,694
Trade payables	79,919,698	10,381,610	14,530,946	–	–	104,832,254
Other financial liabilities	–	3,247,259	–	414	–	3,247,673
	129.460.864	26,471,181	67,305,694	310,070,915	41,520,721	574,829,375
At 31 December 2021						
Borrowings	74,259,126	9,820,160	57,049,596	314,513,423	17,348,143	472,990,448
Lease liabilities	–	4,986,740	14,145,911	49,582,402	13,021,976	81,737,029
Trade payables	57,253,546	7,437,264	10,409,801	–	–	75,100,611
Other financial liabilities	–	570,730	–	707	–	571,437
	131,512,672	22,814,894	81,605,308	364,096,532	30,370,119	649,780,880

CASH FLOW RISK

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. Cash flows requirements are monitored on a regular basis and management provides for availability of sufficient funds required to fulfil any liabilities when they arise, The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of common shares, return equity to shareholders or issue new shares, No changes were made by the Group in the capital management objectives, policies or processes in 2022 and 2021. The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity, The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt interest bearing borrowings and lease liabilities, Equity includes equity attributable to the equity holders of the Group.

The Group's debt-to-equity ratio at the period end was as follows:

In thousands of tenge	31 December 2022	31 December 2021
Interest-bearing loans and borrowings	247,876,877	315,791,308
Lease liabilities	40,825,884	49,151,576
Net debt	**288,702,761**	**364,942,884**
Total equity, including non-controlling interests	730,607,823	644,177,366
Debt-equity ratio	**0.40**	**0.57**

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

FAIR VALUE

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above. The table below presents fair value hierarchy of assets and liabilities of the Group, Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2022 was as follows:

		Fair value measurement using			
In thousands of tenge	Date of valuation	Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets carried at amortised cost	31 December 2022	14,896,830	–	–	14,896,830
Investment property	31 December 2022	–	–	2,700,000	2,700,000
Other non-current financial assets	31 December 2022	–	–	6,629,229	6,629,229
Other current financial assets	31 December 2022	–	–	4,374,070	4,374,070
Trade receivables	31 December 2022	–	–	45,305,186	45,305,186
Liabilities for which fair values are disclosed					
Borrowings	31 December 2022	–	–	243,775,351	243,775,351
Other non-current financial liabilities	31 December 2022	–	–	414	414
Other current financial liabilities	31 December 2022	–	–	27,616,881	27,616,881
Trade payables	31 December 2022	–	–	104,832,254	104,832,254

The table below presents fair value hierarchy of assets and liabilities of the Group, Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2021 was as follows:

		Fair value measurement using			
In thousands of tenge	Date of valuation	Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	Total
Assets for which fair values are disclosed					
Assets under reverse repurchase agreements	31 December 2021	–	49,999,824	–	49,999,824
Other non-current financial assets	31 December 2021	–	–	6,752,172	6,752,172
Other current financial assets	31 December 2021	–	–	11,592,724	11,592,724
Trade receivables	31 December 2021	–	–	36,873,043	36,873,043
Liabilities for which fair values are disclosed					
Borrowings	31 December 2021	–	–	319,483,880	319,483,880
Other non-current financial liabilities	31 December 2021	–	–	707	707
Other current financial liabilities	31 December 2021	–	–	19,952,085	19,952,085
Trade payables	31 December 2021	–	–	75,100,611	75,100,611

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position, The table does not include the fair values of non-financial assets and non-financial liabilities.

In thousands of tenge	Carrying amount 2022	Fair value 2022	Unrecog-nised gain/(loss) 2022	Carrying amount 2021	Fair value 2021	Unrecognised gain/(loss) 2021
Financial assets						
Cash and cash equivalents	242,122,154	242,122,154	–	167,109,839	167,109,839	–
Other non-current financial assets	6,973,300	6,629,229	(344,071)	7,141,361	6,752,172	(389,189)
Financial assets carried at amortised cost	14,832,821	14,896,830	64,009	–	–	–
Other current financial assets	4,374,070	4,374,070	–	11,592,724	11,592,724	–
Assets under reverse repurchase agreements	–	–	–	49,999,824	49,999,824	–
Trade receivables	45,305,186	45,305,186		36,873,043	36,873,043	–
Financial liabilities						
Borrowings	247,876,877	243,775,351	4,101,526	315,791,308	319,483,880	(3.692.572)
Other non-current financial liabilities	414	414	–	707	707	–
Other current financial liabilities	27,616,881	27,616,881	–	19,952,085	19,952,085	–
Trade payables	104,832,254	104,832,254	–	75,100,611	75,100,611	–
Total unrecognised change in unrealised fair value			**3,821,464**		**(4,081,761)**	**(4.081.761)**

VALUATION TECHNIQUES AND ASSUMPTIONS

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount, This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

47. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (CONTINUED)

CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

Changes in liabilities arising from financial activities for 2022 were as follows:

In thousands of tenge	1 January 2022	Principal obtained	Additions	Modifications	Cancellation of leases	Reclassifi-cation	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	31 December 2022
Borrowings: long term	282,246,983	–	–	–	–	(59,809,914)	–	–	–	421,562	222,858,631
Borrowings: short term	33,544,325	–	–	–	–	59,809,914	(66,673,091)	31,724,945	(33,387,847)	–	25,018,246
Lease liabilities: long term	33,810,098		3,310,845	2,822,007	(698,653)	(10,883,792)	–	–	–	–	28,360,505
Lease liabilities: short term	15,341,478	–	–	–	–	10,883,792	(13,759,891)	5,716,000	(5,716,000)	–	12,465,379
Total	**364,942,884**		**3,310,845**	**2,822,007**	**(698,653)**	**–**	**(80,432,982)**	**37,440,945**	**(39,103,847)**	**421,562**	**288,702,761**

Changes in liabilities due to financial activities for 2021 were as follows:

In thousands of tenge	1 January 2021	Principal obtained	Additions	Modifications	Cancellation of leases	Reclassifi-cation	Repayment of principal	Interest expense (Note 39)	Interest paid	Discount	Other	31 December 2021
Borrowings: long term	316,290,589	62,500,000	–	–	–	(95,283,504)	–	–	–	(1,260,102)	–	282,246,983
Borrowings: short term	46,111,485	–	–	–	–	95,283,504	(107,240,887)	36,617,616	(37,192,373)	–	(35,020)	33,544,325
Lease liabilities: long term	42,461,444	–	4,072,579	1,795,233	(754,362)	(13,764,796)	–	–	–	–	–	33,810,098
Lease liabilities: short term	16,649,191	–	–	–	–	13,764,796	(15,072,509)	7,469,004	(7,469,004)	–	–	15,341,478
Total	**421,512,709**	**62,500,000**	**4,072,579**	**1,795,233**	**(754,362)**	**–**	**(122,313,396)**	**44,086,620**	**(44,661,377)**	**(1,260,102)**	**(35,020)**	**364,942,884**

48. COMMITMENTS AND CONTINGENCIES

OPERATING ENVIRONMENT

In Kazakhstan, economic reforms and the development of the legal, tax and administrative infrastructure that meets the developed markets are still in process. The future stability of the Kazakhstan economy will largely depend on these reforms, as well as on the effectiveness of the Government's actions in the area of economy, financial and monetary policy.

PROTESTS IN KAZAKHSTAN

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

During the protests, six Kcell stores located in Almaty and Almaty region were looted, as well as two large offices of the group were attacked. Also in the city of Almaty, several base stations belonging to the Group burned down.

The Management of the Group formed operational headquarters due to state emergency announcement for timely decision making on operational issues for uninterrupted communication of subscribers and facilitate the Government with urgent actions.

Providing subscribers with continuous cellular communications was a priority of the Group and the Management decided to support its subscribers including small and medium sized businesses during the state of emergency. During the state of emergency declared throughout Kazakhstan, and until the end of January 2022, corporate clients of Kcell LLP and MTS LLP, with a lack of account balance, were not restricted in communication and Internet access.

As a result of the above-mentioned protests and the state of emergency, the President of Kazakhstan made certain public statements about possible measures, including amendments to tax legislation, the introduction of measures for financial stability, control and stabilization of inflation and the exchange rate of tenge.

On 10 January 2022 the National Security Committee of Kazakhstan reported that the situation in the country has stabilized and was under control, On 19 January 2022 the state emergency was lifted.

The Group suffered losses from these events in the amount of KZT 553,000 thousand (Note 42), which represent the theft of inventory (goods for resale) and damage to stores, which was recognized as part of other operating expenses.

48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

EVENTS IN UKRAINE AND THE CORONAVIRUS PANDEMIC

The war in Ukraine has had a significant negative impact on the global economic outlook. In response to the offensive, extensive sanctions were imposed against Russia, which largely exclude the country from international financial markets and significantly restrict trade in goods. These sanctions are designed to have a negative economic impact on the Russian Federation. The commercial activities of the Group and, consequently, its results of operations and financial position are not significantly affected by the consequences of the war in Ukraine, since the Group does not operate networks in Russia or Ukraine.

Due to the geopolitical events around Ukraine and Russia, oil prices exceeded $100 per barrel on February 24, 2022. On 23 February 2022, the exchange rate of tenge against the US dollar began to weaken sharply. On December 6, 2022, the National Bank of the Republic of Kazakhstan decided to raise the base rate to 16.75% while maintaining the +/-1% corridor.

The possible future consequences of the war in Ukraine and the coronavirus pandemic for the assessment of individual assets and liabilities are being analyzed on an ongoing basis. It is not yet possible to assess with certainty how the Group will be indirectly affected, in particular, the impact on the global economy. The overall economic outlook has deteriorated significantly as a result of extensive sanctions and restrictions on trade in goods. Based on the accumulated experience, the Group expects that the war in Ukraine and the coronavirus pandemic will have only a limited impact on business in the future.

CAPITAL COMMITMENTS

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 December 2022, the Group had contractual obligations in the total amount of KZT 49,774,593 thousand, including VAT (31 December 2021: KZT 45,138,707 thousand, including VAT) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

LICENSE COMMITMENTS

Under the terms of certain licenses on the provision of wireless telecom services, the Group has certain obligations in terms of coverage area of its network. The Group is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group's management believes that the Group is in compliance with the terms of the licenses.

TAXATION

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations, In addition, management believes that international agreements, under which the Group works with non-residents residing in International Telecommunication Union, and which provide for certain tax exemptions, have a priority over national tax legislation, Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe, Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic 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 the authorities in respect of taxes for five calendar years preceding the year of review.

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. Management believes that as at 31 December 2021 its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Tax risks assessment

In the period from August 2021 to February 2022, Kazakhtelecom JSC carried out a tax review of historical data for the period from 2016 to 2020 in the format of a tax audit. The review was conducted by representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, within the framework of the project "Horizontal Monitoring", which assumes in the future a new type of interaction between the taxpayer and the tax authority for the purposes of control and correctness of tax calculation.

Based on the results of the review, a register of tax risks was formed for a total amount of KZT 2,637,804 thousand, which at the time of the release of the financial statements for 2021 is advisory in nature.

The Group believes that it has correctly interpreted the tax legislation and intends to appeal against potential additional charges. Nevertheless, taking into account the statistics of appeals, as well as the controversial situation regarding the taxation of non-residents that is taking place in the tax environment at the moment, the Group ranked the register of tax risks according to the degree of probability and decided as of 31 December 2021 to create a reserve in the amount of KZT 1,055,681 thousand, as well as declare tax risks as contingent liabilities in in the amount of KZT 1,487,574 thousand (Note 31).

In May 2022, the Protocol on the results of the tax review of historical data for the period from 2016 to 2020, according to which the amount of identified tax risks amounted to KZT 1,245,611 thousand, was agreed and signed, taxes were accrued and paid in full.

In November 2022, the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan began a comprehensive documentary audit, according to the results of which additional taxes and penalties were accrued in the amount of KZT 153,720 thousand, this obligation was also accrued and paid in full.

STATE GRANT RELATED TO THE FREQUENCY FEE

The Group presented a summary report on expenditures aimed at financing broadband Internet access projects in urban and rural areas, including capital and operating costs required to provide broadband Internet access services in urban and rural settlements throughout the Republic of Kazakhstan. Management believes that there are no outstanding conditions or unforeseen circumstances related to these grants.

If, based on the results of the audited information, the fact of non-fulfillment by the telecom operator of obligations to send at least the released funds from the reduction of the corresponding remuneration rate for financing broadband Internet access projects in urban and rural areas is confirmed, the authorized body in the field of communications not earlier than one year after the year following the reporting year recalculates the amount of the annual fee for the use of the frequency for the reporting year, which should be proportional to the outstanding amount of financial obligations for the reporting year.

48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

NEW TECHNICAL REGULATIONS

Order No. 85 of the Committee of the National Security dated 27 July 2021 on approval of the Technical Regulations General Requirements to the Telecommunication Equipment in Ensuring Conducting of Operative Search Measures, Collection and Storage of Subscribers' Information was published on 2 August 2021 and came into force on 2 August 2022. According to the new regulations, there are additional requirements to the telecommunication equipment that include expansion of technical capabilities of equipment to conduct operative search activities, collection and storage of subscribers' information.

As of 31 December 2022 the Group partially implemented modernization and expansion of license and port capacity for the total amount of KZT 4,612,223 thousand. The Group plans to complete expansion in full till 2025 and expect that total amount of capital expenditures in respect to modernization and expansion will be equaled to KZT 8,025,115 thousand.

CUSTOMS INSPECTION

On 13 September 2019, the Customs Control Department ("CCD") of Almaty issued an order on initiation of custom audit in relation to Kcell's operation for the period 2014-2019, CCD examines Kcell's tax reporting documents for the purpose of the revealing of violations on incorrect determination of the customs value of goods and its incorrect classification, Custom audit is related to the revealing of violations of customs regulations, incorrect determination of the customs value of goods, and if violations are identified, Kcell may be brought to administrative penalty and be liable to pay appropriate customs charges, including import VAT and late payment fees, On 15 October 2020 the Customs Control Department issued the notice to postpone the customs inspection of Kcell for an indefinite period. According to the report, Kcell JSC added VAT in the amount of KZT 39,354 thousand and a fine for late payment in the amount of KZT 18,152 thousand. The preliminary report was reviewed by Kcell JSC.

On 29 April 2021 CCD sent a formal letter regarding the on-site customs audit performed and a notice of audit findings, instructing Kcell to pay KZT 57,506 thousand and to amend the customs declarations, In pursuance of the notice, Kcell paid additional tax charge and late payment penalty and amended the customs declarations.

On 28 May 2021, Kcell sent a letter to the customs authority informing about fulfillment of the requirements stated in the notice. During 2021, Kcell reversed unutilized part of provision in the amount of KZT 682,820 thousand (Note 31).

ARBITRATION AGAINST AMDOCS COMPANIES

Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC (jointly referred to as "Amdocs") was to develop, implement and deliver the Convergent Billing System to Kcell under Master Agreement dated April 2014 between TeliaSonera AB and Amdocs Software System Ltd ("Master Agreement"), and Supply Agreement, including Addendums (further as "Supply Agreement").

In November 2018, Kcell notified the Supplier of termination of the Supply Agreement, except for the technical support services due to the quality of the Converged Billing System and Amdocs's performance of contractual obligations were not consistent with the terms of the Supply Agreement and Kcell's requirements, Moreover, there was delay in delivery and implementation of the OLC (On-line charging) system, In May 2020, Kcell notified the Supplier of its withdrawal from the technical support agreement as well, Amdocs did not agree with the Kcell's reasoning for termination of the Supply Agreement and withdrawal from the technical support agreement.

The contractual relationships between Kcell and Amdocs are governed by and construed in accordance with Swedish law, and any dispute, controversy or claim arising out of that relationship should ultimately be settled in arbitration in Stockholm in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce ("International Arbitration").

On 18 December 2020, Kcell applied to International Arbitration with a request to initiate arbitration proceedings against Amdocs, The total amount of Kcell's asserted claims equalled to approximately EUR 25,792 thousand (equivalent to KZT 12,823,267 thousand).

Kcell's request for arbitration was registered with the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter — "SCC") in December 2020, On 29 December 2020, SCC sent a notice to the Amdocs companies of commencement of arbitration and set a deadline for responding to the request for arbitration.

On 26 January 2021 the response from Amdocs JSC was received and Amdocs agreed to consider the dispute in SCC, In addition, Amdocs had submitted the counterclaim, at this point in the preliminary amount of USD 13,886 thousand (equivalent to KZT 6,046,350 thousand) and unpaid fees for extra work L2 and other out of scope service the amount of which was not calculated, and payment related to allegedly Kcell's delays in OLC and Phase 1 — the amount was not calculated.

On 16 and 23 April 2021 organizational sessions of arbitration tribunal were held, as a result of which the parties managed to agree on the procedural rules and schedule, It is planned that consideration of the case on the merits will take place during 5-16 September 2022, and the tribunal's decision will be granted in December 2022.

In accordance with the procedural timetable, the next stage of the proceedings, Kcell claimed below extended relief (90% increase of the initial amount):

1. To declare that Kcell's partial termination of the Delivery Contract by notice dated 22 November 2018 was valid and effective;
2. To order the Respondents to pay — jointly and severally — USD 59,773 thousand (equivalent to KZT 26,001,255 thousand) and to order payment of the pre-award and post-award interest on the above amounts and reimburse the Claimant its legal and other costs in relation to these proceedings.

On 5 November 2021, Amdocs filed extended counterclaims in the amount of USD 17,697 thousand (equivalent to KZT 7,699,056 thousand), plus interest applicable under Swedish law (8% per annum; from the date of incurrence of the obligation the dates may differ, depending on stated claims), including reimbursement of costs incurred by Amdocs in connection with the arbitration proceedings (fees to arbitrators, legal consultants and other costs incurred):

1. To invalidate the partial termination of the Delivery Contract (Contract) initiated by Kcell to recognize such termination as a breach of the Contract terms; to recognize that Kcell is liable for damage associated with such a breach;
2. Reimbursement of the arbitration fees paid by Amdocs from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act and reimbursement of fees paid by Amdocs to their legal consultants and other costs associated with the arbitration from the date of the judgement until the date when the amount claimed is received in full, pursuant to Section 6 of the Swedish Interest Act.

Kcell planned to provide response to the above counterclaims by 15 February 2022, In connection with the introduced state of emergency in Kazakhstan in January 2022. Kcell applied for an extension of the deadline to respond to Amdocs's counterclaims, The deadline was extended till 1 March 2022.

48. COMMITMENTS AND CONTINGENCIES (CONTINUED)

ARBITRATION AGAINST AMDOCS COMPANIES (CONTINUED)

On 1 March 2022, Kcell filed a response to Amdocs's stated extended counterclaims and declined all claims submitted by the defendant. Kcell has also filed the additional claim, according to which shall the Tribunal decide that Company is not entitled for contract price reduction, then Kcell claims the right for compensation of funds in the amount of 16 million USD (equivalent to 7,920 million tenge), overpaid for the supplied solution(BSS). The correspondent expert report with the estimate of supplied solution was prepared by the independent financial expert and submitted by Kcell to the Tribunal.

Amdocs response to Kcell claims was received on 24 May 2022. Amdocs made no new claims, confirmed the previously filed claims and agreed with Kcell that the Supply Agreement can be considered as a contract in US dollars and that any claims under it can only be expressed in US dollars.

On 21 June 2022, Kcell sent the final document with additional arguments and evidence (including testimony and responses to the arguments listed in Amdocs document dated 24 May 2022).

Kcell received a document from Amdocs on 15 July 2022 containing the final counterclaim amounts. In addition to the previously announced figures, Amdocs is claiming the payment of a 400 000 USD invoice dated 4 May 2018 under Additional Agreement 3 for the "Final delivery to UAT 20%" stage. So, before the hearing in September, Amdocs's claims amount to 18 million USD (equivalent to 8,657 million tenge) plus % (calculated at the rate of 8% according to the Swedish Interest Act. Depending on the date of obligation, it will be calculated and confirmed based on the hearing outcomes and stated in the arbitration award).

In-person hearings to consider mutual claims between Kcell JSC and Amdocs-Kazakhstan LLP and Amdocs Software Solutions LLC connected to the Supply Agreement were held from 5 to 16 September 2022 in Stockholm (Sweden). During the hearing, Kcell has made the following proposals, which were supported by Amdocs and the tribunal:

- If the tribunal satisfies, fully or partially, the claims of both parties, the offset principle will be applied;
- If the tribunal satisfies the claims filed in tenge, apply the exchange rate as of the date of the arbitration award and state those amounts in US dollars in the tribunal's decision.

At the request of the parties and with the Tribunal's approval, the date of filing of final claims by the parties was postponed to 31 October 2022, and the date of filing documents for the recovery of costs related to the arbitration proceedings was postponed to 11 November 2022.

In December 2022, the Tribunal requested additional time to prepare a decision, citing the technical complexity of the case.

On 14 March 2023 Tribunal announced decision on arbitration against Amdocs and concluded on the following:

- The total amount of satisfied claims of Amdox was 8,306,827 USD dollars (equivalent KZT 3,721,874 thousand as of the date of the court decision);
- Claims of Kcell against Amdox was dissatisfied.

At year ended 31 December 2022 and 2021, the Group has accrued provision for arbitration against Amdocs in the amount of KZT 3,684,675 thousand (31 December 2021: KZT 3,684,675 thousand) (Note 31). The Management will use the provision to repay the claims to Amdox.

5G SERVICES

In December 2022, an open auction was held for the 5G 3600-3700 MHz and 3700-3800 MHz radio frequency bands, following which a consortium consisting of Mobile Telecom Service LLP (under the Tele 2 and Altel brands) and Kcell JSC (under the Kcell and Asset brands) was determined the winner.

JUDICIAL PROCEEDINGS

On 13 March 2022, Kayrat Satybaldyuli, the ultimate beneficiary of Skyline Investment Company S.A. and Alatau Capital Invest LLP (Note 1), was detained by the Anti-Corruption Service of Kazakhstan on suspicion of abuse of office and embezzlement of funds of Kazakhtelecom JSC on a particularly large scale. Kazakhtelecom JSC was recognized as a victim in criminal cases initiated against Satybaldyly K. and other persons involved.

The Mediation Agreement of 8 September 2022 on the settlement of the dispute and reconciliation of the parties by way of judicial mediation in a dispute that arose in the framework of a criminal case on the episodes "Discounts" and "Last Mile", the Company recognized compensation for damages in the amount of KZT 12,733,024 thousand (Note 42), including VAT.

The court No. 2 of the "Baykonyr" district of Astana handed down a verdict dated 26.09.2022 on one of the criminal cases against Satybaldyly K. and other involved persons accused of committing criminal offenses provided for in Articles 28, Part 3, 189, part 4, paragraph 2, 195, part 4, paragraph 2 of the Criminal Code of the

Republic of Kazakhstan. According to the court verdict, the civil claim of Kazakhtelecom JSC was left without consideration, meaning that the effect of the previously concluded Mediation Agreement is not canceled. The judicial act entered into legal force within the prescribed period.

According to the dispute that arose in the framework of the criminal case on the episode "Rent of premises", allocated to a separate judicial proceeding, the investigation has not been completed. Since the Company was also recognized as a victim in this episode of the criminal case, a civil claim was filed on 31.05.2022 for compensation for property damage caused by the crime.

The full amount of damage specified in the claims filed by Kazakhtelecom JSC in the amount of KZT 14,353,966 thousand was repaid in full.

49. EVENTS AFTER THE REPORTING DATE

On 25 January 2023 the Group acquired NBRK notes in the amount of KZT 14,812,080 thousand with maturity date on 22 February 2023. On 22 February 2023 the Group additionally acquired NBRK notes in the amount of KZT 19,732,660 thousand with maturity date on 22 March 2023.

On 20 March 2023 the Group made a payment for 5G frequencies in the amount of KZT 34,323,069 thousand.

On 3 March 2023 Group received approval of investment committee of Samruk-Kazyna JSC on the sale of 49% of share in QazCloud LLP to Daneker Sala LLP at a price of KZT 4,590,010 thousand. The parties signed a contract for the purchase and sale on 20 March 2023. On 28 March 2023 the Group received full amount of payment.