JSC Aviation Administration of Kazakhstan

Financial Statements
For the year ended December 31, 2023
with the Independent Auditor's Report

SFAI

JSC Aviation Administration of Kazakhstan

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Contents

Financial statements

Statement of the Management Responsibility for the Preparation and Approval of the Financial Statements for the year ended December 31, 2023

The following statement, which should be read in conjunction with the description of the auditors' responsibilities contained in the independent auditors' report, is made for the purpose of distinguishing the auditors' responsibilities in relation to the financial statements of Organization of Horizontal Monitoring Limited (hereinafter referred to as the 'Company').

Management of the Company is responsible for the preparation of financial statements that present fairly the financial position as at December 31, 2023, as well as its financial results of operations, cash flows and changes in equity for the year ended December 31, 2023 in accordance with International Financial Reporting Standards ('IFRS').

When preparing the financial statements the management is responsible for:

- Ensuring the correct selection and application of accounting policies;
- Providing information, including accounting policies, in a form that ensures that such information is relevant, reliable, comparable and understandable;
- Providing additional disclosures when compliance with the requirements of IFRSs is insufficient to enable users of the financial statements to understand the impact that particular transactions, other events or conditions, have on the Company's financial position and financial performance;
- Assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Development, implementation and maintenance of reliable internal control in all business units of the Company;
- Maintenance of the accounting records in the manner, which allows to disclose and explain the Company's transactions, and present at any moment the information on the financial position of the Company with a sufficient degree of accuracy and ensure that the financial statements comply with IFRS;
- Taking all reasonably possible measures to ensure the safekeeping of the assets of the Company; and Detection and prevention of financial and other irregularities.

The financial statements for the year ended December 31, 2023 were approved by the management of the Company on June 27, 2024 and signed on its behalf:

General Director

Catalin Radu

Chief Accountant

Zhumina R. K.

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Independent Auditor's Report

To Shareholders and Management of JSC Aviation Administration of Kazakhstan

Opinion

We have audited the financial statements of JSC Aviation Administration of Kazakhstan (the 'Company'), which comprise the statement of financial position as at December 31, 2023, 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 and other explanatory information.

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

Basis for Opinion

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

Significant events - comparative information

We draw attention to Note 6 to the financial statements, which states that the comparative information as of January 1, 2022, December 31, 2022, and for the year then ended December 31, 2022, has been restated. Our opinion is not modified in respect of this matter.

Other information

Audit of the Company's financial statements for the year ended December 31, 2022 was performed by another auditor, who issued an unmodified opinion on these financial statements on June 23, 2023.

Other information related to comparative information

During our audit of the financial statements as of December 31, 2023, and for the year then ended, we performed audit procedures on the adjustments described in Note 6, which were applied to restate the comparative information as of January 1, 2022, December 31, 2022, and for the year ended December 31, 2022, and the balance sheets as of January 1, 2022, and December 31, 2022, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year ended on that date, as well as the related notes comprising significant accounting policies and other explanatory information. In our opinion, the adjustments described in Note 6 are appropriate and have been properly applied.

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 the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Signed by:

Yelena Leibovich

Engagement Partner

Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. МФ-0001856 dated 11 August 2021

Approved by:

Olzhas Kuanyshbekov

General Director of SFAI Kazakhstan LLP

State license to conduct audit № 24020399 dated 3 June 2024 issued by the Ministry of Finance of the Republic of Kazakhstan

13 Al-Farabi Avenue, Bostandyk district, BC Nurly Tau, block 1V, office 505, Almaty, 050059, the Republic of Kazakhstan

June 27, 2024

Statement of Financial Position
As at 31 December 2023

all amounts are presented in thousands of Kazakhstani tenge

'000 KZT	Note	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Assets				
Non-current assets				
Property, plant and equipment	7	143,731	90,832	114,474
Intangible assets	8	45,674	42,524	24,374
Right-of-use assets	9	457,663	155,605	311,211
Total non-current assets		**647,068**	**288,961**	**450,059**
Current assets				
Trade and other receivables		28,039	–	–
Corporate income tax prepayments		–	239,746	241,447
Other current assets	10	74,838	30,868	66,844
Cash and cash equivalents	11	1,935,554	1,883,032	1,096,696
Total current assets		**2,038,431**	**2,153,646**	**1,404,987**
Total assets		**2,685,499**	**2,442,607**	**1,855,046**
Equity and liabilities				
Equity				
Share capital	12	1,877,337	1,877,337	1,874,425
Uncovered Loss		(1,229,978)	(2,341,473)	(2,181,129)
Total equity		**647,359**	**(464,136)**	**(306,704)**
Non-current liabilities				
Lease liabilities	9	248,638	–	164,040
Loans received	13	781,053	1,182,077	1,655,084
Deferred tax liabilities	22	28,629	66,564	124,109
Total Non-current liabilities		**1,058,320**	**1,248,641**	**1,943,233**
Current liabilities				
Loans received	13	–	688,167	–
Contractual liabilities	14	57,344	–	–
Trade accounts payables	15	54,255	14,418	4,097
Deferred income	18	–	641,190	–
Lease liabilities	9	209,025	164,039	147,171
Income tax liabilities		67,689	–	–
Payables for other taxes and duties	16	479,321	95,768	37,818
Accrued employee benefit expenses	17	106,544	54,369	29,431
Other current liabilities		5,642	151	–
Total current liabilities		**979,820**	**1,658,102**	**218,517**
Total liabilities		**2,038,140**	**2,906,743**	**2,161,750**
Total equity and liabilities		**2,685,499**	**2,442,607**	**1,855,046**

The financial statements for the year ended 31 December 2023 were approved by the management of the Company on 27 June 2024 and signed on its behalf:

General Director
Catalin Radu

Chief Accountant
Zhumina R. K.

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the financial statements.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

all amounts are presented in thousands of Kazakhstani tenge

'000 KZT	Note	2023	2022 (restated)
Income from contributions from a public entity	18	4,488,693	3,417,511
Revenue from rendering of services	19	3,491,839	–
Operating expenses	20	(6,719,402)	(3,390,798)
Other operating income	21	232,096	6,551
Net losses from foreign currency transactions		(7,570)	(9,279)
Finance costs	22	(257,024)	(241,874)
Profit/(loss) before taxation		**1,228,632**	**(217,889)**
Income tax (expense)/benefit	23	(239,027)	57,545
Net profit/(loss) for the year		**989,605**	**(160,344)**
Other comprehensive income for the year		–	–
Total comprehensive income/(loss) for the year		**989,605**	**(160,344)**

The financial statements for the year ended 31 December 2023 were approved by the management of the Company on 27 June 2024 and signed on its behalf:

General Director
Catalin Radu

Chief Accountant
Zhumina R. K.

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the financial statements.

all amounts are presented in thousands of Kazakhstani tenge

'000 KZT	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities		
Receipts from contributions from a state organization	3,847,503	4,058,701
Revenue from mandatory contributions for oversight of flight safety and aviation security and other services	3,934,910	–
Payments to suppliers	(1,170,776)	(200,720)
Payments to wages and salaries	(3,977,691)	(1,839,072)
Payments of other taxes	(416,127)	(537,000)
Interest paid	(12,352)	(26,713)
Other receipts	–	8,010
Other payments	(683,216)	(491,349)
Cash flows from operating activities before income tax paid	**1,522,251**	**971,857**
Income tax paid	–	–
Net cash flows from operating activities	**1,522,251**	**971,857**
Cash flows from investing activities		
Purchase of property, plant, and equipment	(85,732)	(2,985)
Purchase of intangible assets	(12,898)	(24,326)
Net cash flows used in investing activities	**(98,630)**	**(27,311)**
Cash flows from financing activities		
Repayment of loans received	(1,181,500)	–
Principal payments on lease liabilities	(192,151)	(147,172)
Net cash flows used in financing activities	**(1,373,651)**	**(147,172)**
Net increase in cash and cash equivalents	**49,970**	**797,374**
Effect of exchange rate changes	–	(9,244)
Impairment loss reserves on cash and cash equivalents	2,552	(1,794)
Cash and cash equivalents at the beginning of the period	1,883,032	1,096,696
Cash and cash equivalents at the end of the period	**1,935,554**	**1,883,032**

The financial statements for the year ended 31 December 2023 were approved by the management of the Company on 27 June 2024 and signed on its behalf:

General Director
Catalin Radu

Chief Accountant
Zhumina R. K.

The Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

Statement of Changes in Equity
For the year ended 31 December 2023

all amounts are presented in thousands of Kazakhstani tenge

'000 KZT	Share capital	Revaluation reserve on loans *(restated)*	Uncovered loss *(restated)*	Total equity
Presented as of December 31, 2021	**1,874,425**	**477,706**	**(2,658,835)**	**(306,704)**
Adjustment	–	(477,706)	477,706	–
Restated as of January 1, 2022	**1,874,425**	–	**(2,181,129)**	**(306,704)**
Total comprehensive income for the year, restated	–		(160,344)	(160,344)
Share issue	2,912	–	–	2,912
As of December 31, 2022, restated	**1,877,337**	–	**(2,341,473)**	**(464,136)**
As of January 1, 2023	**1,877,337**	–	**(2,341,473)**	**(464,136)**
Income from modification of loans received, at fair value, net of taxes	–	–	184,980	**184,980**
Amortization of discount from early partial repayment of loans received, net of taxes	–	–	(63,090)	**(63,090)**
Total comprehensive income for the year	–	–	989,605	**989,605**
As of December 31, 2023	**1,877,337**	–	**(1,229,978)**	**647,359**

The financial statements for the year ended 31 December 2023 were approved by the management of the Company on 27 June 2024 and signed on its behalf:

General Director

Catalin Radu

Chief Accountant

Zhumina R. K.

The Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1. Reporting entity

a) Company and its activities

JSC "Aviation Administration of Kazakhstan" (formerly JSC "Kazakhstan Transport Leasing Company") (hereinafter referred to as the "Company") was established in 2002 in accordance with the legislation of the Republic of Kazakhstan. The Company was re-registered on June 12, 2019.

On August 1, 2019, in accordance with the Law of the Republic of Kazakhstan dated July 15, 2010 "On the Use of Airspace of the Republic of Kazakhstan and Aviation Activities" (hereinafter - "Law"), the Government of the Republic of Kazakhstan on July 25, 2019 approved Decree No. 530 and determined the Company as an authorized organization in the field of civil aviation.

The legal address of the Company is: Republic of Kazakhstan, Nur-Sultan city, Esil district, Mangilik Yel street, building 55/15, Z0ST3C9.

As of December 31, 2023, and 2022, the sole shareholder of the Company is the Government of the Republic of Kazakhstan represented by the State Institution "Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan". The rights to ownership and use of the state shareholding in the Company are transferred to the Civil Aviation Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

The main goal of the Company's activities is to ensure sustainable development of the civil aviation industry of the Republic of Kazakhstan, flight safety, aviation security, and management of foreign technical assistance for the development of the civil aviation industry.

In the first half of 2023, the Company's activities, in accordance with the Law "On the Use of Airspace of the Republic of Kazakhstan and Aviation Activities" dated July 15, 2010, No. 339-IV, were financed through levies for ensuring flight safety of civil aviation, with the supplier of air navigation services being the source of these levies, the RSE "Kazaeronavigation". Starting from the second half of 2023, the financing is provided through provision of paid services and mandatory levies for continuous oversight of flight safety and aviation security, in accordance with the Rules for Fee Collection in the Field of Civil Aviation of the Republic of Kazakhstan approved by the Order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan dated March 24, 2023, and the List of Paid Services of the authorized organization in the field of civil aviation and rates of fees in the field of civil aviation approved by the Order dated March 17, 2023, which came into effect on July 1, 2023. Since July 1, 2023, the Company has started collecting fees for paid services and mandatory levies for continuous oversight.

In the Law "On the Use of Airspace of the Republic of Kazakhstan and Aviation Activities" dated July 15, 2010, No. 339-IV, and in the Tax Code, changes were also made regarding the regulation of financing the Company's activities. According to this Law, the financing of the Company's activities is carried out through receipts of payments in the field of civil aviation, which must be sufficient to cover the costs of providing services, ensure the profitability of its operations, and finance through the Company's own revenues.

In 2022, the Company's activities were fully financed through levies for ensuring the flight safety of civil aviation, with the source of these levies being the provider of air navigation services, RSE "Kazaeronavigation".

The main activities of the Company include:

- Providing assistance to the authorized body in the field of civil aviation in implementing the main directions of state policy in the use of airspace and civil and experimental aviation activities, including assistance in developing regulatory acts in the field of civil aviation;
- Development of instructional materials and directives on airworthiness in accordance with the standards and recommended practices of the International Civil Aviation Organization (ICAO);
- Maintaining the State Register of Civil Aircraft of the Republic of Kazakhstan;

1. Reporting entity, continued

a) Company and its activities, continued

- Coordinating the development of professional training programs for aviation personnel developed by aviation training centers and organizations in civil aviation;
- Conducting certification and issuing certificates for civil aircraft operators, certificates for the right to perform aviation works, certificates for aviation training centers, certificates for organizations providing maintenance and repair of civil aviation equipment, type certificates for civil aircraft, aerodrome (heliport) certificates, airworthiness certificates for civil aircraft, certificates for airport aviation security screening services, export airworthiness certificates for aircraft, provider certificates for air navigation services, certificates for aviation medical centers;
- Issuing certificates for the right to perform flights to general aviation operators, as well as recognizing, amending, restricting, suspending, or revoking certificates for the right to perform flights to general aviation operators;
- Conducting other activities provided by the Law.

As of December 31, 2023, the average number of employees of the Company was 198, and as of December 31, 2022, it was 156.

This financial statement was approved for issuance by the General Director and Chief Accountant of the Company on June 27, 2024.

b) Conditions for conducting economic activities in the Republic of Kazakhstan

The company operates within the territory of the Republic of Kazakhstan. The company's assets and liabilities are located within the territory of the Republic of Kazakhstan. As a result, the company is exposed to economic and financial risks in the markets of the Republic of Kazakhstan. The regulatory and tax framework continues to evolve but allows for different interpretations and is subject to frequent changes. These factors, combined with other deficiencies in the legal and fiscal system, create additional challenges for enterprises operating in the Republic of Kazakhstan.

The accompanying financial statements reflect the management's assessment of the potential impact of current conditions on the company's financial performance and financial position. The actual impact of future operating conditions may differ from the current assessments made by the company's management.

2. Basis of preparation of financial statements

a) Statement of compliance

This financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared on the basis of historical cost, except for assets and liabilities that are measured at fair value, as disclosed in the accounting policies and notes to the financial statements.

All amounts presented in Tenge have been rounded to the nearest thousand, unless otherwise indicated..

b) Functional currency and presentation currency

The Company's functional currency is the Kazakhstani tenge (hereinafter referred to as "Tenge"), which, being the national currency of the Republic of Kazakhstan, best reflects the economic substance of the majority of the Company's operations and the related circumstances affecting its activities. The Kazakhstani tenge is also the presentation currency of these financial statements.

2. Basis of preparation of financial statements, continued

c) Going concern

In preparing the financial statements in accordance with IFRS, management assesses the Company's ability to continue its operations in the foreseeable future. The financial statements are prepared on a going concern basis, assuming that the Company will continue its activities unless management intends or is required to liquidate or significantly curtail the Company's operations.

The Company's financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities and contractual obligations in the ordinary course of business. The Company's ability to realize its assets and continue its operations in the future may be significantly impacted by current and future economic conditions in Kazakhstan.

As of the date of approval of the financial statements, management has reasonable grounds to believe that the Company has adequate resources to continue its operations in the foreseeable future. These financial statements do not include adjustments that would be necessary if the Company were unable to continue its operations in accordance with the going concern assumption.

3. Significant accounting policies

a) Classification of assets and liabilities into long-term and current

In the statement of financial position, the Company presents assets and liabilities based on their classification as current and non-current. An asset is classified as current if:

- it is expected to be realized or intended for sale or consumption within the normal operating cycle;
- it is held primarily for trading purposes;
- it is expected to be realized within 12 months after the end of the reporting period; or
- it is cash or cash equivalents, unless there are restrictions on its exchange or use to settle liabilities for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current if:

- it is expected to be settled within the normal operating cycle;
- it is held primarily for trading purposes;
- it is due to be settled within 12 months after the end of the reporting period; or
- the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

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

b) Fair value measurement

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

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

3. Significant accounting policies, continued

b) Fair value measurement, continued

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

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

The Company must have access to the principal or most advantageous market. Fair value is assessed using assumptions that market participants would use when pricing the asset or liability under the best economic conditions.

The fair value measurement of a non-financial asset considers the ability of market participants to generate economic benefits either by using the asset to its highest and best use or by selling it to another market participant who would use it in its highest and best use.

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

All assets and liabilities measured at fair value or for which fair value is disclosed in the financial statements are classified within the fair value hierarchy based on the lowest level input that is significant to the overall fair value measurement:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques where significant inputs are directly or indirectly observable in the market;
- Level 3 – Valuation techniques where significant inputs are unobservable in the market.

For assets and liabilities that are remeasured in the financial statements on a recurring basis, the Company determines the need for transfers between levels of the hierarchy by reanalyzing classification based on the lowest level input that is significant to the overall fair value measurement at the end of each reporting period.

The Company's management establishes policies and procedures for both recurring and non-recurring fair value measurements of assets.

On each reporting date, the Company's management analyzes changes in the fair value of assets and liabilities that require reevaluation or re-measurement according to the Company's accounting policies. In this analysis, the Company's management reviews key inputs that were applied in the last valuation by comparing the information used in the valuation to relevant contracts and other applicable documents. The Company's management also compares changes in fair value of each asset and liability with relevant external sources to assess the reasonableness of the changes.

For disclosure purposes, the Company has classified assets and liabilities based on their nature, characteristics, risks, and applicable level within the fair value hierarchy, as described above.

c) Revenue from contributions from a government organization

Until July 1, 2023, the Company's activities were fully financed by the state through the republican state enterprise "Kazaeronavigation". Kazaeronavigation allocated no less than ten percent of its net profit available for distribution, but not exceeding the amount specified in the Company's development plan approved by the Board of Directors.

The Company applied IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" to recognize income from contributions received from a state organization, as the Government of the Republic of Kazakhstan provided a contribution as government assistance in the form of transferring resources to the Company in exchange for compliance with specific conditions related to the Company's operational activities in the field of civil aviation safety and flight regulation.

The Company recognizes contributions from the state organization as income in the profit or loss on a systematic basis over the periods in which the Company recognizes the related expenses that it intends to compensate. The contributions from the state organization are accounted for using the following approaches as defined in IAS 20:

3. Significant accounting policies, continued

c) Revenue from contributions from a government organization, continued

- Operating income and expenses for the reporting period are recognized as income, with the funds received treated as income or expense in profit or loss over one or more reporting periods. Such income for the reporting period is recognized to the extent of expenses incurred during the corresponding period. Any unused balance of contributions at the end of the reporting period is accounted for as current liabilities "Deferred income," which will be recognized as income in the statement of profit or loss in the period in which the funds are used.
- Amounts of contributions related to amortizable assets are recognized in the statement of financial position as long-term liabilities under "Deferred income." Deferred income is recognized in profit or loss on a systematic basis over the useful life of the asset.

The Company reported a loss of 160,344 thousand tenge for the year 2022. The amount of income recognized for the reporting period does not include financial expenses related to discount amortization of loans and gains/losses on foreign exchange differences.

d) Revenue recognition

Revenue from rendering of services

The Company's activities are aimed at ensuring sustainable development of the civil aviation industry of the Republic of Kazakhstan, flight safety, and aviation security, as well as continuous supervision over flight safety and aviation security compliance.

By the orders of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan No. 177 dated March 24, 2023, the Rules for collection of fees in the field of civil aviation of the Republic of Kazakhstan and No. 167 dated March 17, 2023, the List of paid services of the authorized organization in the field of civil aviation and rates of fees in the field of civil aviation were approved.

In accordance with these Rules and the List, the Company has started to collect mandatory fees from providers of air navigation services for supervision over flight safety and aviation security, mandatory fees from airport operators, mandatory fees from certified operators of civil aircraft, and paid services.

The Company recognizes revenue from mandatory contributions of air navigation service providers for supervising flight safety and aviation security, revenue from mandatory contributions of airport operators, revenue from mandatory contributions of certified operators of civil aircraft, and revenue from other paid services. Revenue from these services is recognized over the period in which the service is provided.

Revenue is recognized if it is probable that the Company will receive economic benefits and if revenue can be reliably measured.

Significant financing component

As a practical expedient under IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if, at the contract inception, the Company expects that the period between the transfer of promised goods or services to the customer and the customer's payment for those goods or services will be one year or less.

Trade receivables

Trade receivables represent the Company's unconditional right to consideration, which becomes due at a specified time (i.e., the right to payment is not contingent on the passage of time). The accounting policy for financial assets is discussed in the "Financial Instruments - Initial Recognition and Subsequent Measurement" section

Contract liabilities

Contract liabilities are recognized when payment is received from the customer or becomes due (depending on which occurs earlier) before the Company transfers the corresponding goods or services. Contract liabilities are recognized as revenue when the Company performs its obligations under the contracts (i.e., transfers control of the relevant goods or services to the customer).

3. Significant accounting policies, continued

e) Taxes

Current income tax

In the accompanying financial statements, income tax is recognized in accordance with the legislation of the Republic of Kazakhstan, which is either effective or virtually enacted at the reporting date. Income tax expense includes current and deferred taxes and is recognized in profit or loss for the year, unless they should be recognized in other comprehensive income or equity because they relate to transactions that are also recognized in other comprehensive income or equity in the same or another reporting period.

Current income tax represents the amount expected to be paid to or recovered from the state budget in respect of taxable profit or loss for the current and previous periods. Other taxes, except for income tax, are reflected within other operating expenses.

Deferred tax

Deferred tax is calculated using the liability method by determining temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in cases where:

a) The deferred tax liability arises from the initial recognition of goodwill, an asset, or a liability in a transaction that is not a business combination and does not affect either accounting profit or taxable profit or loss at the time of the transaction.

b) In respect of taxable temporary differences related to investments in subsidiaries, associates, and interests in joint ventures, if it is possible to control the timing of the reversal of the temporary difference and there is significant probability that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized, except in cases where:

- The deferred tax asset related to a deductible temporary difference arises from the initial recognition of an asset or liability that is not due to a business combination and does not affect either accounting profit or taxable profit or loss at the time of the transaction.
- In respect of deductible temporary differences related to investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that there is significant probability that the temporary differences will be utilized in the foreseeable future and there will be taxable profit against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be utilized.

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

Deferred tax related to items recognized outside of profit or loss is also not recognized in profit or loss. Items of deferred tax are recognized in accordance with the underlying transactions either in other comprehensive income or directly in equity.

3. Significant accounting policies, continued

f) Reserves

Reserves are recognized when the Company has a current legal or constructive obligation resulting from past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Amounts recognized as reserves represent the Company's best estimate of the expenditures required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a reserve is measured using the cash flows estimated to settle the current obligation, its carrying amount represents the present value of those cash flows (where the effect of the time value of money is material).

g) Property, Plant, and Equipment

Property, plant, and equipment are initially recognized at cost, which includes all directly attributable expenditures necessary to acquire the assets.

Subsequently, after initial recognition as assets, property, plant, and equipment are accounted for at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets::

Category of property, plant, and equipment	Useful life
Computers	1-5 years
Machinery and equipment	3-10 years
Vehicles	7-15 years
Other	5-10 years

Recognition of property, plant, and equipment and any initially recognized significant component of property, plant, and equipment ceases upon their derecognition or when future economic benefits from their use or disposal are no longer expected. Any gain or loss arising from the derecognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the income statement and other comprehensive income upon derecognition. The carrying amounts, useful lives, and depreciation methods of property, plant, and equipment are reviewed at the end of each financial year and adjusted prospectively if necessary.

h) Intangible assets

Intangible assets consist of software and licenses. Intangible assets acquired separately are initially measured at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized over their useful lives of 5 years and are assessed for impairment whenever there are indicators that an intangible asset may be impaired.

i) Inventory

Inventory is recognized at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The actual cost of inventories represents the costs of acquisition, which include the purchase price, import duties and other taxes (excluding VAT), processing costs, as well as transportation and other expenses directly attributable to the acquisition, delivery, and bringing of inventories to their present location and condition, net of trade discounts and rebates.

3. Significant accounting policies, continued

j) Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issuance of new shares, other than in business combinations, are deducted from the proceeds of equity. Any excess of the fair value of proceeds received over the initial cost of the shares issued is recognized as additional paid-in capital.

k) Lease

Lease accounting - tenant perspective

The company applies a single approach to recognize and measure all lease agreements, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities related to lease payments and right-of-use assets, which represent the right to use underlying assets.

Right-of-use assets

The company recognizes right-of-use assets on the lease commencement date (i.e., the date on which the underlying asset becomes available for use). Right-of-use assets are initially measured at cost, less accumulated depreciation and impairment losses, adjusted for lease liabilities recognized. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, incurred initial direct costs, and lease payments made at or before the commencement date, net of lease incentives received. If the company does not have sufficient confidence that it will obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated using the straight-line method over the shorter of the asset's expected useful life or the lease term. Right-of-use assets are tested for impairment.

Lease liabilities

As of the lease commencement date, the company recognizes lease liabilities measured at the present value of lease payments expected to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives received, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the company has sufficient confidence that it will exercise this option, and penalties for terminating the lease if the lease term reflects potential exercise of a termination option. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which the event or condition triggering such payments occurs.

To calculate the present value of lease payments, the company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the lease commencement date, the lease liability is increased to reflect the accrual of interest and decreased to reflect lease payments made. Additionally, in the event of modification, changes in the lease term, significant changes in fixed lease payments, or reassessment of the purchase option valuation of the underlying asset, the lease liability is reassessed.

Short-term leases and leases of low-value assets

The company applies a recognition exemption for short-term leases to lease agreements that have a lease term of 12 months or less from the lease commencement date and do not include a purchase option. The company also applies a recognition exemption for leases of low-value assets to lease agreements for office equipment where the value is considered low. Lease payments for short-term leases and leases of low-value assets are recognized as lease expense on a straight-line basis over the lease term.

3. Significant accounting policies, continued

k) Lease, continued

Significant judgments regarding lease term in contracts with renewal options

The company determines the lease term as the non-cancellable period of a lease together with periods covered by an option to extend the lease, if there is sufficient confidence that the option will be exercised, or periods covered by an option to terminate the lease, if there is sufficient confidence that the option will not be exercised.

l) Recognition and measurement of financial instruments

Financial assets and financial liabilities are reflected in the Company's statement of financial position when the Company becomes a party to the contract related to the respective financial instrument. The Company recognizes regular purchases and sales of financial assets and liabilities using the settlement date accounting method. Financial instruments acquired in this manner, which are subsequently measured at fair value, are recognized from the date of the transaction to the settlement date in the same manner as acquired instruments. Initially, financial assets and financial liabilities are recognized at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (except for those measured at fair value through profit or loss) are respectively added to or deducted from the fair value of financial assets or financial liabilities at initial recognition. Transaction costs directly related to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognized directly in profit or loss.

Accounting policies used for subsequent measurement of the carrying amount of financial assets and financial liabilities are disclosed in the respective accounting policy sections described below.

Financial Assets

All financial assets are recognized and derecognized on the date of the transaction when the purchase or sale of a financial asset is carried out under a contract requiring delivery of the financial asset within the time frame established by the relevant market, and initially measured at fair value plus transaction costs, except for financial assets classified as measured at fair value. Transaction costs directly attributable to the acquisition of financial assets classified as measured at fair value are recognized immediately in profit or loss.

All recognized financial assets that fall within the scope of IFRS 9 "Financial Instruments" must subsequently be measured at amortized cost or fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Reclassification of Financial Assets

In the event of a change in the business model under which the Company holds certain financial assets, reclassification of such assets is performed. Requirements for classification and measurement applicable to the new category are applied prospectively from the first day of the first reporting period after the occurrence of changes in the business model that resulted in the reclassification of the Company's financial assets. Changes in contractual cash flows are analyzed in accordance with the accounting policy described below "Modification and derecognition of financial assets".

Modification and derecognition of financial assets

Modification of a financial asset occurs if, between the initial recognition date and the maturity date of the financial asset, there is a revision or other modification of the contractual terms governing the cash flows of the asset. The modification affects the amount and/or timing of the contractual cash flows either at the same time or at a future time.

Upon modification of a financial asset, the Company assesses whether this modification leads to derecognition of the asset. According to the Company's policy, modification results in derecognition if it leads to significant differences in contractual terms. To determine whether the modified terms significantly differ from the original contractual terms, the Company analyzes qualitative factors. For example, after the modification, the contractual cash flows may include payments towards the principal amount of debt and interest.

3. Significant accounting policies, continued

l) Recognition and measurement of financial instruments, continued

Modification and derecognition of financial assets, continued

In the event of derecognition of a financial asset, the carrying amount under IFRS is reassessed as of the derecognition date to determine the net carrying amount of the asset on that date. The difference between the reassessed carrying amount and the fair value of the new financial asset under the new terms results in a gain or loss on derecognition. The amount of the impairment loss allowance related to the new financial asset will be calculated based on the allowance for impairment losses over the next 12 months, except in rare cases where the new financial asset is considered credit-impaired at the time of recognition.

Impairment of financial assets

The Company always recognizes expected credit losses (ECL) over the entire term for trade and other receivables. Expected credit losses on such financial instruments are assessed using professional judgment based on ratings agency statistics and other analytical publications. For financial instruments, the Company recognizes expected credit losses over the entire term when there is a significant increase in credit risk since initial recognition. However, if there is no significant increase in credit risk as of the reporting date compared to initial recognition, the Company assesses an allowance for expected credit losses equal to 12-month expected credit losses for that financial instrument.

Lifetime expected credit losses represent the expected credit losses arising from all possible default events over the expected life of the financial instrument. Conversely, 12-month expected credit losses represent the part of expected credit losses over the entire term that are expected to result from default events on the financial instrument that could occur within 12 months after the reporting date.

Write-off

Financial assets are written off when the Company has no reasonable expectations of recovery (either fully or partially). This occurs when the Company determines that the borrower has no assets or income sources that could generate sufficient cash flows to repay the amounts to be written off. Write-off results in derecognition. Recovery leads to gain on impairment.

Financial assets that are collateralized are written off after receipt of any proceeds from the sale or realization of the collateral.

Financial liabilities

Financial liabilities are classified as fair value through profit or loss if they are held for trading purposes or designated as such upon initial recognition.

A financial liability is classified as held for trading if:

- It is entered into with the main purpose of repurchasing in the near term; or
- At initial recognition, it forms part of a portfolio of identified financial instruments that the Company manages as a single portfolio, and there is recent history of short-term purchases and sales; or
- It is a derivative instrument that is not designated and not used as a hedging instrument.

A financial liability that is not held for trading may qualify as a financial liability at FVTPL (Fair Value Through Profit or Loss) upon initial recognition if:

- Such classification eliminates or significantly reduces a measurement or recognition mismatch that otherwise would arise; or
- The financial liability is part of an instrument containing one or more embedded derivatives, and IFRS 9 allows the instrument as a whole (asset or liability) to be classified at fair value through profit or loss with changes in fair value recognized in profit or loss.

Financial liabilities at fair value through profit or loss are recognized in the statement of financial position at fair value. Changes in fair value are recognized in net (loss)/profit on financial liabilities at fair value through profit or loss.

3. Significant accounting policies, continued

m) Setoff of financial instruments

Financial assets and financial liabilities are subject to setoff, and the net amount is presented in the statement of financial position when there is a legally enforceable right to setoff recognized amounts, and there is an intention to settle on a net basis or to realize the assets and simultaneously settle the liabilities. This practice is disclosed in accordance with International Financial Reporting Standards (IFRS).

n) Cash and cash equivalents

Cash and cash equivalents are assets that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents include cash on hand and balances with banks in current accounts. Funds with restrictions on use for periods exceeding three months from the reporting date are excluded from cash and cash equivalents. Cash and cash equivalents are recognized at amortized cost.

o) Accounts payable and loans received

Accounts payable and loans received are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method under IFRS (International Financial Reporting Standards).

p) Expenses

Expenses are recognized at the time when goods or services are received, regardless of when cash or its equivalents are paid, and are reflected in the financial statements in the period to which they relate under IFRS (International Financial Reporting Standards).

q) Employee benefits

Short-term employee benefits are recognized as expenses in the profit or loss for the period in which the corresponding service is rendered. A provision is made for the expected payout of short-term bonuses if the company has a current legal obligation to make such payments as a result of employee services and the amount of the bonus can be reliably estimated.

r) Netting of financial instruments

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

s) Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position, but the information about them is disclosed in the financial statements, except in cases where the outflow of resources to settle them is remote. Contingent assets are not recognized in the statement of financial position, but the information about them is disclosed in the financial statements when the receipt of related economic benefits is probable..

t) Related party transactions

The company discloses the nature of relationships between related parties, as well as information about these transactions and unsettled balances of mutual dealings, necessary for understanding the potential impact of these relationships on the financial statements. Related parties in these financial statements are considered parties, one of whom has the ability to control or exert significant influence over the operating and financial decisions of the other party. When determining whether parties are related, the substance of the relationships between the parties is considered, not just their legal form.

3. Significant accounting policies, continued

u) Subsequent events

The carrying amounts of assets and liabilities as of the reporting date are adjusted for events occurring after that date that confirm changes to these amounts. Such adjustments are made before the financial statements are authorized for issue by the Company's management. Other events not requiring adjustment are disclosed in the notes to the financial statements.

4. New and amended standards and interpretations

The Company initially applied certain standards and amendments that became effective for annual reporting periods beginning on or after January 1, 2023 (unless otherwise stated). The Company did not early adopt standards, interpretations, or amendments that were issued but not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 "Insurance Contracts" is a new comprehensive financial reporting standard for insurance contracts, addressing issues of recognition, measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 "Insurance Contracts." IFRS 17 applies to all types of insurance contracts (i.e., life insurance contracts, non-life insurance contracts, direct insurance, and reinsurance) regardless of the type of organization issuing them, as well as certain guarantees and financial instruments with discretionary participation features. There are some exceptions to its scope.

The primary objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more effective and consistent for insurers, covering all significant aspects of accounting. At its core, IFRS 17 includes a general model supplemented by:

specific modifications for insurance contracts with direct participation features (variable fee approach);

a simplified approach (premium allocation approach) primarily for short-term contracts.

The new standard did not have an impact on the Company's financial statements.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies, and correction of errors. Additionally, the amendments explain how organizations use measurement methods and data to develop accounting estimates.

These amendments did not have an impact on the Company's financial statements.

Amendments to IAS 1 and Practice Statement 2 on IFRS Application "Disclosure of Accounting Policies"

Amendments to IAS 1 and Practice Statement 2 on IFRS Application "Materiality in Financial Statements" provide guidance and examples to assist organizations in applying materiality judgments when disclosing accounting policies. The amendments aim to help organizations disclose more useful information about accounting policies by replacing the requirement for organizations to disclose "significant accounting policies" with a requirement to disclose "material information" about accounting policies. Additionally, the amendments include guidance on how organizations should apply the concept of materiality when making decisions about disclosing information on accounting policies.

These amendments impacted the Company's disclosure of information about accounting policies but did not affect the assessment, recognition, or presentation of any items in the Company's financial statements.

Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

Amendments to IAS 12 "Income Taxes" narrow the scope of the exception for initial recognition such that it no longer applies to transactions resulting in equal taxable and deductible temporary differences, for example, in leases or decommissioning obligations. These amendments had no impact on the Company's financial statements.

4. New and amended standards and interpretations, continued

Amendments to IAS 12 "International Tax Reform - Pillar II Blueprint"

These amendments to IAS 12 were issued following the adoption of rules under Pillar II of the OECD's BEPS project, and include the following provisions:

- Mandatory temporary exemption from recognition and disclosure of deferred taxes arising from the implementation of Pillar II Blueprint rules into legislation.
- Disclosure requirements to help users of an entity's financial statements better understand the impact of the Pillar II-based profit tax on these entities, including prior to its effective date.

The mandatory temporary exemption applies immediately upon the changes being made, with disclosure required regarding its application. Other disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but do not apply to interim periods ending on or before December 31, 2023.

These amendments had no impact on the Company's financial statements, as the Company's annual revenue does not exceed €750 million, hence the Pillar II Blueprint rules do not apply to the Company.

Standards Not Yet Effective

Below are the new standards, amendments, and interpretations that have been issued but are not yet effective as of the Company's financial reporting date. The Company intends to apply these standards, amendments, and interpretations, where applicable, upon their effective date.

Amendments to IFRS 16 - "Lease Liability in Sale and Leaseback Transactions"

In September 2022, the IASB issued amendments to IFRS 16 clarifying the requirements used by a seller-lessee in assessing the lease liability arising from a sale and leaseback transaction to exclude any profit or loss relating to the retained right of use.

These amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively to sale and leaseback transactions entered into after the initial application date of IFRS 16.

Early application is permitted with disclosure. It is expected that these amendments will not have a material impact on the Company's financial statements.

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

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

- what constitutes a right to defer settlement of a liability;
- the right to defer settlement of a liability must exist at the end of the reporting period;
- the likelihood of exercising the right to defer settlement does not affect the classification of the liability;
- terms of the liability do not affect its classification unless an embedded derivative in a convertible instrument is itself an equity instrument.

Additionally, a disclosure requirement was introduced for cases where a liability arising from a credit arrangement is classified as non-current, and the organization's right to defer settlement depends on compliance with future covenants over twelve months.

These amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are applied retrospectively. The Company is currently assessing the potential impact of these amendments on its current liability classification.

4. New and amended standards and interpretations, continued

Amendments to IAS 7 and IFRS 7 - "Supplier Financing Arrangements"

In May 2023, the IASB issued amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures," describing characteristics of supplier financing arrangements and including requirements for additional disclosure about such arrangements. The disclosure requirements aim to help users of financial statements understand the impact of supplier financing arrangements on the organization's liabilities, cash flows, and liquidity risk.

These amendments are effective for annual reporting periods beginning on or after January 1, 2024.

Early application is permitted with disclosure. It is expected that these amendments will not have a material impact on the Company's financial statements.

5. Significant accounting judgements, estimates and assumptions

Preparation of the Company's Financial Statements requires management to make estimates and judgments that affect the amounts reported in the financial statements and the reported amount of expenses during the reporting period. Actual results may differ from these estimates and judgments under different assumptions or conditions. The following estimates and assumptions are considered significant for reflecting the Company's financial position:

Useful Lives of Property, Plant, and Equipment

The Company assesses the useful lives of property, plant, and equipment and intangible assets at the end of each annual reporting period. The estimation of useful life depends on factors such as economic usage, maintenance programs, technological improvements, and other business conditions. Management's estimation of the useful lives of property, plant, and equipment reflects the information available at the reporting date of these financial statements.

Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which these assets can be utilized. To determine the amount of deferred tax assets that can be recognized in the financial statements, the Company exercises significant judgment regarding the probable timing and amount of future taxable profit and tax planning strategies.

Leases under IFRS 16

The Company defines the lease term as the non-cancellable period of a lease together with periods covered by an option to extend the lease where there is sufficient confidence that the option will be exercised, and periods covered by an option to terminate the lease where there is sufficient confidence that the option will not be exercised.

The Company has a lease agreement for office space with the state represented by AO "NK QazExpoCongress." In determining the fair value of lease obligations, the Company applied the market rate as of December 31, 2023. The lease term is 24 months. The Company applied a market rate of 18.96% per annum at the lease commencement date (Note 9).

Impairment of Assets

At each reporting date, the Company assesses whether there are any indicators of potential impairment of assets. If such indicators are identified, the Company assesses the recoverable amount of the assets, which requires estimation of the asset's recoverable amount. When assessing the recoverable amount, the Company evaluates future cash flows from the use of the asset.

Provisions

Provisions are recognized in the accounts when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Taxation

In assessing tax risks, management considers areas of potential non-compliance with tax legislation that the Company cannot dispute or does not believe it will successfully challenge if additional taxes are levied by tax authorities. Such determination requires significant judgment and may change as a result of changes in tax legislation and regulatory frameworks.

all amounts are presented in thousands of Kazakhstani tenge

6. Classification and Review of Comparative Figures

In accordance with International Financial Reporting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors," which aims to establish criteria for selecting and changing accounting policies, along with the procedures for accounting and disclosing changes in accounting policies, changes in accounting estimates, and corrections of errors. This standard is intended to enhance the quality of an entity's financial reporting in terms of appropriateness, reliability, and comparability over time.

In preparing the financial statements for the year ended December 31, 2023, the Company made changes to the financial statements for 2022 and 2021, confirmed by auditors, resulting in adjustments to the balances of certain items in the financial statements.

The adjustments to the Company's statement of financial position as of December 31, 2022, are presented in the table below:

'000 KZT	December 31, 2022	Adjustment	Adjusted balance
Equity			
Revaluation reserve for loan	284,604	(284,604)	-
Uncovered loss	(2,626,077)	284,604	(2,341,473)

Items of the Company's statement of profit or loss and other comprehensive income for the year ended December 31, 2022, containing adjustments are presented in the table below:

'000 KZT	December 31, 2022	Adjustment	Adjusted balance
Income tax savings/(expenses)	9,270	48,275	57,545

Income Statement Items of the Company's Statement of Changes in Equity for the year ended December 31, 2022, incorporating adjustments, are presented in the following table:

'000 KZT	December 31, 2022	Adjustment	Adjusted balance
Net loss for the year	(208,619)	48,275	(160,344)
Transfer to accumulated losses	241,377	(241,377)	-
Deferred tax adjustment	48,275	(48,275)	-
Accumulated losses	(2,626,077)	284,604	(2,341,473)

The items of the Company's balance sheet as of December 31, 2021, incorporating adjustments, are presented in the following table:

'000 KZT	December 31, 2021	Adjustment	Adjusted balance
Equity			
Revaluation reserve for loan	477,704	(477,704)	-
Uncovered loss	(2,658,833)	477,704	(2,181,129)

The items of the Company's statement of changes in equity for the year ended December 31, 2021, incorporating adjustments, are presented in the following table:

'000 KZT	December 31, 2021	Adjustment	Adjusted balance
Revaluation reserve for loan	477,704	(477,704)	-
Uncovered loss	(2,658,833)	477,704	(2,181,129)

all amounts are presented in thousands of Kazakhstani tenge

7. Property, Plant, and Equipment

Movement of property, plant, and equipment for the years ended December 31, 2023 and 2022, is presented as follows:

'000 KZT	Computers	Machines and equipment	Vehicles	Other	Total
Historical cost					
As of January 1, 2022	94,569	32,289	15,620	10,191	152,669
Additions	97	5,294	-	6	5,397
As of December 31, 2022	**94,666**	**37,583**	**15,620**	**10,197**	**158,066**
Additions	55,584	6,581	21,983	1,584	85,732
As of December 31, 2023	**150,250**	**44,164**	**37,603**	**11,781**	**243,798**
Accumulated depreciation					
As of January 1, 2022	(26,241)	(7,436)	(2,343)	(2,175)	(38,195)
Depreciation expense for the reporting period	(18,481)	(7,066)	(1,562)	(1,930)	(29,039)
As of December 31, 2022	**(44,722)**	**(14,502)**	**(3,905)**	**(4,105)**	**(67,234)**
Depreciation for the year	(21,399)	(7,692)	(1,745)	(1,997)	**(32,833)**
As of December 31, 2023	**(66,121)**	**(22,194)**	**(5,650)**	**(6,102)**	**(100,067)**
Carrying amount					
As of December 31, 2021	**68,328**	**24,853**	**13,277**	**8,016**	**114,474**
As of December 31, 2022	**49,944**	**23,081**	**11,715**	**6,092**	**90,832**
As of December 31, 2023	**84,129**	**21,970**	**31,953**	**5,679**	**143,731**

As of December 31, 2023 and 2022, the Company's property, plant, and equipment were not pledged as collateral for its liabilities. As of December 31, 2023 and 2022, fully depreciated property, plant, and equipment were absent.

all amounts are presented in thousands of Kazakhstani tenge

8. Intangible assets

For the years ended December 31, 2023 and 2022, the movement of intangible assets is presented as follows:

'000 KZT	License	Software	Total
Historical cost			
As of January 1, 2022	24,302	126	**24,428**
Additions		24,326	**24,326**
As of December 31, 2022	**24,302**	**24,452**	**48,754**
Additions	-	12,898	**12,898**
As of December 31, 2023	**24,302**	**37,350**	**61,652**
Accumulated depreciation			
As of January 1, 2022	-	(54)	**(54)**
Depreciation expense for the reporting period	(4,861)	(1,315)	(6,176)
As of December 31, 2022	**(4,861)**	**(1,369)**	**(6,230)**
Depreciation for the year	(4,860)	(4,888)	**(9,748)**
As of December 31, 2023	**(9,721)**	**(6,257)**	**(15,978)**
Carrying amount			
As of December 31, 2021	**24,302**	**72**	**24,374**
As of December 31, 2022	**19,441**	**23,083**	**42,524**
As of December 31, 2023	**14,581**	**31,093**	**45,674**

9. Right-of-use assets and lease liabilities

For the years ended December 31, 2023 and 2022, right-of-use assets are presented as follows:

'000 KZT	As of December 31, 2023, Right-of-use assets - Office	As of December 31, 2022, Right-of-use assets - Office
As of January 1st	**155,605**	**311,211**
Additions	485,775	-
Depreciation for the year	(183,717)	(155,606)
As of December 31st	**457,663**	**155,605**

In 2023, the Company entered into a new lease agreement for office space with AO 'QazExpoCongress' and recognized the right-of-use asset. The Company prepared the calculation for the expected lease term of two years.

all amounts are presented in thousands of Kazakhstani tenge

9. Right-of-use assets and lease liabilities, continued

'000 KZT	31 December 2023	31 December 2022
Within one year	272,707	173,885
Between 2 and 3 years inclusive	272,707	-
Financial payments	(87,751)	(9,846)
As of December 31st	**457,663**	**164,039**

At the lease commencement date, the Company used a market rate of 18.96% per annum to determine the fair value of lease liabilities. Changes in lease liabilities are presented as follows:

'000 KZT	2023	2022
As of January 1st	**164,039**	**311,211**
Additions	485,775	-
Interest expenses on lease liabilities	12,352	26,713
Principal payments on lease liabilities	(192,151)	(147,172)
Interest paid	(12,352)	(26,713)
As of December 31st	**457,663**	**164,039**
Including:		
Long-term lease liabilities	248,638	-
Current lease liabilities	209,025	164,039
	457,663	**164,039**

10. Other current assets

As of December 31, 2023 and 2022, other current assets are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Inventory	35,324	22,724
Short-term advances paid	24,744	2,943
Advances paid to employees	6,395	4,087
Other	8,375	1,114
Value added tax (VAT)	-	211,934
Less: provision for value added tax	-	(211,934)
	74,838	**30,868**

As of December 31, 2023 and 2022, other current assets are denominated in tenge, except for short-term advances issued amounting to 53,327 US dollars, equivalent to 24,744 thousand tenge.

all amounts are presented in thousands of Kazakhstani tenge

10. Other current assets, continued

The provision for value added tax for 2023 and 2022 is presented as follows:

'000 KZT	2023	2022
As of January 1st	**211,934**	182,397
(Reversal) during the year (Note 21)	(211,934)	-
Accrual during the year (Note 20)	-	29,537
As of December 31st	-	**211,934**

The company utilized the accumulated input VAT credit balance from previous years. This amount is reflected in other income in these financial statements(Note 21).

11. Cash and cash equivalents

As of December 31, 2023 and 2022, cash and cash equivalents are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Cash on current bank accounts in tenge	1,937,298	1,887,328
Less: allowance for expected credit losses	(1,744)	(4,296)
	1,935,554	**1,883,032**

Cash and cash equivalents are not past due. Balances of cash and cash equivalents are classified under Stage 1 of credit risk assessment.

Changes in the allowance for expected credit losses on cash and cash equivalents are presented as follows:

'000 KZT	2023	2022
As of January 1st	(4,296)	(2,502)
Accrual during the year	2,552	(1,794)
As of December 31st	**(1,744)**	**(4,296)**

all amounts are presented in thousands of Kazakhstani tenge

12. Share capital

As of December 31, 2023 and 2022, share capital is presented as follows:

Number of shares	Portion, %	31 December 2023	Portion, %	31 December 2022
"State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan"	100%	1,877,337	100%	1,877,337
	100%	**1,877,337**	**100%**	**1,877,337**

13. Loans received

As of December 31, 2023 and 2022, loans received are presented as follows:

'000 KZT	Currency	Maturity date	Interest rate	31 December 2023	31 December 2022
State Enterprise on Civil Aviation KazAeroNavigation under the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan	Tenge	1 July 2026	0%	1,044,500	2,226,000
Discount	-	-	-	(263,447)	(355,756)
				781,053	**1,870,244**
Including:					
Short-term portion of loans				-	688,167
Long-term portion of loans				781,053	1,182,077
				781,053	**1,870,244**

In September 2021, to ensure continuity of operations, the Company obtained an interest-free loan amounting to 2,226,000 thousand tenge from the State Enterprise "KazAeroNavigation" of the Committee of Civil Aviation under the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, with a repayment term until July 1, 2026. According to the agreement, repayment of the principal starts from September 2023. The Company applied a market rate of 13.0% per annum to calculate the discount on the interest-free loan, and at initial recognition in 2021, adjusted the loan to fair value by recording 597,132 thousand tenge in equity, net of deferred tax of 119,482 thousand tenge.

In September 2023, the Company signed an additional agreement to amend the terms of the loan agreement, resulting in the Company recognizing a modification discount on loans received within equity. The Company applied a market rate of 16.5% per annum to calculate the discount based on the modified cash flows of the interest-free loan. As of the modification date in 2023, the Company adjusted the loan modification by recording 231,225 thousand tenge in equity, net of deferred tax of 46,245 thousand tenge.

all amounts are presented in thousands of Kazakhstani tenge

13. Loans received, continued

In December 2023, the Company made a partial early repayment of loans received at nominal value amounting to 810,500 thousand tenge. As a result, the Company recognized amortization of the discount from early repayment of loans received within equity, totaling 78,862 thousand tenge, net of deferred tax of 15,772 thousand tenge.

Interest expenses for the year ended December 31, 2023, calculated using the effective interest rate method, amounted to 244,672 thousand tenge (2022: 215,160 thousand tenge).

Reconciliation of changes in liabilities and cash flows from financing activities:

'000 KZT	2023	2022
Beginning balance as of January 1	**1,870,244**	**1,655,084**
Repayment of received loans	(1,181,500)	-
Total changes in cash flows from financing activities	**(1,181,500)**	-
Discount on modified received loans	(231,225)	-
Amortization of discount within equity, from partial early repayment of received loans	78,862	-
Amortization of discount on received loans	244,672	215,160
Total other non-cash changes	**92,309**	**215,160**
Ending balance as of December 31, 2023	**781,053**	**1,870,244**

14. Contractual liabilities

As of December 31, 2023 and 2022, liabilities under contracts are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Paid services	39,769	-
Mandatory contributions	17,575	-
	57,344	-

As of December 31, 2023 and 2022, liabilities under contracts are denominated in tenge.

15. Trade accounts payables

As of December 31, 2023 and 2022, trade payables are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Trade payables to third parties	54,098	14,261
Trade payables to related parties	157	157
	54,255	**14,418**

As of December 31, 2023 and 2022, trade payables are denominated in tenge.

all amounts are presented in thousands of Kazakhstani tenge

16. Payables for other taxes and duties

As of December 31, 2023 and 2022, other taxes and duties payable are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Withholding tax	185,464	-
Personal income tax	89,641	32,444
Social tax	86,153	30,671
Value Added Tax (VAT)	59,463	-
Pension obligations	49,975	26,833
Social security obligations	3,081	2,122
Obligations for contributions to social health insurance	5,544	3,698
	479,321	**95,768**

17. Accrued employee benefit expenses

As of December 31, 2023 and 2022, accrued employee benefits are presented as follows:

'000 KZT	31 December 2023	31 December 2022
Accrued expenses for unused vacation	106,344	51,904
Accrued payroll liabilities	200	2,465
	106,544	**54,369**

18. Income from contributions from a public entity

In prior years, and partially throughout 2023, the Company's activities under the Law 'On Use of Air Space of the Republic of Kazakhstan and Aviation Activities' dated July 15, 2010, No. 339-IV were financed through contributions for ensuring the safety of civil aviation flights, with the contributions originating from the air navigation service provider RSE 'Kazaeronavigation'.

In February and April 2023, the Company received inflows from contributions from the state organization 'Kazaeronavigation' as part of its operational financing in the amount of 3,847,503 thousand tenge, which together with the unused portion the Company used to support its operations during 2023.

For the years ended December 31, 2023 and 2022, revenue from contributions from the state organization is presented as follows.:

'000 KZT	2023	2022
Contributions for ensuring the safety of civil aviation flights	4,488,693	3,417,511
	4,488,693	**3,417,511**

all amounts are presented in thousands of Kazakhstani tenge

18. Income from contributions from a public entity, continued

Movement in deferred income

'000 KZT	2023	2022
At January 1st	641,190	-
Received contributions	3,847,503	4,058,701
Recognized in revenue during the year	(4,488,693)	(3,417,511)
	-	**641,190**

19. Revenue from rendering of services

Revenue from rendering of services for the years ended December 31, 2023 and 2022, was represented by the following items.:

	2023	2022
Revenue from mandatory contributions of air navigation service providers for supervision of flight safety and aviation security	3,014,447	-
Revenue from mandatory contributions of airport (heliport) operators	172,620	-
Revenue from mandatory contributions of certified operators of civil aircraft	184,081	-
Revenue from other paid services	120,691	-
	3,491,839	-

Recognition timing of revenue:

'000 KZT	2023	2022
Services are provided over time	3,491,839	-
Services are transferred at a point in time	-	-
	3,491,839	-

all amounts are presented in thousands of Kazakhstani tenge

20. Operating expenses

'000 KZT	2023	2022
Salaries and salary related taxes	4,419,516	2,458,189
Information services	880,112	-
Travel expenses	607,585	440,038
Depreciation and amortization	226,298	190,821
Employee training services	186,917	131,625
Accrual for unused vacation	106,328	50,227
Access services	23,648	18,222
Audit services	5,700	7,500
Representation expenses	9,256	4,864
VAT reserve	-	29,537
Consulting expenses	-	3,356
Provision for cash reserves	-	1,794
Other expenses	254,042	54,625
	6,719,402	**3,390,798**

21. Other operating income

'000 KZT	2023	2022
Value Added Tax (VAT)	211,934	-
Other income	20,162	6,551
	232,096	**6,551**

During 2023, the Company utilized the accumulated input tax credit balance from previous years related to Value Added Tax (Note 10).

22. Finance costs

'000 KZT	2023	2022
Finance lease costs (Note 9)	12,352	26,713
Amortization of discount on loans received from Shareholder (Note 13)	244,672	215,161
	257,024	**241,874**

23. Income tax benefit/(expense)

The Company calculates taxes based on accounting data maintained in accordance with the legislation of the Republic of Kazakhstan. Future temporary differences are created for tax losses that may be offset against future profits. The main components of income tax expense for the year ended December 31, 2023 are presented below:

'000 KZT	2023	2022 (restated)
Current income tax		
Corporate income tax	(307,435)	-
Deferred income tax		
Deferred tax benefit	68,408	57,545
	(239,027)	**57,545**

Reconciliation between the corporate income tax expense reported in the Company's financial statements and the accounting profit before tax multiplied by the income tax rate is presented below:

	2023 year		2022 year	
	In thousands tenge	%	In thousands tenge	%
Profit/(loss) before tax	**1,228,610**	**100**	**(217,889)**	**100**
Income tax computed using the applicable income tax rate	(245,722)	(20.00)	43,578	(20.00)
Utilization of previously unrecognized tax losses	5,219	0.42	-	-
Non-deductible expenses	1,475	0.12	13,967	(6.41)
	(239,027)	**(19.46)**	**57,545**	**(26.41)**

Below are the amounts of deferred taxes calculated by applying the current statutory tax rate to the temporary difference between the taxable base of assets and liabilities and the amounts presented in the financial statements:

'000 KZT	31 December 2022	Recognized in profit or loss	Recognized in statement of changes in equity	31 December 2023
Accrued expenses for unused vacation	10,381	10,888	-	21,269
Other tax liabilities	6,134	11,097	-	17,231
Carry forward tax losses	5,219	(5,219)	-	-
Unrecognized tax asset	(5,219)	5,219	-	-
Loans received	(71,151)	48,935	(30,473)	(52,689)
Property, plant, and equipment (PPE) and intangible assets	(11,928)	(2,512)	-	(14,440)
	(66,564)	**68,408**	**(30,473)**	**(28,629)**

all amounts are presented in thousands of Kazakhstani tenge

23. Tax benefit/(expense) on income tax, continued

'000 KZT	31 December 2021	Recognized in profit or loss (restated)	31 December 2022
Accrued expenses for unused vacation	5,481	4,900	10,381
Other tax liabilities	719	5,415	6,134
Carry forward tax losses	120,080	(114,861)	5,219
Unrecognized tax asset	(120,080)	114,861	(5,219)
Loans received	(119,426)	48,275	(71,151)
Property, plant, and equipment (PPE) and intangible assets	(10,883)	(1,045)	(11,928)
	(124,109)	**57,545**	**(66,564)**

24. Transactions with related parties

In accordance with IAS 24 'Related Party Disclosures', related parties are considered to be parties where one party has the ability to control or significantly influence the operating and financial decisions of another party. When determining whether parties are related, the substance of the relationships between the parties is considered, not just their legal form.

Related parties may engage in transactions that would not occur between unrelated parties. The prices and terms of such transactions may differ from those of transactions between unrelated parties.

Transactions with related parties include dealings with an entity under common control..

'000 KZT	2023	2022
Revenue from contributions from a state organization		
- RGP on PHV "Kazaeronavigation", company under common control (Note 18)	4,488,693	3,417,511
Revenue from rendering of services		
Revenue from mandatory contributions of air navigation service providers for supervision of flight safety and aviation security		
- RGP on PHV "Kazaeronavigation", company under common control (Note 19)	3,011,163	-
	7,499,856	**3,417,511**

all amounts are presented in thousands of Kazakhstani tenge

24. Transactions with related parties, continued

Trade payables

'000 KZT	2023	2022
RGP on PHV "Kazaeronavigation", company under common control (Note 15)	157	157

Operating expenses

'000 KZT	31 December 2023	31 December 2022
RGP on PHV "Kazaeronavigation", company under common control (Note 20)	2,972	3,172

Compensation for key management personnel

As of December 31, 2023, the key personnel consists of four individuals (December 31, 2022: six individuals), including the General Director, his first deputy, and deputies. The total amount of compensation for key management personnel for the reporting period amounted to 332,337 thousand tenge (2022: 283,926 thousand tenge).

25. Management of financial risks

In connection with its operations, the Company is exposed to various financial risks associated with its financial instruments. The principal financial instruments of the Company include cash and cash equivalents, trade payables, and borrowings received.

Risk management at the Company is coordinated by its management in close collaboration with shareholders and focuses on ensuring the Company's short-term and medium-term cash flows to minimize vulnerability to financial market volatility.

The Company is not engaged in trading financial instruments for speculative purposes.

The most significant financial risks to which the Company is exposed are outlined below.

Currency risk

The Company conducts certain transactions denominated in foreign currency. Consequently, there is a risk related to fluctuations in exchange rates. As of December 31, 2023 and 2022, the Company holds minor foreign currency balances related to other current assets and trade payables, which are not expected to significantly impact the Company's profit and loss in the event of currency fluctuations.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in obtaining funds to meet obligations related to financial instruments. Liquidity risk may arise from the inability to quickly sell a financial asset at a price close to its fair value.

The Company regularly monitors its liquidity needs; however, the Company's obligations are not covered by assets. The Company does not have a defined liquidity risk management policy.

The table below presents the Company's financial obligations by remaining maturity based on undiscounted cash flows to be paid:

all amounts are presented in thousands of Kazakhstani tenge

25. Management of financial risks, continued

Liquidity risk, continued

'000 KZT	Cash flows from contract			
	Less than 3 months	Between 3 to 12 months	From 1 year to 5 years	Total
December 31, 2023				
Lease liabilities	68,177	204,530	272,707	**545,414**
Loans received	-	-	1,044,500	**1,044,500**
Trade and other payables	54,255	-	-	**54,255**
Total undiscounted financial liabilities	**122,432**	**204,530**	**1,317,207**	**1,644,169**

'000 KZT	Cash flows from contract			
	Less than 3 months	Between 3 to 12 months	From 1 year to 5 years	Total
December 31, 2022				
Lease liabilities	43,471	130,414	-	**173,885**
Loans received	-	688,173	1,537,827	**2,226,000**
Trade and other payables	14,418	-	-	**14,418**
Total undiscounted financial liabilities	**57,889**	**818,587**	**1,537,827**	**2,414,303**

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill its obligation and cause financial loss to the other party. The Company is exposed to credit risk as a result of its operational activities. The Company's management periodically reviews the credit ratings of banks to mitigate extraordinary credit risks.

'000 KZT	Location	Agency	Rating as of December 31, 2023	Rating as of December 31, 2022	31 December 2023	31 December 2022
JSC Halyk Bank	Kazakhstan	Fitch Rating	BBB- /стабильный	BBB- /позитивный	1,935,554	1,883,032
					1,935,554	**1,883,032**

The Company's credit risk is primarily concentrated in the Republic of Kazakhstan. The degree of credit risk is subject to continuous monitoring to ensure compliance with limits on financial instruments and creditworthiness.

Interest rate risk

As of December 31, 2023 and 2022, the Company does not have any financial liabilities with variable interest rates.

26. Capital management

The Company does not have an official capital management policy, however, management takes measures to maintain capital at a level sufficient to meet the Company's operational and strategic needs.

The Company's primary objectives in capital management include compliance with the legislative requirements of the Republic of Kazakhstan regarding the composition and structure of the Company's share capital, as well as ensuring the continuous operation of the Company.

27. Fair value of financial instruments

Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Since there are no active markets for most of the Company's financial instruments, fair value is estimated using assumptions based on current economic conditions and specific risks associated with the instrument.

Management believes that the carrying amounts of the Company's financial assets and liabilities approximate their fair values as of December 31, 2023 and 2022.

Fair value hierarchy

The fair value measurement hierarchy distinguishes between the following levels of input:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of the Company's financial assets and liabilities falls within Level 2 of the fair value hierarchy as of December 31, 2023 and December 31, 2022.

28. Contractual and contingent liabilities

Operating environment

Economic reforms continue in Kazakhstan, developing the legal, tax, and administrative infrastructure to meet the requirements of a market economy. The stability of Kazakhstan's economy will largely depend on the progress of these reforms and the effectiveness of government measures in economic, financial, and monetary policies.

Taxation in Kazakhstan

Kazakhstan's tax system, being relatively new, is characterized by frequent changes in legislative norms, official interpretations, and judicial decisions, often ambiguously stated and conflicting, allowing for various interpretations by tax authorities, including those regarding the accounting treatment of income, expenses, and other items in accordance with IFRS.

Regulatory bodies at different levels have the authority to conduct audits and investigations into the accuracy of tax calculations, with the power to impose significant fines and penalties. The accuracy of tax calculations for the reporting period may be subject to review within the subsequent three calendar years, though this period may be extended under certain circumstances. These circumstances may lead to higher tax risks in Kazakhstan compared to other countries. Based on its understanding of applicable tax legislation, regulatory requirements, and judicial decisions, the Company's management believes that tax obligations are adequately reflected.

However, the interpretation of these provisions by the respective authorities may differ, and if they can substantiate the validity of their position, it could significantly impact the current financial statements.

28. Contractual and contingent liabilities, continued

Litigation

In the course of its ordinary business activities, the Company may be subject to various legal proceedings and claims. The Company assesses the likelihood of significant liabilities considering specific circumstances and recognizes a corresponding provision in the financial statements only when it is probable that an outflow of resources will be required to settle the obligation, and the amount of the liability can be measured with sufficient reliability.

Management believes that any actual liabilities, if they arise, will not materially affect the current financial statements and financial performance of the Company.

Insurance

The Company has mandatory insurance for employer's liability for harm caused to the life and health of employees in the performance of their duties. Insurance coverage is provided for the employees of the Company. The Company holds mandatory insurance coverage under insurance policies purchased from commercial insurance companies in Kazakhstan.

29. Subsequent Events

During the period after the end of the reporting period and before the date of approval of these financial statements, there have been no other significant events in the Company's operations that require adjustments or disclosures in the Notes to these financial statements.