QAZAQ AIR JSC

Financial statements or the year ended 31 December 2022

QAZAQ AIR JSC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

Management of QAZAQ AIR JSC (hereinafter – the "Company") is responsible for the preparation of the financial statements as at 31 December 2022, the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (hereinafter – "IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- application of reasonable estimates and assumptions;
- additional disclosures when compliance with requirements of IFRS is insufficient to enable users of the financial statements to understand the impact of specific transactions, as well as other events and conditions on the financial position and results of the Company's operations;
- assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and reliable system of internal controls;
- maintaining of proper accounting system, allowing preparation of the Company's financial position information at any time with reasonable accuracy, and to ensure compliance with IFRS;
- maintaining statutory accounting records in compliance with law of the Republic of Kazakhstan;
- adopting of measures within its competence to safeguard assets of the Company;
- detecting and preventing fraud and other abuses.

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

Chairman of the Management Board	Nauryzbayev Yerkin Anesovich
Chief Financial Director	Umraliyev Adilbek Dzhumabayevich
Chief accountant	Kisekova Gulmira Kazbekovna

27 February 2023
Astana, the Republic of Kazakhstan

Grant Thornton

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and management of QAZAQ AIR JSC

Opinion

We have audited the financial statements of QAZAQ AIR JSC (hereinafter – "the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty regarding the going concern

We draw attention to Note 3 to the financial statements, which indicates that for the year ended 31 December 2022, the Company's loss amounted to 6,598,777 thousand tenge. As at 31 December 2022, the Company's total liabilities exceed its total assets by 2,216,111 thousand tenge, and accumulated losses amounted to 36,283,369 thousand tenge. These conditions, together with other matters set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern for the foreseeable future. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing QAZAQ AIR JSC financial reporting process.

№ 098

Auditors' responsibilities for the audit of the financial statements

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

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

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

We communicate with those charged with governance of QAZAQ AIR JSC, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during audit.

Grant Thornton LLP

Evgeny Zhemaletdinov

Engagement Partner

Certified Auditor of the Republic of Kazakhstan
Qualification certificate №MF-00000553 dated 20 December 2003

Yerzhan Dossymbekov

General Director
Grant Thornton LLP

State license for providing audit services on the territory of the Republic of Kazakhstan #18015053, issued by the internal state audit Committee of the Ministry of Finance of the Republic of Kazakhstan on August 3, 2018

27 February 2023
Almaty, the Republic of Kazakhstan

QAZAQ AIR JSC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,2022

In thousands of tenge	Note	2022	2021
Revenue and other income			
Revenue from passenger transportation and other operating income	5	20,415,161	12,753,160
Total revenue and other income		**20,415,161**	**12,753,160**
Operating expenses			
Fuel		(4,256,259)	(2,946,023)
Employee cost	6(a)	(4,025,950)	(3,115,688)
Depreciation and amortisation		(2,399,690)	(2,831,399)
Handling, landing fees and route charges	6(b)	(2,167,880)	(1,500,760)
Engineering and maintenance	6(c)	(1,692,041)	(1,897,388)
Passenger service	6(d)	(1,593,626)	(1,009,699)
Transport, accommodation, and subsistence costs		(596,469)	(336,620)
Insurance		(474,832)	(375,611)
Training costs		(419,219)	(215,604)
Information technology		(414,234)	(333,940)
Selling costs	6(e)	(303,205)	(57,352)
Property lease cost		(156,855)	(157,800)
Consultancy, legal and professional fees		(72,505)	(61,029)
Aircraft licenses		(18,383)	(36,924)
Provided staff costs		(14,257)	–
Other		(336,376)	(236,229)
Total operating expenses		**(18,941,781)**	**(15,112,066)**
Profit from current operating activities		**1,473,380**	**(2,358,906)**
Profit from revaluation/(impairment loss) on property and equipment	9	1,720,455	(441,593)
Profit from operating activities		**3,193,835**	**(2,800,499)**
Finance income	7	344,976	84,849
Finance costs	7	(5,417,813)	(4,994,920)
Other expense, net		(135,911)	(14,475)
Net foreign exchange, gain		111,367	(36,789)
Loss before taxation		**(1,903,546)**	**(7,761,834)**
Corporate income tax (expense)/benefit	8	(4,695,231)	1,300,038
Loss for the period		(6,598,777)	(6,461,796)

The notes on pages 5-33 are an integral part of these financial statements.

Other comprehensive income	–	–
Total comprehensive loss for the year	**(6,598,777)**	**(6,461,796)**

Chairman of the Management Board ____________ Nurpeisbayev Yerkin Anesovich

Chief Financial Director ____________ Umraliyev Adilbek Dzhumabayevich

Chief accountant ____________ Kisekova Gulmira Kazbekovna

27 February 2023

Astana, the Republic of Kazakhstan

QAZAQ AIR JSC

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of tenge	Note	31 December 2022	31 December 2021
Assets			
Property and equipment	9	25,593,214	23,280,749
Intangible assets		19,889	23,875
Prepayments and deferred expenses	10	–	276,453
Non-current assets		**25,613,103**	**23,581,077**
Inventories	11	1,812,434	1,064,224
Trade and other receivables	12	219,843	150,802
Prepayments and deferrals	10	1,170,161	772,504
Cash and cash equivalents	13	5,231,857	3,674,715
Current assets		**8,434,295**	**5,662,245**
Total assets		**34,047,398**	**29,243,322**
Equity			
Share capital	14	34,067,259	120,000
Accumulated loss		(36,283,370)	(11,102,634)
Total equity deficit		**(2,216,111)**	**(10,982,634)**
Liabilities			
Loan from the Parent Company	15	32,473,873	37,776,355
Non-current liabilities		**32,473,873**	**37,776,355**
Lease liabilities		–	2,386
Trade and other payables	16	2,046,144	1,332,100
Other taxes payable except corporate income tax		100,131	91,537
Deferred income	17	1,373,403	787,383
Advances received		269,958	236,195
Current liabilities		**3,789,636**	**2,449,601**
Total liabilities		**36,263,509**	**40,225,956**
Total equity and liabilities		**34,047,398**	**29,243,322**

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board ________ Kurzbayev Yerkin Anesovich

Chief Financial Director ________ Umraliyev Adilbek Dzhumabayevich

Chief accountant ________ Kisekova Gulmira Kazbekovna

27 February 2023
Astana, the Republic of Kazakhstan

QAZAQ AIR JSC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

In thousands of tenge	Share capital	Accumulated loss	Total equity deficit
As at 1 January 2021	**120,000**	**(9,892,478)**	**(9,772,478)**
Total comprehensive loss			
Loss for the year	–	(6,461,796)	(6,461,796)
Other comprehensive income	–	–	–
Total comprehensive loss for the year		**(6,461,796)**	**(6,461,796)**
Transactions with the owners of the Company			
Recognition of discount on the Parent Company loan, net of tax (Note 15)	–	5,251,640	5,251,640
Total transactions with the owners of the Company	–	**5,251,640**	**5,251,640**
Balance as at 31 December 2021	**120,000**	**(11,102,634)**	**(10,982,634)**
As at 1 January, 2022	**120,000**	**(11,102,634)**	**(10,982,634)**
Total comprehensive income/ (loss)			
Loss for the year	–	(6,598,777)	(6,598,777)
Issue of shares	33,947,259	–	33,947,259
Total comprehensive loss for the year	**33,947,259**	**(6,598,777)**	**27,348,482**
Transactions with the owners of the Company			
Release of discount on the Parent Company loan, net of tax	–	(18,581,959)	(18,581,959)
Total transactions with the owners of the Company	–	**(18,581,959)**	**(18,581,959)**
Balance as at 31 December 2022	**34,067,259**	**(36,283,370)**	**(2,216,111)**

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board — Nanayzbayev Yerkin Anesovich

Chief Financial Director — Umraliyev Adilbek Dzhumabayevich

Chief accountant — Kiskova Gulmira Kazbekovna

27 February 2023
Astana, the Republic of Kazakhstan

QAZAQ AIR JSC

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2022

In thousands of tenge	**2022**	**2021**
Cash flows from operating activities		
Cash receipts from customers	22,034,729	13,982,233
Cash paid to suppliers	(12,987,773)	(9,327,357)
Cash paid to employees	(3,876,947)	(3,444,229)
Cash paid for taxes other than corporate income tax	(717,135)	(552,904)
Interest payments on loans received from the Parent Company	(15,498)	–
Cash flows from operating activities before interests and corporate income tax paid	**4,437,376**	**657,743**
Interests received	344,976	85,781
Corporate income tax paid	(49,741)	(12,872)
Net cash flows from operating activities	**4,732,611**	**730,652**
Cash flows from investing activities		
Acquisition of property and equipment (Note 9)	(3,244,677)	(1,249,259)
Acquisition of intangible assets	(211)	–
Net cash flows used in investing activities	**(3,244,888)**	**(1,249,259)**
Cash flows from financing activities		
Proceeds the Parent Company loan (Note 15)	–	2,544,971
Contribution to share capital (Note 14)	33,947,259	–
Loan repayment to the Parent company	(33,932,150)	–
Payments on lease liabilities, including interests paid	(2,653)	–
Net cash flows from financing activities	**12,456**	**2,544,971**
Net increase in cash and cash equivalents	**1,500,179**	**2,026,364**
Cash and cash equivalents as January 1	3,674,715	1,674,646
Effect of foreign exchange differences	57,591	(26,295)
Change in provision for expected credit losses	(628)	–
Cash and cash equivalents as at 31 December (Note 13)	**5,231,857**	**3,674,715**

The notes on pages 5-33 are an integral part of these financial statements.

Chairman of the Management Board — Nauryzbayev Yerkin Anesovich

Chief Financial Director — Umraliyev Adilbek Dzhumabayevich

Chief accountant — Kisikova Gulmira Kazbekovna

27 February 2023
Astana, the Republic of Kazakhstan

1. GENERAL INFORMATION

QAZAQ AIR Joint Stock Company (hereinafter - the “Company”) was established on 1 April 2015 in accordance with the legislation of the Republic of Kazakhstan on the basis of the decision of the Board of Directors of Samruk-Kazyna National Welfare Fund JSC No. 117 dated January 30, 2015.

The sole shareholder of the Company is Samruk-Kazyna National Welfare Fund JSC (hereinafter - the “Parent Company”), which is owned by the Government of the Republic of Kazakhstan. The main activity of the Company is the provision of regular domestic and international air transportation services. The company is based in Astana and serves the interregional hub route network, which includes domestic and international routes, as well as socially important directions subsidized by the state.

As at 31 December 2022, the Company operated five of its own turboprop aircraft of the De Havilland Dash 8 Q400 NextGen model. The Company's fleet is registered in the Kazakhstan Aircraft registry. The company has a licensed linear maintenance station and a certified aviation training center. The company is an official member of the International Air Transport Association IATA and is certified according to the international industrial safety standard IOSA

The Company is registered at the address: Republic of Kazakhstan, Astana, Yesil district, 20 Mangilik El Ave.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New standards, interpretations and amendments to existing standards and interpretations

The accounting principles adopted in the preparation of the financial statements are consistent with the principles applied in the preparation of the Company's financial statements for the year ended 31 December 2022, except for the adopted new standards and interpretations that became effective from January 1, 2023. The Company has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

The Company adopted the following new and revised standards during the reporting year, effective from January 1, 2022:

- Amendments to IFRS 3 – “References to the Conceptual Framework”;
- Amendments to IAS 16 – “Property, Plant and Equipment: Receipts prior to their intended use”;
- Amendments to IAS 37 – “Onerous Contracts – Costs to Perform a Contract”;
- Amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – a subsidiary adopting International Financial Reporting Standards for the first time;
- Amendment to IFRS 9 “Financial Instruments” – Fees included for “10% test” in case of derecognition of financial liabilities;
- Amendment to IAS 41 “Agriculture” – Taxation in measuring fair value.

Amendments to (IAS) 16 – «Property, Plant and Equipment: Proceeds before Intended Use »;

In May 2021, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied retrospectively to those items of property, plant and equipment that became available for use on or after the start date of the earliest presented in the financial statements, period in which an entity first applies the amendments. Therefore, this amendment did not have any impact on the Company's financial statements.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

Fees included for "10% test" in case of derecognition of financial liabilities-Amendment to IFRS 9 "Financial Instruments"

The IASB issued an amendment to IFRS 9 Financial Instruments as part of Annual Improvements to IFRS Standards 2018–2020. The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Such amounts include only those commission fees that have been paid or received between a certain lender and the borrower, including commission paid or received by the lender or the borrower on behalf of the other party. An entity shall apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which the entity first applies this amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is allowed. Therefore, this amendment did not have any impact on the Company's financial statements.

The management believes that amendments to IFRS 3, IAS 37, IFRS 1, IAS 41 - "Agriculture" – are not applicable to the Company.

New and revised IFRS - issued but not yet effective

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

- Amendments to IFRS 17 «Insurance Contracts»;
- Amendments to IAS 1 – «Classification of Liabilities as Current Or Non-current»;
- Amendments to IAS 8 – «Definition of Accounting Estimates»;
- Amendments to IAS 1 and IFRS Practice Statement 2 – «Disclosure of Accounting Policy»;
- Amendments to IAS 12 – «Deferred Tax related to Assets and Liabilities arising from a Single Transaction».

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

In January 2021, 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current classification of liabilities.

Amendments to IAS 8 – «Definition of Accounting Estimates»

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 Company..

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

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

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.

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

In May 2021, the IASB 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 amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently analysing the possible impact of these amendments.

The management believes that IFRS 17 “Insurance Contracts” are not applicable to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS
These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Going concern basis

The accompanying financial statements have been prepared on a going concern basis, which involves the disposal of assets and settlement of liabilities in the ordinary course of business.

In 2022 the Company's revenue increased by 60% and was equal to 20,415,161 thousand tenge compared to 12,753,160 thousand tenge for the previous year. The growth factors are the full recovery of the domestic air transportation market and the launch by the Company of regular international routes to the nearby cities of neighbouring countries.

As a result, in 2022 the Company achieved an increase in positive cash flows from operating activities in the amount of 4,732,570 thousand tenge (31 December 2021: 730,652 thousand tenge). As at 31 December 2022 the balance of cash and cash equivalents on the Company's accounts amounted to 5,231,857 thousand tenge (31 December 2021: 3,674,715 thousand tenge).

For the year ended 31 December 2022 the Company incurred a net loss of 6,598,777 thousand tenge (2021: 6,461,796 thousand tenge) and the Company's total liabilities as at 31 December 2022 exceed its total assets by 2,216,111 thousand tenge (31 December 2021: 10,982,634 thousand tenge). Net loss for the 2022 includes amortization of discount on loans from the Parent Company in the amount of 4,857,406 thousand tenge (2021: 4,456,432 thousand tenge). The major share of the Company's liabilities in the amount of 95% of all liabilities is represented by loans from the Parent Company for acquisition of aircraft, provision of their scheduled maintenance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern basis (continued)

The circumstances above indicate that the Company's going concern for the foreseeable future mainly depends on the Parent Company's support. To support the Company's operating activities, the Parent Company increased share capital by 33,947,259 thousand tenge in 2022.

The management of the Company has neither intention nor need to liquidate or suspend its operations. These financial statements of the Company have been prepared on a going concern basis, which assumes continuation of significant support from the Parent Company, including possible financing and conversion of loans to equity if needed. As at 31 December 2022 and 2021 these financial statements have been prepared on a going concern basis.

Functional and presentation currency

The national currency of the Republic of Kazakhstan is the tenge (hereinafter - "tenge"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in tenge has been rounded to the (nearest) thousand, except when otherwise indicated.

Assessment base

This financial information has been prepared on a historical cost basis, except for aircraft, which are measured at fair value at each reporting date.

The accounting policies described below have been applied by the Company consistently throughout the reporting periods presented in these financial statements.

Revenue from passenger transportation

The Company identifies two performance obligations – passenger transportation and charter flights. Ticket sales are reported as revenue at a point in time when performance obligation related to passenger transportation service has been satisfied. The cost of tickets sold and still valid but not used by the reporting date is recognised as deferred (unearned) passenger transportation revenue. This item is reduced either when the Company performs the transportation service or when the passenger requests a refund for the ticket. A certain portion of revenue from unused tickets is recognised at the actual flight date in the amount presuming that the probability that a customer will claim the Company to perform its obligations for the service is remote.

Financial income and expenses

For all financial instruments measured at amortized cost, interest income or expense is recognized at the effective interest rate that is discounted to expected future cash payments or receipts through the expected life of the financial instrument, or a shorter period, where applicable, of accuracies are adjusted to the net carrying amount of the financial asset or financial liability.

Foreign currency

When preparing the financial statements, transactions in a currency other than the functional currency (foreign currency) are reflected at the exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the appropriate rate of exchange at the date of the financial statements. Non-monetary items denominated in a foreign currency and measured at fair value are translated using the exchange rates ruling at the date the fair value was determined.

Non-monetary items carried at historical cost in a foreign currency are not restated. Exchange differences on monetary items arising from changes in exchange rates are recognized in profit or loss in the period in which they occur.

The weighted average exchange rates prevailing on the Kazakhstan Stock Exchange (hereinafter - the "KASE") are used as the official exchange rates in the Republic of Kazakhstan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

In accordance with the legislation on pension provision and social insurance, the Company withholds pension contributions from employees' wages and transfers them to pension funds. Once the pension contributions have been paid, the Company has no further pension obligations. After retirement, all pension payments are managed directly by the pension fund.

Short term rewards

Discounting is not applied in determining the liability for short-term employee benefits and related expenses are recognized as the service is rendered by employees. For amounts expected to be paid under a short-term cash bonus or profit sharing plan, a liability is recognized if the Company has a present legal or constructive obligation to pay the related amount arising from the past performance of services by employees and the amount of that liabilities can be measured reliably.

Corporate income tax

Corporate income tax expenses include current income tax and deferred tax. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax

Current corporate income tax includes the amount of tax that is expected to be paid or refunded on taxable profit or loss for the year, which is calculated based on tax rates in effect or in substance in effect at the reporting date, and income tax adjustments of previous years.

Deferred tax

Deferred tax is recognized for temporary differences arising between the carrying amounts of assets and liabilities, which are determined for the purposes of their recognition in the financial statements, and their tax base. Deferred tax is not recognized for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The amount of deferred tax is determined based on the tax rates that will apply in the future, when the temporary differences reverse, based on laws in force or substantively enacted at the reporting date.

The deferred tax estimate reflects the tax consequences resulting from the way in which the Company intends to recover or settle the carrying amount of its assets or settle liabilities at the end of the reporting period.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a FIFO (first-in-first-out) method, except for fuel and anti-icing fluids, which are costed on a weighted average basis and includes the costs of acquiring inventories and other costs to bring inventories to present location and bringing them into the appropriate state.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Recognition and valuation

Items of property and equipment other than aircraft are stated at cost less accumulated depreciation and impairment losses.

The cost includes costs that are directly attributable to the acquisition of the relevant asset.

If significant components that make up an item of property and equipment have different useful lives, they are accounted for as separate items (significant components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from its disposal with its carrying amount and is recognized net in the line “other income” or “other expenses” in profit or loss for the period.

Aircrafts are measured at fair value less accumulated depreciation and any impairment losses recognized after the revaluation date. Revaluation occurs with sufficient frequency to provide assurance that the fair value of the revalued asset does not differ materially from its carrying amount. The amount of the increase resulting from the revaluation of an aircraft is recognized directly under the revaluation surplus heading in other comprehensive income. However, such an increase in value shall be recognized in profit or loss to the extent that it reverses a decrease in the same asset previously recognized in profit or loss.

Decrease in value resulting from the revaluation of an aircraft is recognized in profit or loss for the period. However, such a decrease is recognized in other comprehensive income to the extent of the existing amount of the credit balance in the item “revaluation surplus”. On disposal of an asset, the portion of the revaluation reserve that is directly attributable to that asset is transferred from the asset revaluation reserve to retained earnings.

Subsequent costs

The costs of replacing a significant component of an item of property and equipment increases the carrying amount of that item if it is probable that the Company will derive future economic benefits from that item and its cost can be measured reliably. The carrying amount of the replaced component is written off. Expenses for day-to-day maintenance of items of property and equipment are recognized in profit or loss for the period at the time they are incurred.

Depreciation

Items of property and equipment are depreciated from the date they are installed and ready for use, and for items of property and equipment built in-house, from the date the item is completed and ready for use. Depreciation is calculated based on the cost of the asset less its estimated residual value.

Each component of an item of property and equipment is depreciated on a straight-line basis over its expected useful life because that method most accurately reflects the expected consumption of future economic benefits embodied in the asset, and the depreciation charge is included in profit or loss for the period.

The expected useful lives of property and equipment were as follows:

Fixed asset group	Useful life
Aircraft (excluding individual components of the asset)	25 years
Machinery and equipment	4 – 25 years
Vehicles	5 – 10 years
Computers and office equipment	4 – 7 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Depreciation (continued)

The individual components of an aircraft asset are depreciated over the average expected useful life between overhauls, which is based on flight hours or cycles.

Depreciation methods expected useful lives and residual values of property and equipment are reviewed at each reporting date and adjusted if necessary.

Property and equipment, other than aircraft, are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Intangible assets

Intangible assets acquired by the Company and having a finite useful life are carried at cost less accumulated depreciation and impairment losses.

Subsequent costs

Subsequent costs are capitalized in the cost of a particular asset only if they increase the future economic benefits embodied in that asset. All other costs are recognized in profit or loss for the period incurred.

Amortization

Amortization is calculated based on the cost of the asset less its estimated residual value.

Typically, each component of an intangible asset is amortized on a straight-line basis over its expected useful life because that method most accurately reflects the expected consumption of the future economic benefits embodied in the asset, and the depreciation charge is included in profit or loss for the period.

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

Group of intangible assets	Useful life
Software	3 - 10 years

Amortization methods expected useful lives and residual values of property and equipment are reviewed as at each financial year end date and adjusted if necessary.

Deferred expenses

Deferred expenses are prepayments for insurance services, licenses and software, which are amortized on a straight-line basis for the periods of service provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Prepayment

Prepayments are reported at cost less any allowance for impairment. A prepayment is classified as non-current if the expected date of receipt of the goods or services related to it is more than one year, or if the prepayment relates to an asset that will be accounted for as non-current on initial recognition. An advance payment for the acquisition of an asset is included in its carrying amount when the Company obtains control of the asset, and it is probable that the future economic benefits associated with it will flow to the Company. Other prepayments are written off to profit or loss when the related goods or services are received. If there is an indication that the assets, goods or services relating to the prepayment will not be received, the carrying amount of the prepayment is written off and the associated impairment loss is recognized in profit or loss for the year.

Recognition and initial measurement

Trade receivables are initially recognized when they are incurred. All other financial assets and liabilities are initially recognized when the Company enters into a contractual relationship involving these instruments.

A financial asset (unless it is a trade receivable that does not contain a significant financing component) or financial liability is initially measured at fair value. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as being measured: at amortized cost.

Financial assets are reclassified after initial recognition only if the Company changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not designated by the Company as at fair value through profit or loss:

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

Financial assets - business model evaluation

The Company evaluates the objective of the business model in which the asset is held at the level of a portfolio of financial instruments, as this best reflects the way the business is managed, and information is provided to the management. The following information is considered:

- Policies and targets set for the portfolio and how these policies work in practice. This includes management's strategy to earn contractual interest income, maintain a defined interest rate structure, ensure that the maturities of financial assets match the maturities of the financial liabilities used to finance those assets or expected cash outflows, or realize cash flows through the sale of assets.
- How portfolio performance is measured and how this information is communicated to the Company's management.
- Risks affecting the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers responsible for managing the portfolio are remunerated (for example, whether the remuneration depends on the fair value of the specified assets or on the contractual cash flows received from the assets).
- The frequency, volume and timing of historical sales of financial assets, the reasons for such sales, and expectations regarding the future level of sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not treated as sales for that purpose and the Company continues to recognize those assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets – an assessment of whether the cash flows provided for in the contract are solely payment of principal and interest.

For the purposes of this assessment, the "principal amount" is defined as the fair value of a financial asset at initial recognition. “Interest” is defined as compensation for the time value of money, for credit risk on principal outstanding for a certain period of time, and for other major risks and costs associated with lending (such as liquidity risk and administrative costs) and include profit margin.

When assessing whether the cash flows provided for in the contract are exclusively payments of the principal amount and interest on the outstanding part of the principal amount (the “SPPI criterion”), the Company analyses the contractual terms of the financial instrument. This includes assessment of whether the financial asset contains any contractual condition that may change the timing or amount of the contractual cash flows so that the financial asset would not meet the analyzed requirement.

During the assessment, the Company analyzes:

- conditional events that may change the timing or amount of cash flows;
- conditions that can adjust the coupon rate stipulated by the contract, including variable rate terms;
- conditions for early repayment and prolongation of the validity period;
- conditions that limit the Company's claims to cash flows from specified assets (for example, non-recourse financial assets)

The early repayment condition meets the SPPI criterion if the amount paid for early repayment represents, in substance, the principal amount outstanding and interest on the principal amount outstanding and may include reasonable additional compensation for early termination. In addition, the condition for early repayment is considered to meet this criterion if the financial asset is acquired or originated at a premium or discount to the nominal amount specified in the contract, the amount payable upon prepayment is, in substance, the nominal amount specified in the contract plus accrued (but not paid) contractual interest (and may also include reasonable additional compensation for early termination of the contract); and at initial recognition of the financial asset, the fair value of its early repayment condition is insignificant.

Financial assets - subsequent measurement and gains and losses

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by the amount of the impairment loss. Interest income, exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss for the period.

Modification of the terms of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company assesses whether the cash flows of the modified asset are significantly different. If the cash flows differ significantly (“significant modification of terms”), then the rights to the contractual cash flows of the original financial asset are considered to have expired. In this case, the recognition of the original financial asset is derecognized and the new financial asset is recognized at fair value.

The Company conducts a quantitative and qualitative assessment of whether the modification of the conditions is significant, i.e. whether the cash flows of the original financial asset and the cash flows of the modified or replaced financial asset differ significantly. The Company conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. If the cash flows are significantly different, then the rights to the contractual cash flows of the original financial asset are considered to have expired. In making this assessment, the Company is guided by guidance on the derecognition of financial liabilities by analogy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Modification of the terms of financial assets and financial liabilities (continued)

Financial assets (continued)

The Company concludes that the modification is significant based on the following qualitative factors:

- change in the currency of a financial asset;
- change in the type of collateral or other means of improving the quality of the asset;
- a change in the terms of a financial asset resulting in non-compliance with the SPPI criterion (for example, adding a conversion term).

If the cash flows of the modified asset measured at amortized cost do not differ significantly, such modification of terms does not result in derecognition of the financial asset. In this case, the Company restates the gross carrying amount of the financial asset and recognizes the amount of the adjustment to the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is restated as the present value of the renegotiated or modified cash flows, discounted using the financial asset's original effective interest rate. Costs and fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining life of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms change in such a way that the cash flows of the modified liability change significantly. In this case, a new financial liability with modified terms is recognized at fair value. The difference between the carrying amount of the old financial liability and the amount of the new financial liability with modified terms is recognized in profit or loss.

The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognized in profit or loss. The difference resulting from the modification of the terms of transactions with shareholders is recognized in equity as part of the transaction with the owner of the company.

If the modification of terms (or replacement of a financial liability) does not result in the derecognition of a financial liability, the Company applies an accounting policy that is consistent with the approach for adjusting the gross carrying amount of a financial asset in cases where the modification of terms does not result in the derecognition of a financial asset – i.e. the Company recognizes any adjustment to the amortized cost of a financial liability arising from such modification (or replacement of a financial liability) in profit or loss at the date of the modification (or replacement of a financial liability).

Changes in the amount of cash flows on existing financial liabilities are not considered modifications of terms if they are a consequence of the current terms of the contract.

The Company conducts a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. The Company concludes that the modification is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- changing the type of collateral or other means of improving the quality of the obligation;
- adding a conversion option;
- change in the subordination of a financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Modification of the terms of financial assets and financial liabilities (continued)

Financial liabilities (continued)

For measurement purposes, terms are considered to be significantly different if the present value of the cash flows under the new terms, including commission payments less commission received, discounted at the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability. If the replacement of one debt instrument with another, or modification of its terms, is accounted for as an repayment, then the cost or commission incurred is recognized as part of the profit or loss on the settlement of the related debt. If the replacement of one debt instrument by another or modification of its terms is not accounted for as an repayment, then the carrying amount of the related liability is adjusted by the costs or fees incurred and the adjustment is amortized over the remaining life of the modified liability.

Derecognition

Financial assets

The Company derecognises a financial asset when it loses its contractual cash flow rights on that financial asset, or when it transfers the rights to receive the contractual cash flows in a transaction that transfers substantially all the risks and the benefits of ownership of that financial asset, or in which the Company neither transfers nor retains a substantial portion of all the risks and rewards incidental to ownership of that financial asset, but does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in the statement of financial position but retains all or substantially all of the risks and rewards of ownership of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when the contractual obligations under it are discharged, canceled or terminated. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are materially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the redeemed carrying amount and the consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and presented in the statement of financial position on a net basis only when the Company currently has an enforceable right to offset the recognized amounts and intends to either settle them on a net basis or realize the asset and fulfill the obligation at the same time.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Additional costs directly related to the issuance of ordinary shares and stock options are reflected, taking into account the tax effect, as a decrease in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The Company estimates the reserves for losses in an amount equal to the ECL for the entire period., with the exception of the following instruments, for which the amount of the recognized reserve will be equal to the 12-month expected credit losses:

- Bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Estimated reserves for losses in respect of guarantee deposits, trade and other receivables will always be estimated at an amount equal to the expected credit losses for the entire term.

In assessing whether there has been a significant increase in the credit risk of a financial asset since initial recognition and in assessing ECLs, the Company analyzes reasonable and verifiable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's past experience and a reasonable assessment of credit quality, and includes forward-looking information.

The Company assumes that the credit risk of a financial asset has increased significantly if it is overdue for more than 30 days.

A financial asset is classified by the Company as a financial asset for which a default event has occurred in the following cases:

- it is unlikely that the borrower will repay its loan obligations to the Company in full without the Company taking measures such as the sale of collateral (if any); or
- the financial asset is overdue by more than 90 days.

Lifetime ECLs are ECLs that arise from all possible default events over the expected life of a financial instrument.

The 12-month ECL is that part of the ECL that arises from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period is considered when ECLs are measured over the maximum contractual period over which the Company is exposed to credit risk.

Assessment of ECL

Expected credit losses are an estimate weighted by the likelihood of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses financial assets carried at amortized cost for credit impairment. A financial asset is 'credit-impaired' when one or more events occur that have a negative effect on the estimated future cash flows of that financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

Non-derivative financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired is, in particular, the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or overdue payment by more than 90 days;
- restructuring by the Company of a loan or advance payment on terms that it would not otherwise consider;
- the likelihood of bankruptcy or other financial reorganization of the borrower; or
- the disappearance of an active market for a security as a result of financial difficulties.

Presentation of allowance for expected credit losses in the statement of financial position

Allowances for expected credit losses on financial assets measured at amortized cost are deducted from the gross carrying amount of those assets.

Presentation of allowance for expected credit losses in the statement of financial position (continued)

Write-offs

The full carrying amount of a financial asset is written off when the Company has no reason to expect that the financial asset will be recovered in full or in part. For businesses, the Company makes individual assessments of the timing and amount of write-offs based on a reasonable expectation of recovery. The Company does not expect a significant recovery of the amounts written off. However, written off financial assets may continue to be subject to enforcement in order to comply with the Company's procedures for recovering amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is calculated.

For the purposes of impairment testing, assets that cannot be tested individually are combined into the smallest group of assets that generates cash inflows from continuing use that are independent of cash inflows from other assets or cash generating units (CGUs).

The recoverable amount of an asset, or CGU, is the largest of two values: the value in use of that asset (that unit) and its fair value less costs to sell. In calculating value in use, expected future cash flows are discounted to their present value using a pre- tax discount rate that reflects the current market estimate of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit (CGU) is greater than its estimated recoverable amount. Impairment losses are recognized in profit or loss for the period.

An impairment loss recognized in a prior period is reviewed at each reporting date to determine whether there is any indication that the loss should be reduced or no longer recognised. Amounts written off for impairment losses are reversed if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset can be restored to its carrying amount, less accumulated depreciation, if no impairment loss had been recognised.

Lease

When an entity enters a contract, the entity evaluates whether the contract as a whole or its individual components is a lease. A contract is a lease or contains a lease component if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. To assess whether the right to control the use of an identified asset under this contract is transferred, the Company applies the definition of a lease under IFRS 16.

This accounting policy will apply to contracts that were concluded on or after 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease (continued)

The Company as a leasee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is the initial amount of the lease liability, adjusted for the amount of lease payments made on or before the commencement date, plus the initial direct costs incurred and the estimated costs that would be incurred on dismantling and relocation of the underlying asset, restoration of the underlying asset or the site on which it is located, less lease incentives received.

Subsequently, a right-of-use asset is depreciated on a straight-line basis from the commencement date of the lease to the end of the lease term, unless the lease agreement transfers ownership of the underlying asset to the Company before the end of the lease term or if the cost of the right-of-use asset exercise reflects the exercise by the Company of a call option. In such cases, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined using the property and equipment approach. In addition, the cost of a right-of-use asset is periodically reduced by the amount of impairment losses, if any, and adjusted when certain revaluations of the lease liability are made.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if such a rate cannot be readily determined, using the Company's incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate based on interest rates from various external sources and makes certain adjustments to take into account the terms of the lease and the type of asset being leased.

Lease payments included in the measurement of the lease liability include:

– fixed charges, including substantively fixed charges;
– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the lease;
– amounts expected to be paid by the tenant under the residual value guarantee;
– the exercise price of a purchase option if it is reasonably certain that the Company will exercise the option, the lease payments for the additional lease period arising from the existence of an option to extend the lease, if it is reasonably certain that the Company will exercise the option to extend the lease, and penalties for early termination of the lease, unless there is reasonable assurance that the Company will not terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if future lease payments change due to a change in an index or rate, if the Company's estimate of the amount payable under the residual value guarantee changes, if the Company changes its estimate of whether it will exercise a call option, an option to extend the lease, or its termination, or if a lease payment that is in substance fixed is renegotiated. was reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as property and equipment and lease liabilities as loans and borrowings in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes lease payments made under such agreements as an expense on a straight-line basis over the lease term.

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4. USE OF PROFESSIONAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect how accounting policies are applied and how much assets, liabilities, income and expenses are reported. Actual results may differ from these estimates.

The assumptions and estimates made on their basis are regularly reviewed to determine if they need to be changed. Changes in accounting estimates are recognized in the reporting period in which the estimates are revised and in all subsequent periods affected by those changes.

Recoverability of a deferred tax asset

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of future taxable income and future tax planning strategies. The tax code allows a business to carry forward accumulated tax losses for the next ten years. Management has concluded that it is probable that sufficient taxable profit will be available to utilize the deferred tax asset by comparing the pre-tax profit projected in the 5-year business plan with the tax loss carry forward as at 31 December 2022. Refer to Note 2 for information about the assumptions and uncertainties in the estimates that have the primary risk of requiring a material change, in the amounts presented in the financial statements in the next financial year.

Fair value measurement

Certain accounting policies of the Company and disclosures require an assessment of the fair value of financial and non-financial assets and liabilities.

When estimating the fair value of an asset or a liability, the Company uses, to the extent possible, observable market data. Fair value measurements are assigned to different levels of the fair value hierarchy, depending on the inputs used in the respective valuation techniques:

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: Inputs other than quoted prices used for Level 1 estimates that are observable either directly (i.e., such as prices) or indirectly (i.e., determined from prices).
- Level 3: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, then the fair value measurement is generally assigned to the level of the hierarchy that corresponds to the lowest level input that is material to the overall measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change takes place.

Revaluation of Property and equipment

The Company accounts for aircraft at revalued amounts. Revalued aircraft represent one class of assets under IFRS 13 based on the nature, characteristics and risks inherent in the asset. The inputs for determining the fair value of aircraft belong to level 3 in the fair value hierarchy (unobservable inputs).

The Company in 2022 and 2021 used data from IBE and Ascend global indicative analytical agencies for independent assessment of the market value of aircraft. In 2022, the Company performed revaluation of the aircraft assets and recognized a revaluation surplus of 1,720,455 thousand tenge (Note 9)

5. REVENUE AND OTHER INCOME

In thousands of tenge	2022	2021
Revenue from passenger transportation		
Regular passenger transportation	20,119,850	12,369,245
including:		
- *fuel surcharges*	*1,736,548*	*1,024,007*
- *airport taxes*	*1,008,228*	*577,061*
- *excess baggage*	*107,584*	*123,819*
Charter flights	171,011	282,840
Total revenue from contracts with customers	**20,290,861**	**12,652,085**
Other income		
Other income	124,300	101,075
	124,300	**101,075**
	20,415,161	**12,753,160**

For the year ended 31 December 2022, domestic passenger traffic comprised 62% (2021: 94%) of total passenger transportation revenue.

During 2022 and 2021, there was no single client that brough more than 10% to the total revenue from operations.

6. OPERATING EXPENSES

(a) Employee costs

In thousands of tenge	2022	2021
Wages and salaries of operational personnel	2,941,231	2,291,982
Wages and salaries of administrative personnel	631,820	498,094
Wages and salaries of sales personnel	88,495	66,896
Social tax and social contribution	364,404	258,716
	4,025,950	**3,115,688**

The number of employees in the Company was 309 as at 31 December 2022 (31 December 2021: 276).

(b) Handling, landing fees and route charges

In thousands of tenge	2022	2021
Landing fees	504,548	479,770
Ground handling	515,371	409,639
Air navigation	715,892	300,787
Security	361,565	215,852
De-icing fluids	70,504	94,712
	2,167,880	**1,500,760**

6. OPERATING EXPENSES (CONTINUED)

(c) Engineering and maintenance

In thousands of tenge	2022	2021
Spare parts pool and maintenance	1,353,384	1,588,217
Line maintenance	247,810	169,589
Other	90,847	139,582
	1,692,041	**1,897,388**

Parking maintenance costs represent the costs associated with regular inspections of aircraft and routine repairs

(d) Passenger service

In thousands of tenge	2022	2021
Airport taxes	1,384,286	830,126
Nutrition	157,756	149,292
Other	51,584	30,281
	1,593,626	**1,009,699**

(e) Selling costs

In thousands of tenge	2022	2021
Commissions payable to airline ticketing agencies	266,128	52,447
Credit card service charges	32,917	2,117
Other	4,160	2,788
	303,205	**57,352**

During 2022, the company operated 745 international flights (2021: 118), resulting in higher commission costs paid to ticketing agencies.

7. FINANCE INCOME AND COSTS

In thousands of tenge	2022	2021
Financial income		
Interest income on bank deposits	344,976	84,849
	344,976	**84,849**
Financial costs		
Amortization of the discount on the Parent Company loan and interest expenses (Note 15)	5,417,718	4,994,358
Interest expense on lease liabilities	95	562
	5,417,813	**4,994,920**

8. CORPORATE INCOME TAX EXPENSES

The applicable tax rate for the Company is 20%, which is the income tax rate for Kazakhstan companies.

In thousands of tenge	2022	2021
Current income tax expense	49,741	12,872
Deferred income tax expense / (benefit)	4,645,490	(1,312,910)
Deferred income tax expense / (benefit)	**4,695,231**	**(1,300,038)**

8. CORPORATE INCOME TAX EXPENSE (CONTINUED)

Reconciliation of the effective tax rate:

	2022		2021	
	In thousands of tenge	**%**	**In thousands of tenge**	**%**
Loss before taxation	**(1,903,532)**	**100**	**(7,761,834)**	**100**
Income tax calculated at the established rate applicable to the Company	(380,706)	20.0	(1,552,367)	20.0
Tax effect of non-deductible expenses	588,920	(23.8)	180,403	(0.9)
Unrecognized tax loss	4,487,017	(235.7)	71,926	(0.4)
	4,695,231		**(1,300,038)**	

Change in temporary differences during the year:

In thousands of tenge	1 January 2022	Recognized in profit or loss	Recognized in equity	31 December 2022
Tax losses carried-forward	8,549,461	(291,186)	-	8,258,275
Trade and other payables	16,145	65,398	-	81,543
Other taxes payable	6,418	(374)	-	6,044
Intangible assets	1,408	(94)	-	1,314
Lease liabilities	477	(477)	-	0
Deferred tax assets	**8,573,909**	**(226,733)**	**-**	**8,347,176**
The Parent Company loan	(6,673,572)	971,481	4,645,490	(1,056,601)
Property and equipment	(1,676,585)	(903,633)	-	(2,580,218)
Right-of-use assets	(412)	412	-	-
Deferred tax liabilities	**(8,350,569)**	**68,260**	**4,645,490**	**(3,636,819)**
Deferred tax asset /(liability)	**223,340**	**(158,473)**	**4,645,490**	**4,710,357**
Unrecognized deferred tax asset	(223,340)	(4,487,017)	-	(4,710,357)
Total deferred tax asset/(liability)	**-**	**(4,645,490)**	**4,645,490**	**-**

In thousands of tenge	1 January 2021	Recognized in profit or loss	Recognized in equity	31 December 2021
Tax losses carried-forward	7,558,279	991,182	–	8,549,461
Trade and other payables	23,723	(7,578)	–	16,145
Other taxes payable	6,282	136	–	6,418
Intangible assets	1,744	(336)	–	1,408
Lease liabilities	1,217	(740)	–	477
Deferred tax assets	**7,591,245**	**982,664**	–	**8,573,909**
The Parent Company loan	(6,251,948)	891,286	(1,312,910)	(6,673,572)
Property and Equipment	(1,186,766)	(489,819)	–	(1,676,585)
Right-of-use assets	(1,117)	705	–	(412)
Deferred tax liabilities	**(7,439,831)**	**402,172**	**(1,312,910)**	**(8,350,569)**
Deferred tax asset /(liability)	**151,414**	**1,384,836**	**(1,312,910)**	**223,340**
Unrecognized deferred tax asset	(151,414)	(71,926)	–	(223,340)
Total deferred tax asset/(liability)	**–**	**1,312,910**	**(1,312,910)**	**—**

The statutory limitation period for accumulated tax losses of 41,291,376 thousand tenge as at 31 December 2022 (31 December 2021: 41,630,605 thousand tenge) expires ten years from the date of occurrence. The nearest term for offsetting accumulated tax losses in the amount of 487,618 thousand tenge expires in 2025.

9. PROPERTY AND EQUIPMENT

In thousands of tenge	Aircrafts	Vehicles	Machinery and equipment	Computers and office equipment	Right-of-use assets	Construction in progress	Total
Initial cost /Revalued amount							
As at 1 January 2021	**37,205,043**	**31,869**	**17,652**	**117,896**	**10,586**	**–**	**37,383,046**
Additions and lease modification	144,573	–	2,254	3,898	–	1,098,534	**1,249,259**
Disposals	(110,655)	–	–	(5,314)	–	–	**(115,969)**
Revaluation	937,526	–	–	588	–	(938,114)	**–**
As at 31 December 2021	**38,176,487**	**31,869**	**19,906**	**117,068**	**10,586**	**160,420**	**38,516,336**
Additions	–	**–**	5,131	15,755	**–**	2,845,598	**2,866,485**
Disposals	–	–	–	(2,385)	(10,585)	(1,361)	**(14,332)**
Internal transfers	3,126,688	–	805	–	–	(3,004,643)	**122,850**
As at 31 December 2022	**41,303,175**	**31,869**	**25,842**	**130,438**	**1**	**14**	**41,491,339**
Accumulated depreciation							
As at 1 January 2021	**(11,958,235)**	**(25,921)**	**(8,964)**	**(83,432)**	**(4,999)**	**–**	**(12,081,551)**
Charge for the year	(2,802,402)	(4,780)	(1,844)	(15,067)	(3,528)	**–**	**(2,827,621)**
Disposals	110,655	–	–	4,523	–	**–**	**115,178**
Revaluation	(441,593)	–	–	–	–	**–**	**(441,593)**
As at 31 December 2021	**(15,091,575)**	**(30,701)**	**(10,808)**	**(93,976)**	**(8,527)**	**–**	**(15,235,587)**
Charge for the year	(2,378,688)	(1,167)	(4,033)	(10,016)	(1,591)	**–**	**(2,395,495)**
Disposals	–	–	–	2,385	10,117	**–**	**12,502**
Revaluation	1,720,455	–	–	–	–	**–**	**1,720,455**
As at 31 December 2022	**(15,749,808)**	**(31,868)**	**(14,841)**	**(101,607)**	**(1)**	**–**	**(15,898,125)**
Book value							
As at 31 December, 2021	**23,084,912**	**1,168**	**9,098**	**23,092**	**2,059**	**160,420**	**23,280,749**
As at 31 December, 2022	**25,553,367**	**1**	**11,001**	**28,831**	**–**	**14**	**25,593,214**

From October 2021 to September 2022, the Company completed scheduled basic maintenance of five aircraft in Germany and the UAE at an authorized aircraft maintenance organizations.

9. PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of aircrafts, if they were carried at cost less accumulated depreciation, is as follows:

In thousands of tenge	31 December 2022	31 December 2021
Initial cost	41,303,175	38,176,487
Accumulated depreciation	(11,215,089)	(8,836,401)
Accumulated impairment	(4,534,719)	(6,255,174)
Residual value	**25,553,367**	**23,084,912**

In 2022 an independent appraisal company Independent Expert Appraisal LLP performed an assessment of the fair market value of five model DHC-8 400 aircraft. According to the independent appraiser's report the Company recognised an increase in fair value of the aircraft in 2022 in the statement of profit and loss in the amount of 1,720,455 thousand tenge (2021: decrease of 441,593 thousand tenge). As at 31 December 2022 the total amount of loss from revaluation of these assets amounted to 4,534,719 thousand tenge (31 December 2021: 6,255,174 thousand tenge).

As at 31 December 2022 all of the Company's aircraft with a carrying amount of 25,553,367 thousand tenge served as collateral for loans received from the Parent (31 December 2021: 23,084,912 thousand tenge).

10. PREPAYMENTS AND DEFERRED EXPENSES

In thousands of tenge	31 December 2022	31 December 2021
Long term		
Deferred expenses for employee training	–	276,453
	–	**276,453**
Short term		
Deferred expenses	291,070	191,363
Prepayment for goods	500,686	464,234
Prepayment for services	362,892	99,171
Prepayment for other taxes	15,513	17,736
	1,170,161	**772,504**

11. INVENTORIES

In thousands of tenge	31 December 2022	31 December 2021
Spare parts	1,248,407	751,502
Aviation fuel	441,044	259,025
Uniform	36,312	35,560
Other materials	110,737	77,806
	1,836,500	**1,123,893**
Inventories write-off to net realizable value	(24,066)	(59,669)
	1,812,434	**1,064,224**

12. TRADE AND OTHER RECEIVABLES

In thousands of tenge	31 December 2022	31 December 2021
Trade receivables	229,816	51,505
Receivable of employees	31,278	34,436
Value added tax recoverable	117,655	83,106
Allowance for doubtful receivables	(158,906)	(18,245)
	219,843	**150,802**

Information about the Company's exposure to credit, currency and impairment risks in relation to financial assets is disclosed in Note 18.

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	31 December 2022	31 December 2021
Current accounts in Kazakhstani banks	2,429,403	2,663,021
Short-term deposits with original maturity less than 90 days in Kazakhstani banks	2,803,474	1,011,905
Cash on hand	84	265
	5,232,961	**3,675,191**
Provision on expected credit losses	(1,104)	(476)
	5,231,857	**3,674,715**

Information about the Company's exposure to credit, currency and impairment risks in relation to financial assets is disclosed in Note 18.

14. SHARE CAPITAL

Share capital

In thousands of tenge	31 December 2021	%	31 December 2021	%
Samruk- Kazyna National Welfare Fund JSC	34,067,259	100	120,000	100

In September 2022 the sole shareholder of the Company decided to increase the share capital of the Company to repay the loans issued through repurchasing 147,089 common shares of QAZAQ AIR JSC at the placement price of 230.794 thousand tenge per one common share in the total amount of 33,947,259 thousand tenge. Therefore, as at December 31, 2022 the share capital of the Company amounted to 34,067,259 thousand tenge (December 31, 2021 120,000 thousand tenge).

Dividends

In accordance with the legislation of the Republic of Kazakhstan, a shareholder of the Company has the right to distribute a part of previous years retained earnings as the dividends. Profit distribution is not allowed if the equity becomes negative or the distribution of net income would result in insolvency of the Company.

The Company did not declare or pay dividends during 2022 and 2021.

15. LOAN FROM THE PARENT COMPANY

In thousands of tenge	31 December 2022	31 December 2021
Long term		
Samruk- Kazyna National Welfare Fund JSC	30,766,230	36,724,437
Accrued interest expense payable	1,707,643	1,051,918
	32,473,873	**37,776,355**

In February 2019, the Company signed a 12-year loan agreement with the Parent Company for the purchase of two new DHC-8 Q400NG aircraft from Bombardier Inc. in the amount of 16,000,000 thousand tenge with principal repayment in one amount at the end of the term and interest in semi-annual installments with the first payment after 60 months from the date of the first tranche at a rate of 0.1% per annum. The Company has pledged acquired aircraft as collateral under this loan. The Company recognised a discount of 8,169,673 thousand tenge at the dates of receipt of tranches under this loan for the difference between market rates at the dates of receipt and the nominal rate of 0.1% per annum. As at 31 December 2022 the outstanding balance and unamortized discount on this loan amounted to 15,594,866 thousand tenge and 1,777,486 thousand tenge, respectively.

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15. LOAN FROM THE PARENT COMPANY (CONTINUED)

In October 2019, the Company received a loan from the Parent Company for 15 years for the purchase of three DHC-8 Q400NG aircraft in the amount of 21,000,000 thousand tenge with repayment of the principal amount at the end of the term and interest in semi-annual payments with the first payment after 24 months from the date of the first tranche at a rate of 2.5% per annum. On November 2, 2021, the repayment period of the remuneration was increased to 60 months from the date of the first tranche. As collateral for this loan, the Company provided the purchased aircraft. The Company recognized a discount in the amount of 8,909,680 thousand tenge on the date of receipt of tranches on this loan for the difference between the market rates on the date of receipt and the nominal rate of 2.5% per annum. As of 31 December 2022, the amount of available funds to be received under this credit line is 676,982 thousand tenge. As of 31 December, the outstanding balance and unamortized discount on this loan amounted to 16,879,007 thousand tenge and 3,505,519 thousand tenge, respectively.

In September 2022, credit lines under agreements No.656 and No.652, with a maturity date until 31 December 2030 and an interest rate of 0.01% per annum to finance the Company's operating activities, were repaid ahead of schedule in the amount of 20,636,329 thousand tenge and 13,311,319 thousand tenge, respectively, by using funds contributed by the Parent by the Company to the capital on the basis of the decision of the Parent Company. At the date of early repayment, the discount from the initial recognition of the amounts under these loans in the amount of 23,227,449 was released.

Finance costs during the period ended 31 December 2022 amounted to 5,417,718 thousand tenge (31 December 2021: 4,994,358 thousand tenge). (Note 7)

All loans were initially recognized at fair value using market interest rates.

Reconciliation of changes in liabilities and cash flows from financing activities

In thousands of tenge	**The Parent Company loan**
Balance as at 1 January 2022	**37,776,355**
Changes in cash flows from financing activities	
Proceeds from loans	–
Repayment of the Parent company loan	(33,947,648)
Total changes due to cash flows from financing activities	**3,828,707**
Other changes	
Interest expense	560,311
Release of the discount on the Parent Company loan	23,227,449
Amortization of the discount on the Parent Company loan	4,857,406
Total other changes	**28,645,166**
Balance as at 31 December 2022	**32,473,873**

In thousands of tenge	**The Parent Company loan**
Balance as at 1 January 2021	**36,801,576**
Changes in cash flows from financing activities	
Proceeds from loans	2,544,971
Total changes due to cash flows from financing activities	**2,544,971**
Other changes	
Interest expense	537,926
Amortization of the discount on the Parent Company loan	4,456,432
Recognition of the discount on the Parent Company loan	(6,564,550)
Total other changes	**(1,570,192)**
Balance as at 31 December 2021	**37,776,355**

16. TRADE AND OTHER PAYABLES

In thousands of tenge	31 December 2022	31 December 2021
Trade payables	1,526,999	1,189,988
Wages and salaries to employees	501,037	138,759
Other	18,108	3,353
	2,046,144	**1,332,100**

Information about the Company's exposure to currency risk and liquidity risk in relation to trade and other payables is disclosed in Note 18.

17. DEFERRED INCOME

In thousands of tenge	31 December 2022	31 December 2021
Deferred income	1,373,403	787,383
	1,373,403	**787,383**

Deferred income on transportation represents the value of sold but unused passenger tickets that have not yet expired.

18. FAIR VALUE AND RISK MANAGEMENT

Accounting classifications and fair value

Management believes that the fair value of the Company's financial assets and liabilities is approximately equal to their book value. The basis for determining fair value is disclosed below.

Management classifies the fair value of the Company's financial assets and liabilities in Level 2 of the fair value hierarchy.

Fair value measurement

The estimated fair value of all financial assets and liabilities determined for disclosure purposes is calculated using discounted cash flow methods, based on estimated future cash flows and market interest rates at the reporting date.

Financial risk management

The use of financial instruments exposes the Company to the following types of risk:

- credit risk;
- liquidity risk;
- market risk.

Basic principles of risk management

The Management Board of the Company has overall responsibility for the organization of the Company's risk management system and supervision of the functioning of this system. The Company's Management Board is responsible for developing the Company's risk management policy and overseeing its implementation. The Company's Management Board regularly reports on its work to the Board of Directors in accordance with the established procedure.

Credit risk

Credit risk is the risk that the Company will incur a financial loss caused by a customer or counterparty to a financial instrument failing to meet its contractual obligations and arises primarily from the Company's customer receivables and bank balances.

The carrying amount of financial assets reflects the Company's maximum exposure to credit risk.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The maximum exposure to credit risk for trade receivables, margin deposits, restricted cash and cash and cash equivalents with banks as at the reporting date was as follows:

In thousands of tenge	**Book value**	
	31 December 2022	**31 December 2021**
Trade account receivables	229,816	51,505
Cash and cash equivalents other than cash on hand	5,231,813	3,674,450
	5,461,629	**3,725,955**

__Trade and other receivables__

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer. As at 31 December 2022, there is no significant concentration of credit risk on trade account receivables (31 December 2021: none).

An analysis of the Company's exposure to credit risk in relation to trade and other receivables is presented below:

In thousands of tenge	**31 December 2022**	**31 December 2021**
	Not credit-impaired	Not credit-impaired
Other clients:		
– The duration of trading relations with the Company is less than 5 years	229,816	51,505
Total gross carrying amount	**229,816**	**51,505**

Estimated expected credit losses for credit institutions as at 31 December 2022 and 2021

The Company allocates each position exposed to credit risk based on data that is determined to predict the risk of loss (including, but not limited to, external ratings, audited financial information, management accounts and cash flow projections, and counterparty information available to in the media) and through the application of expert judgment. Credit risk levels are determined using qualitative and quantitative factors that are indicative of default risk and are consistent with external credit rating definitions obtained from Standard & Poor's.

__Cash and cash equivalents__

As at 31 December 2022, the Company had cash and cash equivalents excluding cash on hand totaling 5,231,773 thousand tenge (31 December 2021: 3,674,450 thousand tenge) (Note 13). Cash and cash equivalents are placed with banks rated BB to BB+ by Standard & Poor's.

Impairment of cash and cash equivalents was estimated based on expected credit losses under contractual maturities, which reflect the short terms of exposures. The Company considers, based on external counterparty credit ratings, that its cash and cash equivalents have low credit risk.

__Liquidity risk__

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to liquidity management is to ensure, to the extent possible, that the Company has sufficient liquidity at all times to meet its obligations on time, both under normal and stressful conditions, without incurring unacceptable losses or exposing reputation of the Company.

The Company generally ensures that sufficient cash is available on demand to meet expected operating expenses, including servicing financial liabilities, without taking into account the potential impact of exceptional circumstances that could not reasonably be foreseen, such as the impact of natural disasters.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to liquidity risk

Information on the remaining contractual maturities of financial liabilities at the reporting date is provided below. Gross and undiscounted amounts are presented, excluding the effect of offset agreements. It is not expected that the cash flows taken into account in the maturity analysis could be materially earlier or significantly different.

31 December 2022

In thousands of tenge	Book value	Cash flows under the contract	Less than 2 months	Less than 12 months	Less than 5 years	Over 5 years
Non-derivative financial liabilities						
Trade payables	1,434,038	1,434,038	1,434,038	–	–	–
Loan from the Parent Company	32,473,873	37,756,879	–	–	–	37,756,879
Lease liabilities	2,386	2,948	–	2,948	–	–
	33,910,297	**39,193,865**	**1,434,038**	**2,948**	**-**	**37,756,879**

31 December 2021

In thousands of tenge	Book value	Cash flows under the contract	Less than 2 months	Less than 12 months	Less than 5 years	Over 5 years
Non-derivative financial liabilities						
Trade payables	1,189,988	1,189,988	1,189,988	–	–	–
Loan from the Parent Company	37,776,355	71,144,215	–	–	–	71,144,215
Lease liabilities	2,386	2,948	–	2,948	–	–
	38,968,729	**72,337,151**	**1,189,988**	**2,948**	**–**	**71,144,215**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share prices, will adversely affect the Company's earnings or the value of its holdings of financial instruments. The goal of market risk management is to control and keep exposure to market risk within acceptable limits while optimizing the return on investment.

In order to manage market risks, the Company does not buy or sell derivative instruments. The Company does not apply hedge accounting to manage the volatility in profit or loss over a period.

Currency risk

The Company is exposed to currency risk on cash and cash equivalents, margin deposits and purchases denominated in a currency other than the Company's functional currency, these transactions are denominated primarily in US dollars.

With respect to other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to maintain the net exposure at risk within acceptable limits by buying or selling foreign currency at spot rates, when necessary, to eliminate short-term imbalances.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Exposure to currency risk

The Company's exposure to currency risk as at 31 December 2022 was as follows:

In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Pound	Total as at 31 December 2022
Financial assets:						
Cash and cash equivalents	4,242,844	785,787	200,762	3,485	–	**5,232,878**
Total financial assets	**4,242,844**	**785,787**	**200,762**	**3,485**	**–**	**5,232,878**
In thousands of tenge	**Tenge**	**US dollar**	**Russian ruble**	**Euro**	**Pound**	**Total as at 31 December 2022**
Financial liabilities:						
Trade payables	584,575	745,852	21,639	11,262	–	**1,363,328**
Total financial liabilities	**584,575**	**745,852**	**21,639**	**11,262**	**–**	**1,363,328**
Open position	**3,658,269**	**39,935**	**179,123**	**(7,777)**	**–**	**3,869,550**

The Company's exposure to currency risk as at 31 December 2021 was as follows:

In thousands of tenge	Tenge	US dollar	Russian ruble	Euro	Pound	Total as at 31 December, 2021
Financial assets:						
Cash and cash equivalents	2,133,633	1,298,851	242,398	44	–	3,674,926
Total financial assets	**2,133,633**	**1,298,851**	**242,398**	**44**	–	**3,674,926**
In thousands of tenge	**Tenge**	**US dollar**	**Russian ruble**	**Euro**	**Pound**	**Total as at 31 December, 2021**
Financial liabilities:						
Trade payables	469,452	698,007	10,178	12,275	76	1,189,988
Total financial liabilities	**469,452**	**698,007**	**10,178**	**12,275**	**76**	**1,189,988**
Open position	**1,664,181**	**600,844**	**232,220**	**(12,231)**	**(76)**	**2,484,938**

The following foreign exchange rates were applied during the year:

tenge	Spot exchange rate at the reporting date	Spot exchange rate at the reporting date
	31 December 2022	**31 December 2021**
1 US dollar	462.65	431.80
1 euro	492.86	489.10
1 russian ruble	6.43	5.76

Sensitivity analysis

A reasonably possible strengthening/weakening of the tenge, as shown below, against all other currencies as at 31 December 2022 and 2021 would have affected profit or loss, net of taxes, by the amounts shown below. A change in the exchange rate would have no effect on equity. This analysis assumes that all other variables, especially interest rates, remain constant and do not take into account the impact of forecast sales and acquisitions.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

In thousands of tenge	31 December 2022		31 December 2022		31 December 2022	
	Tenge / US Dollar 21%	Tenge / US dollar (21%)	Tenge / Russian ruble 22%	Tenge / Russian ruble (22%)	Tenge / Euro 18%	Tenge / Euro (18%)
Impact on profit or loss and equity	396,589	(396,589)	191,703	191,703	6,129	(6,129)

In thousands of tenge	31 December 2021		31 December 2021		31 December 2021	
	Tenge / US Dollar 13%	Tenge / US dollar (10%)	Tenge / Russian ruble 13%	Tenge / Russian ruble (13%)	Tenge / Euro 13%	Tenge / Euro (10%)
Impact on profit or loss and equity	81,386	(62,604)	23,654	(23,654)	(1,573)	1,210

Interest rate risk

As at 31 December 2022 the Company is not exposed to interest rate risk.

Master netting agreement or similar agreements

The Company may enter into purchase and sales agreements with the same counterparties in the ordinary course of business. The corresponding amounts of receivables and payables do not always meet the criteria for offsetting in the statement of financial position. This is because the Company may not currently have a legally enforceable right to set off the recognized amounts, as the right to set off may only be enforceable on the occurrence of certain events in the future. In particular, in accordance with the civil law norms in force in Kazakhstan, an obligation can be settled by offsetting a homogeneous claim, the term of which has come or is not specified or is determined by the moment of demand.

Income analysis

The Company analyzes the impact of risks on earnings before taxes, interest and depreciation and amortization (hereinafter referred to as “EBITDA”) calculated by the Company as follows:

In thousands of tenge	2022	2021
Revenue and other income	20,415,161	12,753,160
Cost of sales	(14,771,486)	(11,318,810)
Gross income	**5,643,675**	**1,434,350**
Administration expenses	(1,260,347)	(781,262)
Selling expenses	(511,841)	(180,595)
EBITDA	**3,871,479**	**472,493**

The amounts of revaluation increase and impairment of property and equipment included in operating expenses for 2022 and 2021 in the amount of 1,720,455 thousand tenge and 441,593 thousand tenge, respectively, are not included in the calculation used by the Company according to the method of the Parent Company, EBITDA indicator. Other expenses and losses for 2022 and 2021 totaling 24,537 thousand tenge and 51,264 thousand tenge, respectively, are also not included in the EBITDA calculation.

18. FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Capital management

The Company does not have its own approved policy for managing its own capital. However, the management follows the policy of maintaining a stable capital base in order to maintain the confidence of investors, creditors and the market, as well as to ensure the future development of the business.

The Company is not subject to external regulatory requirements for equity.

19. CONTINGENT ASSETS AND LIABILITIES

Insurance

The market of insurance services in the Republic of Kazakhstan is in its infancy and many forms of insurance common in other countries of the world are not yet available in Kazakhstan. The company has all compulsory insurance policies stipulated by the legislation of the Republic of Kazakhstan. Currently, the Company is not exposed to the risk of loss of large assets, as the Company has entered into voluntary aviation insurance contracts. The Company has policies of voluntary aviation insurance against “all risks” of property damage to aircraft and civil liability, as well as policies of voluntary aviation insurance of war risks and associated risks of property damage to aircraft.

Contingent tax liabilities in the Republic of Kazakhstan

The tax system in Kazakhstan, being relatively new, is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often vague and contradictory, which allows for their ambiguous interpretation by various tax authorities, including opinions regarding the treatment of income, expenses and other items of financial statements in accordance with IFRS. Checks and investigations regarding the correctness of the calculation of taxes are carried out by regulatory bodies at various levels, which have the right to impose large fines and charge interest. The correctness of the calculation of taxes in the reporting period can be verified over the next five calendar years, however, under certain circumstances, this period may be extended.

These circumstances may result in tax risks in Kazakhstan being much higher than in other countries. The management of the Company, based on its understanding of applicable tax laws, regulatory requirements and court decisions, believes that tax liabilities are fully reflected. However, taking into account the fact that interpretations of tax legislation by various regulatory authorities may differ from the opinion of the Company's management, if enforcement actions are taken against the Company by regulatory authorities, their impact on the Company's financial statements may be material.

20. RELATED PARTIES

The Parent and ultimate controlling party

The immediate Parent Company of the Company is Samruk- Kazyna National Wealth Fund JSC, which is owned by the Government of the Republic of Kazakhstan.

Operations with senior management personnel

Remuneration of key management personnel

Compensation received by the key management personnel in reporting year included in personnel costs (Note 6) were the following:

In thousands of tenge	**2022**	**2021**
Salary and bonuses	281,130	249,664
Social contributions	28,730	23,322
	309,860	**272,986**

As at 31 December 2022 and 2021, the key management personnel consists of the Chairman of the Management Board and members of the Management Board of the Company with a total of 3 people.

20. RELATED PARTIES (CONTINUED)

Other transactions with related parties

Expenses

In thousands of tenge	2022	2021
Purchase of goods and services:		
Entities controlled by the Parent	1,600,474	296,196
State enterprises	352,060	257,506
	1,952,534	**553,702**

Borrowings

In thousands of tenge	31 December 2022	31 December 2021
Loans received, net of repayments during the year		
Samruk- Kazyna National Welfare Fund JSC	30,766,230	36,724,437
Accrued interests	1,707,643	1,051,918
	32,473,873	**37,776,355**

Related parties include a shareholder of the Company and all other companies in which that shareholder has a controlling interest. These transactions are carried out in the ordinary course of the Company's business on terms comparable to those on which the Company enters into transactions with unrelated parties.

Transactions with entities related to the Government

The company works with a number of enterprises that are under the control of the Government of the Republic of Kazakhstan. The Company applies the exemption provided by IAS 24 “Related Parties” to provide simplified disclosures for transactions with entities associated with the Government of the Republic of Kazakhstan.

The Company carries out transactions with enterprises associated with the Government of the Republic of Kazakhstan. These transactions are part of the normal activities of the Company and are carried out on terms comparable to the terms of interaction with enterprises not associated with the Government of the Republic of Kazakhstan.

21. CONDITIONS FOR CARRYING OUT FINANCIAL AND ECONOMIC ACTIVITIES IN KAZAKHSTAN

The company operates mainly on the territory of Kazakhstan. Accordingly, the Company's business is influenced by the economy and financial markets of Kazakhstan, which are characterized by the peculiarities of the developing market. The legal, tax and administrative systems continue to evolve, however, they are associated with the risk of ambiguity in the interpretation of their requirements, which are also subject to frequent changes, which, together with other legal and fiscal barriers, creates additional problems for enterprises doing business in Kazakhstan.

These financial statements reflect management's view of the impact that the business environment in Kazakhstan has on the Company's operations and financial position. The actual impact of future business conditions may differ from management's estimates.

22. SIGNIFICANT EVENT AFTER THE REPORTING DATE

There were no events after the reporting date required for disclosure in these financial statements.