Kedentransservice JSC

Consolidated financial statements

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

CONTENTS

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com

Independent auditor's report

To the Shareholder and the Board of Directors of Kedentransservice JSC

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

EY
Building a better working world

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from freight forwarding services ("principal-agent" relations)	
Recognition of revenue from freight forwarding services was one of the key audit matters as the gross amount invoiced to customers for these services is significant to the consolidated financial statements and due to the significant judgment exercised by the Group's management in relation to "principal-agent" analysis under contracts for freight forwarding services. Information about revenue from freight forwarding services is disclosed in notes 4 and 24 to the consolidated financial statements.	We assessed the accounting policy applied in relation to the recognition of revenue from freight forwarding services; We examined the freight forwarding services contracts to determine whether there are indicators of control over the services prior to their transfer to customers in accordance with IFRS 15; We analyzed the structure of expenses reflected in the invoices issued to the Group by service providers, including rail fare invoices, and tested the transactions on a sample basis by comparing the amounts recognized as expenses or on a net basis, as a reduction of revenue, with supporting documents; We have performed analytical procedures over the freight forwarding services invoiced to the customers, which were based on the comparison of financial data with the respective quantitative information about the volumes of services provided; As part of our audit procedures, on a sample basis we compared the amounts invoiced to the customers and the volume of freight forwarding services reflected in the acts of work done with the data in the accounting system; We assessed the disclosure in respect of revenue from freight forwarding services in the consolidated financial statements.
Recognition of revenue from contracts with customers and related operating expenses	
Recognition of revenue from contracts with customers and related operating expenses was one of the key audit matters as the amounts of revenue from contracts with customers and related operating expenses are significant to the consolidated financial statements. We identified this as an area of focus due to the significant volume of transactions with customers and service providers, where revenue and operating expenses were	We assessed the accounting policies applied in relation to the recognition of revenue from contracts with customers and operating expenses; We, on a sample basis, examined the terms of significant contracts with customers and suppliers; As part of our audit procedures we, on a sample basis, compared the amounts of revenue and operating expenses recognized

EY
Building a better working world

recognized on an accrual basis using management's estimates. Due to time differences between the date of receipt of accounting data and the reporting date, at each reporting date the Group has certain amount of revenue and operating expenses that have not yet been billed. The calculation of revenue and operating expenses depends on management's estimates of the volume of services provided and purchased.

Information on revenue from contracts with customers and operating expenses is presented in notes 4, 24 and 25 to the consolidated financial statements.

based on management's estimates with the amounts subsequently reflected in the acts of work done issued after the date when estimates-based accruals were done;

We performed analytical procedures, which, in particular, included comparing the amounts of revenue and operating expenses with the respective quantitative information about the volumes of services purchased and provided;

We assessed the disclosure of revenue from contracts with customers and operating expenses in the consolidated financial statements.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on 23 February 2022.

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and the audit committee for the consolidated financial statements

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

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

The audit committee is responsible for overseeing the preparation of the Group's financial reporting process.

EY
Building a better working world

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

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

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

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

We communicate with the audit committee 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.

EY
Building a better working world

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

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

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

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ 0000172 dated 23 December 2013

Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

050060, Republic of Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

20 February 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying appropriate accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the requirements of ifrs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's consolidated financial position and financial performance;
- Making an assessment of the group's ability to continue as a going concern.

The Group's management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, across the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the information about the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking all reasonably available measures to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

These consolidated financial statements for the year ended 31 December 2022 were approved on 20 February 2023 by the management of Kedentransservice JSC.

On behalf of Management of the Group:

A.T. Sultanov General Director	N.Sh. Dyusembinov Deputy General Director for Economy and Finance	A.T. Kerimbayeva Chief Accountant - Accounting Department Director
20 Feb 2023	20 Feb 2023	20 Feb 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of tenge	Note	31 December 2022	31 December 2021*
Assets			
Non-current assets			
Property and equipment	6	**40,223,638**	41,631,820
Right-of-use assets	8	**628,429**	854,597
Investment property	7	**4,504,132**	4,551,347
Intangible assets	9	**259,041**	361,089
Other non-current assets		**3,643**	4,942
Investments		**–**	2,330
Total non-current assets		**45,618,883**	47,406,125
Current assets			
Inventories	10	**796,046**	723,587
Trade receivables	11	**1,735,389**	1,111,626
Accounts receivable from related parties	31	**1,486,002**	1,735,396
Advances paid	12	**372,872**	685,636
Advances paid to related parties	31	**3,966,728**	2,531,830
Income tax prepaid	29	**581**	1,240,781
Taxes recoverable	13	**953,300**	819,386
Other accounts receivable		**124,421**	83,650
Short-term financial investments	14	**6,992,567**	472,466
Cash and cash equivalents	15	**16,448,381**	11,659,227
Total current assets		**32,876,287**	21,063,585
Non-current assets held for sale	16	**–**	397,044
		32,876,287	21,460,629
Total assets		**78,495,170**	68,866,754

The explanatory notes to the accounting policies on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Note	31 December 2022	31 December 2021*
Equity and liabilities			
Equity			
Share capital	17	**1,255,242**	1,255,242
Retained earnings		**40,522,774**	29,744,108
Actuarial gains and losses		**(13,343)**	7,676
Total equity		**41,764,673**	31,007,026
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	29	**2,821,271**	2,114,347
Lease liabilities	21	**602,392**	863,451
Loan liabilities	22	**–**	4,171,459
Non-current bond liabilities	23	**21,848,328**	21,848,328
Deferred income - non-current portion		**277,791**	197,006
Non-current liabilities on employee benefits	20	**296,700**	168,437
Total non-current liabilities		**25,846,482**	29,363,028
Current liabilities			
Trade accounts payable	18	**2,453,156**	2,163,515
Accounts payable to related parties	31	**454,354**	447,500
Liabilities under contracts with customers		**5,054,403**	2,183,991
Liabilities under contracts with related parties		**21,994**	–
Corporate income tax payable		**102,222**	–
Taxes payable		**56,462**	66,617
Current liabilities on employee benefits	20	**28,449**	27,678
Other accounts payable and accrued liabilities	19	**1,929,137**	1,942,210
Current portion of lease liabilities	21	**240,796**	216,527
Current portion of loan liabilities	22	**–**	908,684
Current portion of deferred income		**9,731**	6,667
Current portion of bond liabilities	23	**533,311**	533,311
Total current liabilities		**10,884,015**	8,496,700
Total liabilities		**36,730,497**	37,859,728
Total liabilities and equity		**78,495,170**	68,866,754

* *Certain amounts given in this column are not consistent with the consolidated financial statements for the year ended 31 December 2021 as they reflect the reclassifications made disclosed in Note 31.*

On behalf of Management of the Group:

A.T. Sultanov
General Director

20 Feb 2023

N.Sh. Dyusembinov
Deputy General Director for Economy and Finance

20 Feb 2023

A.T. Kerimbayeva
Chief Accountant - Accounting Department Director

20 Feb 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

In thousands of tenge	Note	31 December 2022	31 December 2021
Profit from operating activities	24	**44,016,528**	37,991,403
Other operating income		**458,011**	117,632
Operating expenses	25	**(26,043,965)**	(28,757,195)
Foreign exchange gain		**359,692**	90,746
Finance costs	27	**(2,296,059)**	(2,769,323)
Finance income	28	**513,431**	500,638
(Accrual)/reversal of provision for expected credit losses	26	**(79,009)**	241,048
Profit before taxes		**16,928,629**	7,414,949
Income tax expenses	29	**(3,426,949)**	(1,968,920)
Profit for the period		**13,501,680**	5,446,029
Other comprehensive income			
Items that will not subsequently be reclassified to profit or loss:			
Reassessment of post-employment benefit obligations		**(21,019)**	3,286
Other comprehensive (loss)/income for the year, net of taxes		**(21,019)**	3,286
Total comprehensive income for the year, net of taxes		**13,480,661**	5,449,315

On behalf of Management of the Group:

A.T. Sultanov
General Director

20 Feb 2023

N.Sh. Dyusembinov Deputy General Director for Economy and Finance

20 Feb 2023

A.T. Kerimbayeva
Chief Accountant - Accounting Department Director

20 Feb 2023

The explanatory notes to the accounting policies on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In thousands of tenge	Note	Share capital	Retained earnings	Actuarial gains and losses	Total equity
Balance as of 1 January 2021		1,255,242	28,066,792	4,390	29,326,424
Profit for the year		–	5,446,029	–	5,446,029
Total other comprehensive income		–	–	3,286	3,286
Total comprehensive income for the year		–	5,446,029	3,286	5,449,315
Dividends	17	–	(3,768,713)	–	(3,768,713)
Balance as at 31 December 2021		**1,255,242**	**29,744,108**	**7,676**	**31,007,026**
Profit for the year		**–**	**13,501,680**	**–**	**13,501,680**
Total other comprehensive income		**–**	**–**	**(21,019)**	**(21,019)**
Total comprehensive income for the year		**–**	**13,501,680**	**(21,019)**	**13,480,661**
Dividends	17	**–**	**(2,723,014)**	**–**	**(2,723,014)**
Balance as at 31 December 2022		**1,255,242**	**40,522,774**	**(13,343)**	**41,764,673**

On behalf of Management of the Group:

A.T. Sultanov
General Director

20 Feb 2023

N.Sh. Dyusembinov Deputy General Director for Economy and Finance

20 Feb 2023

A.T. Kerimbayeva
Chief Accountant - Accounting Department Director

20 Feb 2023

The explanatory notes to the accounting policies on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In thousands of tenge	Note	31 December 2022	31 December 2021
Operating activities:			
Profit before taxes		**16,928,629**	7,414,949
Adjustments for:			
Finance costs	27	**2,296,059**	2,769,323
Finance income	28	**(513,431)**	(500,638)
Depreciation and amortization	25	**2,798,725**	2,821,047
Accrual/(reversal) of provision for expected credit losses	26	**79,009**	(241,048)
Accrual of provision for unused vacations and bonuses		**(115,068)**	1,055,968
Loss from impairment of non-financial assets		**94,980**	714,064
Loss from disposal of property, plant and equipment		**5,946**	259,569
Employee benefit obligations		**(21,019)**	16,714
Foreign exchange gain		**(359,692)**	(90,746)
		21,194,138	14,219,202
Adjustments of working capital			
Change in trade receivables and receivables from related parties		**(362,128)**	167,891
Changes in advances paid and advances paid to related parties		**(1,060,157)**	71,984
Change in taxes recoverable		**(133,914)**	(20,280)
Change in other accounts receivable		**(47,344)**	284,898
Change in inventories		**(68,118)**	262,771
Change in trade payables and payables to related parties		**674,492**	1,262,357
Change in other accounts payable and liabilities charged		**270,011**	715,580
Changes in obligations under contracts with customers		**2,892,406**	319,135
Change in taxes payable		**(10,155)**	25,154
Change in other assets		**(14,340)**	267,072
		23,334,891	17,575,764
Income tax paid		**(1,304,876)**	(1,004,690)
Interest paid		**(2,174,505)**	(2,901,776)
Interest received		**412,123**	326,479
Net cash flows from operating activities		**20,267,633**	13,995,777

The explanatory notes to the accounting policies on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Note	31 December 2022	31 December 2021
Investing activities:			
Purchase of property, plant and equipment and advances paid for property, plant and equipment		**(1,609,437)**	(169,154)
Purchase of intangible assets		**(119,660)**	(178,395)
Financial aid issued	14	**(6,528,120)**	(353,650)
Other		**1,000**	–
Proceeds from sale of other non-current assets		**425,350**	927
Net cash flows used in investing activities		**(7,830,867)**	(700,272)
Financing activities:			
Dividends paid	17	**(2,723,014)**	(3,768,713)
Repayment of borrowings	22	**(5,064,317)**	(892,858)
Repayment of lease liabilities	21	**(307,835)**	(386,280)
Net cash flows used in financing activities		**(8,095,166)**	(5,047,851)
Net change in cash and cash equivalents		**4,341,600**	8,247,654
Cash and cash equivalents, beginning		**11,659,227**	3,308,031
Effect of changes in expected credit loss allowance		**(14)**	(457)
Effect of exchange rate changes on balance of cash and cash equivalents in foreign currency		**447,568**	103,999
Cash and cash equivalents, ending		**16,448,381**	11,659,227

On behalf of Management of the Group:

A.T. Sultanov General Director

20 Feb 2023

N.Sh. Dyusembinov Deputy General Director for Economy and Finance

20 Feb 2023

A.T. Kerimbayeva Chief Accountant - Accounting Department Director

20 Feb 2023

The explanatory notes to the accounting policies on pages 7 to 43 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Kedentransservice Joint Stock Company (the "Company") was incorporated on 11 December 1997 according to resolution of the Government of the Republic of Kazakhstan #1750 in the form of a state republican enterprise. According to resolution of the Government of the Republic of Kazakhstan # 864 dated 26 June 1999 the state republican enterprise was transformed into a closed joint stock company Kedentransservice. On 15 July 2004, the Company was re-registered into a joint stock company.

The Company and its subsidiary (jointly the "Group") perform the following types of operating activities:

- Transport and forwarding services;
- Handling of railcars;
- Terminal services;
- Rent;
- Other.

The Company has 14 branches located in Nur-Sultan, Karaganda, Kostanay, Pavlodar, Ust-Kamenogorsk, Shymkent, Atyrau, Kyzyl-Orda, Taraz, Uralsk, Aktobe, Almaty, Dostyk station, Aktogai, 3 representative offices in в XUAR (China) in the Republic of Uzbekistan and in the Republic of Belarus.

The Company is the parent of the subsidiary operating in the Republic of Kazakhstan:

		Company's share interest	
Entity's name	**Principal activity**	**31 December 2022**	31 December 2021
Transport holding of Kazakhstan LLP	Activity in the area of the railway industry	**100.00%**	100.00%

As at 31 December 2022 and 2021 NC Kazakhstan Temir Zholy JSC is the Company's sole shareholder. The ultimate controlling party is the Government of the Republic of Kazakhstan.

The Company's head office is at: 18, St. Dostyk, Nur-Sultan city, Republic of Kazakhstan.

Operating environment

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of securities in the market. Ongoing political tension in the region, volatility of exchange rate has caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

Additionally, the transport sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control.

War in Ukraine

The war in Ukraine, which began in 2022, triggers a number of IFRS accounting considerations affecting the financial statements. A number of countries have imposed and continue to impose new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus, the situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in, or with Russia, Belarus or Ukraine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

War in Ukraine (continued)

The war itself and its direct or indirect effects can affect not only entities directly related to the warring countries, for example, through fluctuations in commodity prices and exchange rates, as well as through a protracted economic downturn. The overall effect of a continuing war and the imposition of new sanctions remains uncertain. Because it is also highly dependent on the nature of the activities of a particular entity, this consolidated special purpose financial information does not provide examples of possible effects.

The management is unable to foresee either the level or the period of changes in Kazakhstan economy, or to assess their possible influence on the financial position of the Group in future. Management believes that it is taking all necessary actions to maintain the sustainability and growth of the Group's business in current circumstances.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Tenge and all monetary amounts are rounded to the nearest thousand tenge, except when otherwise indicated.

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board ("IASB").

Preparation of the consolidated financial statements in accordance with IFRS requires to use certain critical accounting estimates as well as requires the management to use judgements on assumptions in the course of application of the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4.*

Currency of presentation

The presentation currency of the Group is the national currency of the Republic of Kazakhstan - Kazakhstani Tenge ("Tenge"). The tenge exchange rates against other currencies as at 31 December 2022 were as follows: USD/KZT - 462.65, EUR/KZT - 492.86, RUB/KZT - 6.43 (31 December 2021: USD/KZT - 431.67, EUR/KZT - 487.79, RUB/KZT - 5.77).

3. SUMMARY OF ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External appraisers are engaged to evaluate significant assets such as investment properties. Involvement of external appraisers is decided upon annually by the Group's management. Knowledge of the market, goodwill, independence, and conformity with professional standards are used as selection criteria. The Group's management decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

At each reporting date the Group's management analyses changes in the cost of assets and liabilities that should be reanalysed or reassessed in accordance with the Group's accounting policy. As a part of such analysis, the management of the Group checks main inputs used at the latest evaluation by comparing information used at evaluation with agreements and other relevant documents.

The management of the Group also compares changes in the fair value of each asset and liability with relevant external sources in order to determine the change relevancy. On an interim basis, the Group's management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 32*.

Non-current assets held for sale and discontinued operations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Non-current assets held for sale and discontinued operations (continued)

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

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

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

The Group's financial assets at amortised cost include trade receivables, receivables from related parties and a loan to a parent included within other non-current financial investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition

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

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

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

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

Impairment

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, payables to related parties, loan and bond liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Subsequent measurement

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

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

Financial liabilities at amortized cost (loans and borrowings)

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

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

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

Derecognition

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

Offsetting of financial instruments

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

Property, plant and equipment

Property, plant and equipment acquired before 1 April 2003 are carried at fair value less accumulated depreciation. Property, plant and equipment were valued at fair value by an independent appraiser as at 1 April 2003. The results of the valuation were recorded in the cost of property, plant and equipment as at 1 January 2002 and are also recorded as deemed cost at the date of transition to IFRS less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 April 2003 are carried at historical cost less accumulated depreciation. The cost of acquired property, plant and equipment represents the cost of the funds paid for the acquisition of the related assets, as well as other directly attributable costs incurred in delivering the assets and making the necessary preparations for their intended use.

Subsequent costs are recorded in the carrying amount of an asset or recognized as a separate asset accordingly only when it is highly probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Repairs and maintenance costs are charged to expenses of the current period. Expenditures for replacement of large units of components of PPE are capitalized together with simultaneous write-off of components to be replaced.

As at the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of fair value less costs to dispose an asset and its value in use. The carrying amount of an asset is reduced to the recoverable amount; the impairment loss is recorded in profit or loss for the year. An impairment loss recognised for an asset in prior periods is reversed (when necessary) if there has been a change in the accounting estimates used to determine the asset's value in use or its fair value less costs to dispose.

Gains or losses from disposal of property, plant and equipment shall mean the difference between the proceeds from sale and their carrying amounts and are recorded in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation

Land is not depreciated. Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life of these assets as follows:

	Useful life (years)
Buildings	10-140 years
Constructions	10-100 years
Transfer units	15-59 years
Machinery and equipment	3-35 years
Vehicles, including	
- mobile transport	10-40 years
- automobile transport	4-15 years
Other property, plant and equipment	2-20 years

Construction in progress includes costs directly associated with the construction of property, plant and equipment, including corresponding allocation of directly related variable overhead expenses, incurred during construction. Depreciation of such assets is accrued on the same basis as for other property, plant and equipment and commences upon commissioning. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether impairment losses should be recognized.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment property

An investment property shall be recognised as an asset when, and only when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
- The cost of the investment property can be measured reliably.

An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property.

An investment property shall be measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The cost of self-constructed investment property is the cost as of the date of completion of construction or reconstruction. Earned rental income is reflected in profit or loss for the year as part of revenue.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of these assets, which range from 2 to 7 years.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (ie, on the date on which its recipient acquires control), or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net asset disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Impairment of property, plant and equipment and intangible assets

At each reporting date the Group assesses whether there is any evidence of possible impairment of the current value of property, plant and equipment and intangible assets. In case of detection of any evidence, the Group makes an estimate of an asset's recoverable amount to assess the impairment loss (if any). If an estimate of the recoverable value for an individual asset is not possible, the Group determines the recoverable amount of a cash generating unit to which an asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its current amount, the current amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is immediately recognized as an expense.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined based on weighted average cost method. Net realizable value is the expected selling price of something, less the costs of completion, marketing, selling, and transportation.

Value added tax (VAT)

Value added tax related to sales is payable to the budget on the earlier of: (a) the date of collection of receivables from customers or (b) the date of delivery of the goods or services to customers. VAT incurred on purchases may generally be recovered through offset against VAT related to sales upon receipt of a vendor's invoice. The tax authorities permit the settlement of VAT on a net basis. VAT payable and VAT paid is disclosed in the consolidated statement of financial position separately within assets and liabilities. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Share capital

Common shares for which dividends are declared at the discretion of the sole shareholder are recorded as equity. Incremental costs relating directly to the issue of new shares are recorded in equity as a decrease (net of tax) of the amount received from the issue Any excess of the fair value of consideration received over the par value of shares issued is recognised in equity as share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Share capital (continued)

Dividends

Dividends are recorded as liabilities and deducted from equity in the period in which they are declared and approved. Information about dividends declared after the reporting date, but before the date of approval of the consolidated financial statements, is reflected in the note "Events after the reporting date".

Income tax

Income tax has been provided for in these consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. Income tax expenses/(income) comprise current and deferred taxes and are recognized in profit or loss for the year, unless they are required to be recognized in other comprehensive income or directly in equity because they relate to transactions that are also recognized in other comprehensive income or directly in equity in the same or in any other reporting period.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profit or loss for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are approved prior to the filing of the relevant tax returns. Taxes, apart from income tax, are recorded within operating expenses.

Deferred income tax is provided using the liability method on tax losses carry-forward and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets can be offset against tax liabilities only as part of each separate entity of the Group. Deferred tax assets for all deductible temporary differences and tax loss carry forwards are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their sale. The Group does not recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the tax asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date. Measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, as at the reporting date, to recover or settle the carrying amount of its assets/(liabilities).

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity.

Lease

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

Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Lease (continued)

Group as lessee (continued)

Right-of-use assets

The Group leases various office premises, railroad platforms and vehicles. The contracts may include both lease and non-lease components. The Group allocates contract consideration between the lease and non-lease components based on their relative stand-alone transaction prices.

Assets arising from lease contracts are initially measured at present value.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs;
- The cost of restoring the asset to the condition required under the terms of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset: If the Group has a reasonable assurance that the purchase option will be exercised, the Group depreciates the right-of-use asset over the useful life of the underlying asset. The Group calculates depreciation of right-of-use assets on a straight-line basis over the estimated useful life, as follows:

	Useful life (years)
Buildings	7
Vehicles	7

Lease liabilities

Liabilities arising from lease contracts are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a call option, provided that the group has reasonable assurance that the option will be exercised;
- Payments of termination penalties if the lease term reflects the Group's exercise of that option.

A number of the Group's leases include renewal and termination options. These terms are used to provide maximum operational flexibility in managing the assets used by the Group for its operations. Most of the renewal and termination options can only be exercised by the Group and not by the respective lessor. Renewal options (or time period beyond the period specified in the terms of the termination options) are included in the lease term only if there is reasonable assurance that the contract will be renewed (or will not be terminated). The estimate of the liability also includes lease payments to be made under renewal options if the renewal of the lease is reasonably certain.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases held by the Group, the Group uses the incremental borrowing rate, which is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Lease (continued)

Group as lessee (continued)

Lease liabilities (continued)

To determine the incremental borrowing rate, the Group:

- Where possible, uses information about recent third-party financing received by the Group as a baseline and adjusts it for changes in financing terms over the period since the third-party financing was received;
- Uses a build-up method where the valuation begins with a risk-free interest rate adjusted for credit risk;
- Makes lease-specific adjustments, such as lease term, country, currency and collateral.

The Group is exposed to potential increases in variable lease payments that depend on an index or rate, which are not reflected in the lease liability until they become effective. When changes in the lease payments that depend on an index or a rate become effective, the lease liability is remeasured with an adjustment to the value of the right-of-use asset.

Lease payments are separated into the liability's principal amount and finance costs. Finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments for short-term leases of equipment and vehicles and leases of any low-value assets are recognized as expenses in profit or loss on a straight-line basis. A short-term lease is a lease not exceeding 12 months. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Group as a lessor

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

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized to the extent of the transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts and value added tax. In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and cost of sales (*Note 4*).

The Group recognizes revenue when contract liabilities are fulfilled based on the approved documents between the respective parties. On an annual basis, the Group performs an analysis of the effect of revenue recognition as services are provided. The carry-over effect on revenue on an annual basis overlaps incoming and outgoing balances to a greater extent. Management does not believe that this effect has a material impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group provides the following types of services:

- Freight forwarding services are those that represent multiple performance obligations, in each individual buyer's application, because they are distinct, identifiable and there is no significant integration between them. For third-party services, including transportation services, management believes that the Group acts as an agent in these arrangements. Accordingly, the Group records revenue from customers on a net basis. In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and cost of sales (*Note 4*);
- Operation of rolling stock - revenue from providing containers and cars for use is recognized in the reporting period as the services are rendered at the rates (prices) set out in the services agreement. Payment is made by the Customer in accordance with the terms and conditions of the contract for the operation of rolling stock;
- Transshipment and securing of loads at Dostyk station - ensuring transshipment of cargo between rail cars, adapted for different gauge. Income from transshipment and cargo securing services is recognized in the reporting period, in which the services are provided;
- Terminal activities - terminal services for cargo in cars and containers, including loading and unloading operations and other services. Income from terminal services are recognized in the reporting period in which the services are provided;
- Lease - leasing freight yard infrastructure and railcars. Rental income is recognized in the reporting period in which the services are provided;
- Warehousing and storage - provision of storage services for cargo, containers, and railcars at cargo terminals and temporary storage warehouses. Income from the storage of goods is recognized in the reporting period, in which services are provided.

Financing components

The Group does not expect to enter into contracts where the period between the delivery of the promised goods or services to the customer and the payment by the customer exceeds one year. Consequently, the Group does not adjust transaction prices for the effect of the time value of money.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

The Group offers its employees post-employment benefits (lump-sum retirement benefits, financial aid to retired employees) and other long-term employee benefits (financial aid to employees in case of disability, anniversaries and death) in accordance with the provisions of the collective agreement. Eligibility for post-employment benefits is generally based on the length of time remaining until retirement and whether the employee has a minimum number of years of service.

The Group's post-employment benefits are unfunded defined benefit plans and are measured in accordance with IAS 19 *Employee Benefits*. Actuarial and investment risks for unfunded defined benefit plans are borne by the Group.

When estimating unfunded defined benefit pension plans, the amount of benefits due to employees for their service in the current and prior periods is initially determined and actuarial assumptions are made. The present value of defined benefit obligations and current service cost are then determined using the projected unit credit method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Employee benefits (continued)

The Group recognizes in profit or loss:

- Cost of services rendered in the current period;
- The cost of any past services, and the gain or loss arising on the settlement of plan liabilities; and
- Net interest related to liability of defined benefit pension plan.

The Group recognizes actuarial gains or losses on the remeasurement of the net defined benefit liability in other comprehensive income. Eligibility for other long-term employee benefits is contingent on the employee having a minimum length of service. Other long-term employee benefits are measured over the course of the employee's service using the same methodology that is used to calculate unfunded defined benefit pension plans.

In respect of other long-term employee benefits, the Group recognizes current and past service cost, net interest on net liability, actuarial gains or losses (revaluation of net liability) in profit or loss. In accordance with the legislative requirements of the Republic of Kazakhstan, the Group makes payments amounting to 10% of employee benefits, but not more than 300,000 tenge per month from 1 January 2022 to 31 December 2022 (212,500 tenge per month from 1 January 2021 to 31 December 2021), as contributions to the Unified Accumulative Pension Fund. Mandatory pension contributions are withheld from employee benefits. The Group does not have any other obligations on pension payments.

Foreign currencies

The Group's consolidated financial statements are presented in Tenge, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising from repayment or restatement of monetary items are included in profit or loss.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise specified). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective:

- *Onerous Contracts – Costs of Fulfilling a Contract* – Amendments to IAS 37;
- *Reference to the Conceptual Framework* – Amendments to IFRS 3;
- Amendments to 16 - *Property, Plant and Equipment: Proceeds before Intended Use;*
- IFRS 1 *First-time Adoption of International Financial Reporting Standards – a subsidiary adopting International Financial Reporting Standards for the first time;*
- IFRS 9 *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;*
- IAS 41 *Agriculture - Taxation in fair value measurements.*

The above standards and interpretations did not have a material impact on the Group's consolidated financial statements.

Standards issued but not yet effective

- Amendments to IAS 1 - *Classification of Liabilities as Current or Non-Current* (issued in January 2020 and effective for accounting periods beginning on or after 1 January 2023);
- Amendments to IAS 1 and Practice Statement 2 - *Disclosure of Accounting Policies* (Amendments to IAS 1 issued in February 2021 and effective for accounting periods beginning on or after 1 January 2023, amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary;
- Amendments to IAS 8 - *Definition of Accounting Estimates* (issued in February 2021 and effective for accounting periods beginning on or after 1 January 2023);
- IFRS 17, *Insurance Contracts* (issued on 18 May 2017 and effective for accounting periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

The Group now evaluates the impact of the adoption of the amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES

Critical accounting estimates and professional judgments in applying accounting policies

The Group uses estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are subject to constant analysis and are based on the past experience of the management and other factors including expectations regarding future events, which, as deemed, are reasonable in the existing circumstances. In applying accounting policies, management also uses judgments, other than those related to estimates. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Recognition of revenue from freight forwarding services

Freight forwarding services are those that represent multiple performance obligations, in each individual buyer's application, because they are distinct, identifiable and there is no significant integration between them. For third-party services, including transportation services, management believes that the Group acts as an agent under these arrangements and on that basis recognizes revenue in the net amount of consideration to which the Group is entitled in exchange for its services as an agent. In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and operating expenses. As a result of such accounting, the amount of railway tariff and third party services directly related to these types of services excluded from both revenue and operating expenses was 42,856,772 thousand tenge for the year ended 31 December 2022 (2021: 31,279,154 thousand tenge).

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES (continued)

Critical accounting estimates and professional judgments in applying accounting policies (continued)

Recognition of revenue from contracts with customers and related operating expenses - estimate of amounts to be accrued

Revenue from contracts with customers and related operating expenses not yet billed are recognized on an accrual basis using management's estimates. Thus, management estimated total revenue and operating expenses not yet billed as at 31 December 2022 to be 2,046,497 thousand tenge and 4,498,776 thousand tenge, respectively, in the consolidated financial statements for the year 2022.

Liabilities carried at amortised cost

Fair values of financial liabilities are determined using valuation techniques. An estimated fair value of instruments with a fixed interest rate with established maturity is based on expected discounted cash flows using interest rates for new instruments with a similar credit risk and a similar maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Component accounting

The Group evaluates components of property, plant and equipment for separate accounting purposes based on the principle of materiality of the cost of the component and based on significant differences in the remaining useful life of the component.

According to the instruction for maintenance of railcars and fitting platforms in operation, the Group performs capital repairs on a regular basis, due to the fact that capital repairs to restore serviceability and full or near full recovery of the asset's resource, capital repairs are a capitalizable type of repair. Therefore, costs of capital repairs are recognized as a component of property, plant and equipment when the costs are incurred. The cost of wheelsets is expensed when installed on a fixed asset; such wheelsets are accounted for as inventories in accordance with the Group's accounting policy.

Impairment of non-financial assets

The Group analyzes indicators of impairment of property, plant and equipment at each reporting date. Indicators of possible impairment of the current value of property, plant and equipment are identified as a result of planned inventories performed before the reporting date by the Group's technical services. In case of detection of any evidence, the Group makes an estimate of an asset's recoverable amount to assess the impairment loss (if any). If an estimate of the recoverable value for an individual asset is not possible, the Group determines the recoverable amount of a cash generating unit to which an asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its current amount, the current amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is immediately recognized as an expense of the period.

Based on the analysis performed the management of the Group did not identify any indicators of impairment of non-financial assets at the level of the cash generating unit as at 31 December 2022, however a loss on specific single impairment in the amount of 94,980 thousand tenge (2021) was recognized: 714,064 thousand tenge).

Determining the lease term of contracts – Group as lessee

The Group defines the lease term as a lease period not prematurely terminated, together with the periods for which the renewal option is provided, if it is reasonably certain that it will be exercised, or the periods for which the termination option is provided, if it is reasonably certain that it will not be exercised.

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

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES (continued)

Leases – estimating the incremental borrowing rate

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

Provision for expected credit losses of trade accounts receivable and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Information about the ECL for trade receivables of the Group and the assets under the contract is disclosed in *Note 11*.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of property, plant and equipment at each reporting date and, if expectations differ from previous estimates, the changes are accounted for prospectively as changes in the accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Measurement of financial instruments at fair value

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation models including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the financial statements. For more details on the discontinued operation refer to *Note 32*.

5. SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The chief operating decision maker is the person or group of persons who allocates resources and assesses the performance for the entity.

Description of products and services from which each reportable segment derives its revenue

The Group has 4 operating segments. These are based on the information contained in reports, which are regularly reviewed by shareholders in order to allocate funds as well as to measure their performance:

- Terminal services;
- Transport and forwarding services;
- Handling of railcars;
- Lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENT INFORMATION (continued)

Factors that management used to identify the reportable segments

The Group tracks several profitability metrics, including profit before tax. Profit before tax is the measure used for the purpose of resource allocation and assessment of segment performance. Other operations of the Group mainly include the sale of inventory and other support services provided along with transportation services, neither of which is sufficiently material to be presented separately.

Geographical information

Analysis of revenue by geographical location of customers:

	31 December 2022	31 December 2021
Kazakhstan	36,701,153	30,358,390
Latvia	2,900,433	–
Russia	2,179,772	4,770,681
Germany	1,642,035	36,767
Kyrgyzstan	230,918	321,270
Georgia	207,792	–
Lithuania	112,817	4,356
Singapore	16,524	–
Poland	2,815	1,690,378
China	32	221,312
Switzerland	–	167,444
Estonia	–	359,180
Other countries	22,237	61,625
Total	**44,016,528**	37,991,403

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

In thousands of tenge	Terminal services	Transport and forwarding services	Handling of railcars	Lease	Other[1]	Total
Profit from operating activities	13,018,195	3,851,913	25,948,144	1,191,683	6,593	44,016,528
Operating expenses	(10,050,578)	–	(12,823,222)	(264,875)	(2,905,290)	(26,043,965)
Other operating income	–	–	–	–	458,011	458,011
Foreign exchange gain	–	–	–	–	359,692	359,692
Finance costs	(65,276)	–	(2,158,679)	–	(72,104)	(2,296,059)
Finance income	–	–	9,476	–	503,955	513,431
Loss from impairment of financial assets	–	–	–	–	(79,009)	(79,009)
Profit before taxes	2,902,341	3,851,913	10,975,719	926,808	(1,728,152)	16,928,629
Other key segment information						
Depreciation of property, plant and equipment and other non-current assets	(897,681)	–	(1,658,395)	–	(242,649)	(2,798,725)
Capital expenditures	243,677	–	–	–	–	243,677
Loss from impairment of non-financial assets (*Note 25*)	(94,980)	–	–	–	–	(94,980)

[1] *Other segments include retained earnings such as other operating income, foreign exchange difference, which are analyzed at the Group level as a whole and are not allocated to operating segments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. SEGMENT INFORMATION (continued)

Information about reportable segment profit or loss, assets and liabilities (continued)

Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

In thousands of tenge	Terminal services	Transport and forwarding services	Handling of railcars	Lease	Other[2]	Total
Profit from operating activities	13,083,295	1,366,648	22,489,907	996,927	54,626	37,991,403
Operating expenses	(9,675,444)	–	(15,019,193)	(164,772)	(3,897,786)	(28,757,195)
Other operating income	–	–	–	–	117,632	117,632
Foreign exchange gain	–	–	–	–	90,746	90,746
Finance costs	(91,609)	–	(2,579,986)	–	(97,728)	(2,769,323)
Finance income	100,985	–	2,778	–	396,875	500,638
Profit from reversal of financial assets	–	–	–	–	241,048	241,048
Profit before taxes	**3,417,227**	**1,366,648**	**4,893,506**	**832,155**	**(3,094,587)**	**7,414,949**
Other key segment information						
Depreciation of property, plant and equipment and other non-current assets	(744,872)	–	(1,637,666)	–	(438,509)	(2,821,047)
Capital expenditures	345,197	–	–	–	–	345,197
Loss from impairment of non-financial assets (*Note 25*)	(714,064)	–	–	–	–	(714,064)

[2] *Other segments include retained earnings such as other operating income, foreign exchange difference, which are analyzed at the Group level as a whole and are not allocated to operating segments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Land	Buildings	Construc-tions	Transfer devices	Machinery and equipment	Railway transport	Motor vehicles	Other	Construc-tion in progress	Total
Cost as at 1 January 2022	**331,230**	**3,568,415**	**7,611,447**	**251,952**	**6,184,146**	**31,924,649**	**1,566,581**	**339,325**	**1,115,256**	**52,893,001**
Acquisitions	–	2,871	12,530	–	435,067	–	–	–	687,678	1,138,146
Disposals	–	–	(20,804)	–	(19,047)	–	–	(2,171)	–	(42,022)
Transfer from/to investment property	–	(7,049)	–	–	–	–	–	–	–	(7,049)
Internal transfers	–	–	168,697	–	41,400	33,580	–	–	(243,677)	–
As at 31 December 2022	**331,230**	**3,564,237**	**7,771,870**	**251,952**	**6,641,566**	**31,958,229**	**1,566,581**	**337,154**	**1,559,257**	**53,982,076**
Accumulated depreciation and impairment as at 1 January 2022	**–**	**(813,308)**	**(2,052,741)**	**(157,100)**	**(3,642,362)**	**(2,335,511)**	**(982,157)**	**(222,489)**	**(1,055,513)**	**(11,261,181)**
Deprecation charge for the year	–	(93,401)	(195,530)	(4,506)	(373,139)	(1,665,054)	(77,660)	(26,236)	–	(2,435,526)
Provision for impairment	–	–	(9,211)	–	(46,819)	–	(43,157)	–	–	(99,187)
Disposals	–	–	2,153	–	18,430	–	–	2,073	–	22,656
Transfer from/to IP	–	1,513	–	–	–	–	–	–	–	1,513
Reversal of impairment	–	–	13,287	–	–	–	–	–	–	13,287
As at 31 December 2022	**–**	**(905,196)**	**(2,242,042)**	**(161,606)**	**(4,043,890)**	**(4,000,565)**	**(1,102,974)**	**(246,652)**	**(1,055,513)**	**(13,758,438)**
Carrying amount										
As at 31 December 2022	**331,230**	**2,659,041**	**5,529,828**	**90,346**	**2,597,676**	**27,957,664**	**463,607**	**90,502**	**503,744**	**40,223,638**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of tenge	Land	Buildings	Construc-tions	Transfer devices	Machinery and equipment	Railway transport	Motor vehicles	Other	Construc-tion in progress	Total
Cost as at 1 January 2021	**318,967**	**2,682,657**	**6,265,404**	**251,952**	**5,746,957**	**10,562,468**	**1,552,750**	**337,378**	**1,087,224**	**28,805,757**
Acquisitions	12,263	1,061,490	1,297,319	–	553,327	21,362,181	13,831	5,738	373,139	24,679,288
Disposals	–	(167,963)	(296,473)	–	(116,379)	–	–	(3,399)	–	(584,214)
Transfer to investment property	–	(7,769)	–	–	–	–	–	–	–	(7,769)
Internal transfers	–	–	345,197	–	–	–	–	–	(345,197)	–
Other	–	–	–	–	241	–	–	(392)	90	(61)
As at 31 December 2021	**331,230**	**3,568,415**	**7,611,447**	**251,952**	**6,184,146**	**31,924,649**	**1,566,581**	**339,325**	**1,115,256**	**52,893,001**
Accumulated depreciation and impairment as at 1 January 2021	**–**	**(839,078)**	**(1,987,958)**	**(152,724)**	**(3,326,258)**	**(691,185)**	**(885,460)**	**(197,193)**	**(377,792)**	**(8,457,648)**
Deprecation charge for the year	–	(90,151)	(180,147)	(4,376)	(409,467)	(1,644,326)	(92,762)	(28,050)	–	(2,449,279)
Provision for impairment	–	(1,260)	–	–	–	–	(3,935)	–	(677,721)	(682,916)
Disposals	–	112,398	115,364	–	93,529	–	–	2,527	–	323,818
Transfer to investment property	–	4,783	–	–	–	–	–	–	–	4,783
Other	–	–	–	–	(166)	–	–	227	–	61
As at 31 December 2021	**–**	**(813,308)**	**(2,052,741)**	**(157,100)**	**(3,642,362)**	**(2,335,511)**	**(982,157)**	**(222,489)**	**(1,055,513)**	**(11,261,181)**
Carrying amount As at 31 December 2021	**331,230**	**2,755,107**	**5,558,706**	**94,852**	**2,541,784**	**29,589,138**	**584,424**	**116,836**	**59,743**	**41,631,820**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

On 18 March 2022, the Group made an early repayment of loans under bank loan agreements with SB Sberbank JSC for the purchase of 300 rail cars for a total of 7,753,872 thousand tenge, as part of the investment program. On 12 April 2022, the movable property pledge agreement dated 24 May 2021 was terminated. On 25 April 2022, the encumbrances on the pledged property of the Group were released.

On 28 January 2022 the Group acquired a large-capacity reach stacker amounting to 432,986 thousand tenge.

During 2022 the Group incurred expenses for capital repairs of container yard at Altynkol station in accordance with the Group's investment budget in the amount of 408,511 thousand tenge and other capital repairs of tracks, fences and gantry cranes in the amount of 279,168 thousand tenge from other counterparties.

As at 31 December 2022, the cost of fully depreciated property, plant and equipment amounted to 2,113,372 thousand tenge (31 December 2021: 1,857,229 thousand tenge).

7. INVESTMENT PROPERTY

In thousands of Tenge	Buildings	Total
Carrying amount as at 1 January 2022	**4,905,114**	**4,905,114**
Transfer from PPE	**7,049**	**7,049**
Carrying amount as at 31 December 2022	**4,912,163**	**4,912,163**
Accumulated depreciation as at 1 January 2022	**(353,768)**	**(353,768)**
Accrued for the year	**(52,750)**	**(52,750)**
Disposals	**(1,513)**	**(1,513**
Accumulated depreciation at 31 December 2022	**(408,031)**	**(408,031)**
Carrying amount as at 31 December 2022	**4,504,132**	**4,504,132**

In thousands of Tenge	Buildings	Total
Carrying amount as at 1 January 2021	**4,897,346**	**4,897,346**
Transfer from PPE	7,769	7,769
Carrying amount as at 31 December 2021	**4,905,115**	**4,905,115**
Accumulated depreciation as at 1 January 2021	**(296,509)**	**(296,509)**
Accrued for the year	(52,476)	(52,476)
Disposals	(4,783)	(4,783)
Accumulated depreciation as at 31 December 2021	**(353,768)**	**(353,768)**
Carrying amount as at 31 December 2021	**4,551,347**	**4,551,347**

The Group's investment property comprises commercial real estate in Astana and Almaty, as well as warehousing facilities in the Group's branches.

The largest investment property is a business center in Astana, which is not currently occupied, but is held for operating lease. Investment property in Almaty comprises a business center that is leased to the U.S. Consulate General by AP Property Management Company, based on a real estate trust management agreement dated 28 September 2018.

The Group engaged an accredited independent external appraiser Business Partner Consult LLP, who determined the market value of assets in the amount of 6,924,363 thousand tenge as at 31 December 2022 (31 December 2021: 5,575,965 thousand tenge).

Profit from investment properties for the year ended 31 December 2022 is as follows:

In thousands of tenge	2022	2021
Proceeds from lease of investment property	**864,339**	718,288
Direct operating expenses (including repairs and maintenance) that resulted in rental income (included in the cost of sales)	**(80,077)**	(71,646)
Direct operating expenses (including repairs and maintenance) that did not result in rental income (included in the cost of sales)	**(124,278)**	(125,806)
Profit from investment property	**659,984**	520,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT PROPERTIES (continued)

No restrictions on the sale of its investment property is imposed on the Group. The Group also has no contractual obligations for the acquisition, construction or improvement of investment property, its repair, maintenance or improvement.

Information on fair value hierarchy with respect to the investment property is disclosed in *Note 32*.

8. RIGHT-OF-USE ASSETS

The Group leases various office premises and vehicles, which normally have lease terms of 7 years.

Movement of right-of-use assets for the year ended 31 December 2022 is presented as follows:

In thousands of tenge	Buildings	Total
Carrying amount as at 1 January 2022	**854,597**	**854,597**
Disposals	**(21,245)**	**(21,245)**
Modification	**3,478**	**3,478**
Depreciation	**(208,401)**	**(208,401)**
Carrying amount as at 31 December 2022	**628,429**	**628,429**

Movement of right-of-use assets for the year ended 31 December 2021 is presented as follows:

In thousands of tenge	Buildings	Vehicles	Total
Carrying amount as at 1 January 2021	**1,946,436**	**8,435**	**1,954,871**
Disposals	(602,659)	(7,592)	(610,251)
Modification	(252,560)	–	(252,560)
Depreciation	(236,620)	(843)	(237,463)
Carrying amount as at 31 December 2021	**854,597**	**–**	**854,597**

9. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2022 is presented as follows:

In thousands of tenge	Computer software	Other	Total
Cost as at 1 January 2022	**989,166**	**1,923**	**991,089**
Disposals	**(3,293)**	**–**	**(3,293)**
As at 31 December 2022	**985,873**	**1,923**	**987,796**
Accumulated amortization as at 1 January 2022	**(628,077)**	**(1,923)**	**(630,000)**
Accrued for the year	**(102,048)**	**–**	**(102,048)**
Disposals	**3,293**	**–**	**3,293**
As at 31 December 2022	**(726,832)**	**(1,923)**	**(728,755)**
Carrying amount			
As at 31 December 2022	**259,041**	**–**	**259,041**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INTANGIBLE ASSETS (continued)

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

In thousands of tenge	Computer software	Other	Total
Cost as at 1 January 2021	**815,987**	**1,923**	**817,910**
Acquisitions	173,379	–	173,379
Disposals	(200)	–	(200)
As at 31 December 2021	**989,166**	**1,923**	**991,089**
Accumulated amortization and impairment as at 1 January 2021	**(546,449)**	**(1,923)**	**(548,372)**
Accrued for the year	(81,828)	–	(81,828)
Disposals	200	–	200
As at 31 December 2021	**(628,077)**	**(1,923)**	**(630,000)**
Carrying amount			
As at 31 December 2021	**361,089**	**–**	**361,089**

10. INVENTORIES

In thousands of tenge	31 December 2022	31 December 2021
Materials	**659,332**	564,361
Fuel	**50,207**	59,355
Spare parts	**13,838**	16,858
Goods for sale	**1,952**	2,277
Other	**70,717**	80,736
Total inventory	**796,046**	723,587

11. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	31 December 2022	31 December 2021
Trade accounts receivable	**3,647,722**	2,897,017
Less: provision for expected credit losses	**(1,912,333)**	(1,785,391)
Total trade accounts receivable	**1,735,389**	1,111,626

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

In thousands of tenge	Loss rate	Gross carrying amount	Lifetime expected credit losses
Trade accounts receivable as at 31 December 2022			
- current	**0.00%**	**–**	**–**
- less than 30 days overdue	**1.70%**	**982,447**	**(14,485)**
- 30 to 60 days overdue	**2.48%**	**186,931**	**(7,417)**
- 60 to 90 days overdue	**4.15%**	**338,368**	**(11,864)**
- over 90 days overdue	**36.70%**	**2,139,976**	**(1,878,567)**
Total		**3,647,722**	**(1,912,333)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. TRADE ACCOUNTS RECEIVABLE (continued)

In thousands of Tenge	Loss rate	Gross carrying amount	Lifetime expected credit losses
Trade accounts receivable as at 31 December 2021			
- current	0.00%	–	–
- less than 30 days overdue	1.43%	903,344	(12,900)
- 30 to 60 days overdue	2.00%	69,110	(1,382)
- 60 to 90 days overdue	7.16%	15,812	(1,332)
- over 90 days overdue	11.79%-100.00%	1,908,751	(1,769,777)
Total		**2,897,017**	**(1,785,391)**

Changes in the provision for expected credit losses of trade accounts receivable and contract assets ate presented below:

In thousands of tenge	31 December 2022	31 December 2021
At 1 January	**(1,785,391)**	(1,682,082)
Accrued for the year	**(692,359)**	(201,919)
Recovered	**565,417**	98,610
As at 31 December	**(1,912,333)**	(1,785,391)

As at 31 December 2022 and 31 December 2021, trade accounts receivable are expressed in the following currencies:

In thousands of tenge	31 December 2022	31 December 2021
Tenge	**1,258,906**	1,035,536
US dollars	**446,510**	76,090
Russian roubles	**29,973**	–
Total trade accounts receivable	**1,735,389**	1,111,626

12. ADVANCED PAID

In thousands of tenge	31 December 2022	31 December 2021
For provision of services	**460,171**	795,951
For purchase of goods	**1,770**	9,736
Less: provision for advances paid	**(89,069)**	(120,051)
Total advances paid	**372,872**	685,636

As at 31 December 2022 and 31 December 2021, the change in the provision for advances paid is as follows:

In thousands of tenge	31 December 2022	31 December 2021
At 1 January	**(120,051)**	(42,278)
Accrued for the year	**(2,069)**	(78,605)
Recovered	**33,051**	832
As at 31 December	**(89,069)**	(120,051)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. TAXES RECOVERABLE

As at 31 December 2022 and 31 December 2021 taxes recoverable comprise the following:

In thousands of tenge	**31 December 2022**	31 December 2021
VAT	**937,637**	795,648
Property tax	**7,473**	13,233
Land tax	**1,688**	2,477
Social tax	**1,633**	3,113
Tax on vehicles	**944**	1,370
Individual income tax	**601**	263
Other	**3,324**	3,282
Total taxes recoverable	**953,300**	819,386

14. SHORT-TERM FINANCIAL INVESTMENTS

The short-term financial investment of the Group was represented by the following deposit: intra-group financial assistance issued to the parent company.

Financial investments as at 31 December 2022 and 31 December 2021 are as follows:

In thousands of tenge	**Currency**	**Maturity**	**31 December 2022**	31 December 2021
National Company "Kazakhstan Temir Zholy" JSC	Tenge	28.07.2022 - 28.07.2023	**6,992,567**	471,469
SB Sberbank of Russia JSC	Tenge	–	**–**	997
Total short-term financial investments			**6,992,567**	472,466

During the year ended 31 December 2022 the Group provided repayable financial aid to the parent in the amount of 7,000,000 thousand tenge (2021: 471,469 thousand tenge).

15. CASH AND CASH EQUIVALENTS

In thousands of tenge	**31 December 2022**	31 December 2021
Short-term bank deposits in tenge	**10,549,486**	–
Cash on current bank accounts, Tenge	**5,316,534**	7,436,911
Cash on current bank accounts, US Dollars	**572,889**	4,211,957
Cash in transit	**4,582**	10,428
Cash on current bank accounts, Russian rubles	**4,289**	–
Cash on current bank accounts, Chinese Yuan	**849**	289
Cash on hand	**390**	357
Cash on current bank accounts, Uzbek Sum	**212**	121
Provision for expected credit losses	**(850)**	(836)
Total cash and cash equivalents	**16,448,381**	11,659,227

As at 31 December 2022, the interest rate on short-term bank deposits and current account balances was 16.2% and 7%, respectively. (31 December 2021: 9.2% and 7%, respectively).

16. NON-CURRENT ASSETS HELD FOR SALE

In August 2018, the Company and Qazaq Banki JSC entered into a mutual settlement agreement under which the payables of Qazaq Banki JSC to the Group on deposits are repaid using real estate (3 residential apartments, 3 parking space and 2 non-residential commercial premises) in Almaty. Title in the properties is registered to the Company. As at 31 December 2021 assets received from Qazaq Banki JSC in the amount of 397,044 thousand tenge were classified as non-current assets held for sale. During 2022 all non-current assets held for sale were sold at their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL

As at 31 December 2022 and 31 December 2021 the authorised, issued and fully paid share capital of the Company consisted of common shares of 1,255,242 with a par value of 1,000 tenge each.

On 24 June 2022 dividends for 2021 were declared in total amount of 2,723,014 thousand tenge. As at 31 December 2022, the dividends were paid. In 2021, dividends for 2020 were declared and paid in the amount of 3,768,713 thousand tenge.

18. TRADE ACCOUNTS PAYABLE

In thousands of Tenge	**31 December 2022**	31 December 2021
For the services	**2,397,733**	1,520,707
for property and equipment and intangible assets	**33,580**	564,143
For the goods	**21,843**	78,665
Total trade accounts payable	**2,453,156**	2,163,515

As at 31 December 2022 and 31 December 2021, trade accounts payables are expressed in the following currencies:

In thousands of tenge	**31 December 2022**	31 December 2021
Tenge	**1,293,316**	1,902,696
US dollars	**1,159,206**	260,546
Uzbek som	**507**	186
Russian ruble	**120**	71
Belorussian rouble	**7**	16
Total trade accounts payable	**2,453,156**	2,163,515

Trade accounts payable are non-interest bearing and as a rule are settled on 50 day term.

19. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In thousands of tenge	**31 December 2022**	31 December 2021
Provision for bonuses	**1,289,882**	1,210,823
Provision for unused vacations	**340,327**	304,318
Short-term warranty obligations	**128,691**	262,139
Liabilities on other obligatory and voluntary payments	**104,418**	111,051
Payables to employees	**61,783**	50,085
Other accounts payable	**4,036**	3,794
Total other accounts payable and accrued liabilities	**1,929,137**	1,942,210

20. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are represented by post-employment benefit obligations and other defined benefit obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The movements in the employee benefit obligations for the years ended 31 December 2022 and 31 December 2021 are as follows:

In thousands of tenge	**31 December 2022**	31 December 2021
Total obligations as at 1 January	**196,115**	179,401
Current cost of services	**18,485**	15,663
Benefits paid	**(36,070)**	(22,259)
Actuarial revaluation recognized in other comprehensive loss	**21,019**	(3,286)
Actuarial loss recognized in profit and loss for the period	**105,204**	8,118
Interest expenses	**20,396**	18,478
Total obligations at the end of the year	**325,149**	196,115
Including obligations maturing within one year	**28,449**	27,678
Obligations that mature after one year	**296,700**	168,437
Total obligations as at 31 December	**325,149**	196,115

21. LEASE LIABILITIES

Movement of lease liabilities for the year ended 31 December 2022 is presented as follows:

In thousands of tenge	**Total**
Carrying amount as at 1 January 2022	**1,079,978**
Interest expenses on lease (*Note 27*)	**126,414**
Payments	**(307,835)**
Disposal	**(29,124)**
Other	**(26,245)**
Carrying amount as at 31 December 2022	**843,188**

All lease liabilities for 2022 relate to leases of buildings.

Movement of lease liabilities for the year ended 31 December 2021 is presented as follows:

In thousands of tenge	**Buildings**	**Vehicles**	**Total**
Carrying amount as at 1 January 2021	2,250,808	10,523	2,261,331
Interest expenses on lease liabilities (*Note 27*)	172,263	795	173,058
Payments	(375,813)	(1,275)	(377,088)
Disposal	(945,610)	(10,918)	(956,528)
Other	(21,670)	875	(20,795)
Carrying amount as at 31 December 2021	**1,079,978**	**–**	**1,079,978**

Below are amounts recognised in profit or loss:

In thousands of tenge	**31 December 2022**	31 December 2021
Right-of-use assets depreciation expenses	**(208,401)**	(237,463)
Interest expense on lease liabilities (*Note 27*)	**126,414**	173,058
Finance income from lease modifications (*Note 28*)	**9,619**	113,766
Total	**(72,368)**	49,361

22. LOAN LIABILITIES

On 12 June 2020, the Group entered into an agreement to open a credit line in the amount of 6,236,160 thousand tenge with SB Sberbank JSC for the purchase of 300 units of rail cars. The actual disbursement of the loan amounted to 6,201,805 thousand tenge received in seven tranches during 2020. The interest on the loan was repaid in monthly installments at an interest rate of 12.75%. The principal is repayable in quarterly instalments until fully repaid in 2027. On 18 March 2022, the early repayment of this bank loan was carried out. For the year ended 31 December 2022 the principal amount of 5,064,317 thousand tenge and interest of 153,535 thousand tenge were repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. LOAN LIABILITIES

For the year ended 31 December 2022, interest expense amounted to 137,709 thousand tenge (2021: 704,975 thousand tenge) (*Note 27*).

On 20 August 2021, Kedentransservice JSC, Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan and SB Sberbank JSC signed a trilateral agreement on subsidizing the interest rate when lending for purchasing rail cars. According to the subsidizing agreement, Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan subsidizes the interest rate in the amount of 7.75%. The grants received were recorded as deferred income and should be charged to profit or loss as the acquired flatcars are depreciated.

On 6 May 2022, due to early repayment of the loan received from SB Sberbank JSC, the subsidy agreement was brought to an early termination. The total amount of grants under the agreement for 2021-2022 amounted to 299,775 thousand tenge.

23. BONDS

On 25 January 2021, a trilateral agreement was signed between Kaztemirtrans JSC, NC Kazakhstan Temir Zholy JSC and Kedentransservice JSC. The purpose of the agreement was to transfer obligations to redeem the coupon and the nominal value of bonds from Kaztemirtrans JSC to Kedentransservice JSC in exchange for 3,803 fitting platforms. As a result of this transaction, Kedentransservice JSC is an issuer of bonds with a nominal value of 21,848,328 thousand tenge. The holder of the bonds is the parent company, NC Kazakhstan Temir Zholy JSC.

The principal matures on 15 November 2024. The annual coupon for the accrual of interest liabilities is 9.25%. Interest accrues on a monthly basis and is due on 25 September of each year.

For the year ended 31 December 2022 accrued interest amounted to 2,020,970 thousand tenge (2021: 1,875,011 thousand tenge). The Group paid accrued interest for the year ended 31 December 2022 and 31 December 2021.

The table below represents the movement in bond liabilities as at 31 December 2022:

In thousands of tenge	Platform	As at 31 December 2021	Interest costs	Payment of interest	Balance as at 31 December 2022
Non-current portion	AIX	**21,848,328**	**–**	**–**	**21,848,328**
Current portion	AIX	**533,311**	**2,020,970**	**(2,020,970)**	**533,311**
Total loans		**22,381,639**	**2,020,970**	**(2,020,970)**	**22,381,639**

The table below represents the movement in bond liabilities as at 31 December 2021:

In thousands of tenge	Platform	Bond liabilities received	Interest costs	Payment of interest	Balance as at 31 December 2021
Non-current portion	AIX	21,848,328	–	–	21,848,328
Current portion	AIX	679,270	1,875,011	(2,020,970)	533,311
Total loans		**22,527,598**	**1,875,011**	**(2,020,970)**	**22,381,639**

24. OPERATING INCOME

In thousands of tenge	**31 December 2022**	31 December 2021
Handling of railcars	**25,948,144**	22,489,907
Reloading and fastening of freights related to international carriage	**9,382,776**	10,029,404
Transport and forwarding services	**3,851,913**	1,366,648
Terminal services	**2,530,700**	2,423,728
Operating leases	**1,191,683**	996,927
Warehousing and storage	**1,104,719**	630,163
Other operating income	**6,593**	54,626
Total operating income	**44,016,528**	37,991,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. OPERATING INCOME (continued)

During the year ended 31 December 2022 and 2021, all revenue from contracts with customers was recognized during the period. All contract liabilities are due to be settled within 12 months after the reporting date.

Income from operation of rolling stock is presented in the operating segment "operation of rolling stock", income from transshipment services, cargo securing, terminal activities, warehousing and storage - in the segment "terminal services", income from transportation and forwarding services - in the segment "transportation and forwarding services", income from lease - in the segment "lease" (*Note 5*).

25. OPERATING EXPENSES

In thousands of tenge	**31 December 2022**	31 December 2021
Payroll expenses	**7,174,304**	7,298,362
Third party services related to principal activities*	**5,592,137**	5,344,433
Repair and maintenance	**4,006,230**	5,074,652
Depreciation	**2,798,725**	2,821,047
Works and services for freight transportation and handling	**1,591,441**	1,878,665
Rent	**1,347,372**	1,962,943
Materials	**1,316,584**	1,120,869
Taxes other than income tax	**452,458**	405,977
Security services	**324,058**	301,882
Utilities	**240,057**	222,444
Advisory and information services	**217,420**	240,608
Loss from impairment of non-financial assets	**94,980**	714,064
Other	**888,199**	1,371,249
Total operating expenses	**26,043,965**	28,757,195

* *Services of third parties mainly comprised the payment of carriage charges for local and international destinations.*

26. (ACCRUAL)/REVERSAL OF PROVISION FOR EXPECTED CREDIT LOSSES

In thousands of tenge	**31 December 2022**	31 December 2021
(Accrual)/reversal of provision for expected credit losses on accounts receivable	**(71,979)**	241,916
Charge of provision for expected credit losses on financial aid issued	**(7,019)**	–
Accrual of provision for expected credit losses on cash and cash equivalents	**(11)**	(868)
Total (accrual)/reversal of provision for expected credit losses	**(79,009)**	241,048

27. FINANCE COSTS

In thousands of tenge	**31 December 2022**	31 December 2021
Interest expenses on bonds (*Note 23*)	**2,020,970**	1,875,011
Loan interest (*Note 22*)	**137,709**	704,975
Interest expenses on lease liabilities *(Note 21)*	**126,414**	173,058
Other finance costs	**8,636**	16,279
Write-off of investments of Transevraziya JSC	**2,330**	–
Total finance costs	**2,296,059**	2,769,323

28. FINANCE INCOME

In thousands of tenge	**31 December 2022**	31 December 2021
Interest on current accounts	**457,950**	370,882
Interest on deposits	**36,386**	13,212
Income from modification of lease	**9,619**	113,766
Income from government grants	**9,476**	2,778
Total finance income	**513,431**	500,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. INCOME TAX EXPENSE

The income tax rate in the Republic of Kazakhstan, where the Group operates, was 20% for the year ended 31 December 2022. The effective income tax rate is 20.2%.

The Group's income tax expense for the year ended 31 December 2022 and 31 December 2021 comprised:

In thousands of tenge	31 December 2022	31 December 2021
Current income tax expenses	**2,720,025**	771,670
Deferred income tax expense	**706,924**	1,197,250
Income tax expense	**3,426,949**	1,968,920

The following is a reconciliation of corporate income tax at the rate of 20% to the actual amount of corporate income tax recorded in the Group's consolidated statement of profit or loss and comprehensive income:

In thousands of tenge	31 December 2022	31 December 2021
Profit before taxes	**16,928,629**	7,414,949
Tax at statutory rate of 20%	**3,385,726**	1,482,990
Adjustments for:		
Non-deductible expenses in determining taxable income	**41,223**	485,930
Income tax expense	**3,426,949**	1,968,920

	Consolidated statement of financial position		Recognized in profit or loss	
In thousands of tenge	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets				
Provision for doubtful debts	**419,222**	392,431	**26,791**	(63,902)
Due to employees	**326,041**	303,029	**23,012**	211,194
Provision for illiquid inventory	**7,184**	8,025	**(841)**	(515)
Taxes payable	**7,396**	6,628	**769**	2,710
Lease liabilities	**168,638**	215,996	**(47,358)**	(235,002)
Other	**4,184**	5,105	**(921)**	(142,163)
Deferred tax liabilities				
Property, plant and equipment, investment property and other non-current assets	**(3,753,936)**	(3,045,561)		
Deferred tax expenses			**(708,376)**	(966,286)
Net deferred tax liabilities	**2,821,271**	2,114,347	**706,924**	1,193,964

Reconciliation of deferred tax liabilities, net

In thousands of tenge	31 December 2022	31 December 2021
At 1 January	**2,114,347**	920,383
Deferred tax expenses recognized within profit or loss	**706,924**	1,193,964
As at 31 December	**2,821,271**	2,114,347

30. CONTINGENT AND CONTRACTUAL COMMITMENTS

Operating environment

The Group's principal activity is within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. CONTINGENT AND CONTRACTUAL COMMITMENTS (continued)

Taxation and legal environment

Tax conditions in the Republic of Kazakhstan are subject to changes and inconsistent application and interpretation. Discrepancies in interpretation of Kazakhstan laws and regulations by the Group and Kazakhstani authorities may lead to accrual of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. In some cases, for the purposes of determining the tax base, the tax legislation refers to the IFRS provisions, including approach to revenue, expenses and other items of financial statements, however, the interpretation of the relevant IFRS provisions by the Kazakh tax authorities may differ from the accounting policies, judgments and estimates applied by management in preparing these consolidated financial statements, which could lead to the origination of additional tax liabilities for the Group. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position is justified. In the opinion of the Group's management, the Group will not incur significant losses on current and potential tax claims exceeding provisions formed in these consolidated financial statements.

Legal issues

The Group was and continues to be subject to legal proceedings and complaints, none of which, individually or collectively, had a significant effect on the Group.

Capital commitments

As at 31 December 2022, the Group has capital commitments in the amount of 172,230 thousand tenge, including VAT (31 December 2021: 575,080 thousand tenge including VAT). Most of this amount constitutes commitments under the agreement with BaikonurStroySnab LLP for the overhaul of a large-sized site of Altynkol SI.

31. RELATED PARTY TRANSACTIONS

The parties are generally considered to be related if they are under common control, or one party has the ability to control the other party, or can significantly influence or exercise joint control over the other party's financial and business decisions. In consideration of relationships with each of the possible related parties, attention is directed to the economic substance of the relationships, not merely the legal form.

In preparing these consolidated financial statements, comparative information for the previous reporting period was reclassified. The effect of reclassifications is presented in the following table:

	As at 31 December 2021			
In thousands of tenge	As reported in the issued consolidated financial statements	Reclassifi-cations	Reclassified	Note
Current assets				
Trade receivables	2,689,464	(1,577,838)	1,111,626	[1]
Accounts receivable from related parties	157,558	1,577,838	1,735,396	[1]
Advances paid	3,172,723	(2,487,087)	685,636	[2]
Advances paid to related parties	44,743	2,487,087	2,531,830	[2]
Total current assets	**21,063,585**	**–**	**21,063,585**	
Current liabilities				
Trade accounts payable	2,481,481	(319,966)	2,163,515	[3]
Accounts payable to related parties	127,534	319,966	447,500	[3]
Total current liabilities	**8,496,700**	**–**	**8,496,700**	

[1] In preparing its consolidated financial statements for the year ended 31 December 2022, the Group has reclassified related party receivables from trade receivables.

[2] In preparing its consolidated financial statements for the year ended 31 December 2022, the Group has reclassified advances to related parties from advances paid.

[3] In preparing its consolidated financial statements for the year ended 31 December 2022, the Group has reclassified related party payables from trade payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

For the year ended 31 December 2022 and 31 December 2021 related party transactions were entered into on the terms and conditions agreed between the related parties, which may differ from market terms and conditions. Related party transactions and related party amounts for the year are as follows:

In thousands of tenge		Sales to related parties	Purchases from related parties	Due from related parties*	Due to related parties*
Parent *(Note 14 and 23)*	**2022**	**–**	**–**	**6,992,567**	**22,381,639**
	2021**	–	–	471,469	22,381,639
Entities within the group of the Company's parent	**2022**	**4,111,430**	**6,610,592**	**5,452,730**	**476,348**
	2021**	5,180,272	6,568,554	4,267,226	447,500

* *These amounts include accounts receivable from related parties, advances paid to related parties and accounts payable to related parties and commitments under agreements with related parties.*

** *Amounts for 2021 have been restated as presented above.*

Services provided by related parties primarily include carriage and other fees and charges associated with the carriage of goods and other costs of providing services. Services provided to related parties mainly include loading and unloading operations. Sales to related parties and acquisitions from related parties are based on market prices.

As at 31 December 2022 amounts due from related parties are presented net of provision for expected credit losses in the amount of 37,513 thousand tenge (2021 42,279 thousand tenge). The movement in the provision for expected credit losses on related party receivables is as follows:

In thousands of tenge	31 December 2022	31 December 2021
At 1 January	**(42,279)**	(399,659)
Accrued for the year	**(100,563)**	(87,394)
Recovered	**105,329**	444,774
As at 31 December	**(37,513)**	(42,279)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

In thousands of tenge	Loss rate	Gross carrying amount	Lifetime expected credit losses
Trade accounts receivable as at 31 December 2022			
- current	**0.00%**	**–**	**–**
- less than 30 days overdue	**1.70%**	**1,243,488**	**(21,139)**
- 30 to 60 days overdue	**2.48%**	**216,925**	**(5,380)**
- 60 to 90 days overdue	**4.15%**	**47,427**	**(1,968)**
- over 90 days overdue	**36.70%**	**15,675**	**(9,026)**
Total		**1,523,515**	**(37,513)**

In thousands of tenge	Loss rate	Gross carrying amount	Lifetime expected credit losses
Trade accounts receivable as at 31 December 2021			
- current	0.00%	–	–
- less than 30 days overdue	1.43%	1,296,455	(2,782)
- 30 to 60 days overdue	2.00%	301,497	(112)
- 60 to 90 days overdue	7.16%	105,121	(414)
- over 90 days overdue	11.79%-100.00%	74,602	(38,971)
Total		**1,777,675**	**(42,279)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

Key management personnel include the CEO, deputy CEOs and members of the Board of Directors of the Group, a total of 7 persons for the year ended 31 December 2022 (2021: 23 persons). Total remuneration of the Group's key management personnel included in salary expenses in this consolidated financial statement of profit or loss and other comprehensive income amounted to 86,775 thousand tenge for the year ended 31 December 2022 (2021: 193,770 thousand tenge). Compensation paid to key management personnel primarily consists of contractual salary expenses and other payments based on the achieved performance results.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management function of the Group is carried out in relation to financial, operational and legal risks. Financial risks include market risk (consisting of currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Operational and legal risk management should ensure the proper functioning of the internal policies and procedures in order to mitigate these risks. The Group's senior management oversees the management of these risks.

Credit risk

Credit risk is the risk that the Group will incur financial losses because the counterparty will not meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities including deposits with banks and financial institutions, currency transactions and other financial instruments.

Credit risk arising from the default of the counterparties with respect to the Group's financial instruments is generally limited by amounts, if any, the counterparties liabilities exceed the Group's liabilities to these counterparties. It is the Group's policy to enter into financial instrument transactions with creditworthy counterparties. Maximum credit risk exposure equals to the carrying amount of each financial asset. The Group considers its maximum exposure to be the sum of trade receivables (*Note 11*), other receivables and related party receivables (*Note 31*), as well as the sum of short-term financial investments (*Note 14*) and cash and cash equivalents (*Note 15*), less provisions for expected credit losses recorded at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy stipulating continuous monitoring to ensure that transactions are executed with the customers having an adequate credit history and do not exceed the established crediting limits. Due to the fact that liabilities of counterparties are mainly represented by liabilities from related parties, the Group believes that these liabilities will be settled on demand. The Group does not act as a guarantor for the liabilities of the third parties.

The following table presents an analysis of cash and cash equivalents by credit quality as at 31 December 2022 and 31 December 2021:

In thousands of tenge		**31 December 2022**	31 December 2021
Altyn Bank JSC	BBB- Fitch Ratings	**5,857,487**	7,955,438
Halyk Bank Kazakhstan JSC	BBB-Fitch Ratings	**10,584,113**	2,335,033
Sberbank SB JSC	BBB- Fitch Ratings	**–**	1,356,411
Cash in transit	Not available	**4,582**	10,428
Kazpost		**988**	–
National Bank for Foreign Economic Activity of Uzbekistan	BB- Fitch Ratings	**822**	2,107
Cash in hand	Not available	**390**	357
Bank of China	A Fitch Ratings	**849**	289
Provision for credit losses		**(850)**	(836)
Total cash and cash equivalents		**16,448,381**	11,659,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

The Group manages its capital risk to ensure that the Group can continue as a going concern while maximizing return for shareholders by optimizing the debt and equity balance.

The capital structure of the Group includes share capital, retained earnings as disclosed in the consolidated statement of changes in equity.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency).

With respect to currency risk, management sets limits on the level of exposure by currency and in general. The table below summarizes the Group's exposure to changes in foreign exchange rates at the end of the reporting period.

In thousands of tenge	Increase / decrease in US Dollar rate	Effect on profit before income tax
2022	**21.00%**	**280,610**
	−21.00%	**(280,610)**
2021	13.00%	322,227
	−10.00%	(322,227)

Movements in the effect on profit before taxes are due to changes in U.S. dollar-denominated monetary assets and liabilities.

Market risk

Market risk relates to possible fluctuations in the value of financial instruments due to changes in market interest rates. Due to the fact that the Group holds a dominant position on the market, the risk of possible fluctuations in the value of a financial instrument as a result of changes in market prices is remote.

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Group's shareholders who have established the necessary liquidity risk management system for the Group's management in accordance with requirements for managing liquidity and short-term, medium-term and long-term financing. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The following tables present the contractual terms of the Group's non-derivative financial liabilities. The table was prepared using undiscounted cash flows on financial liabilities based on the earliest date at which the Group may be required to pay: The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

In thousands of tenge	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2022							
Trade and other payables		1,733,561	719,595	–	–	–	2,453,156
Accounts payable to related parties		414,358	39,996	–	–	–	454,354
Lease liabilities	11.70%–20.20%	27,981	55,962	251,829	691,185	–	1,026,957
Bond liabilities	9.25%	–	–	2,020,970	24,149,989	–	26,170,959
		2,175,900	815,553	2,272,799	24,841,174	–	30,105,426

In thousands of Tenge	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2021							
Trade and other accounts payable		1,697,704	465,811	–	–	–	2,163,515
Accounts payable to related parties		447,378	–	122	–	–	447,500
Lease liabilities	11.70%-19.20%	65,722	131,331	856,623	26,302	–	1,079,978
Loan liabilities	12.75%	114,362	268,001	1,104,403	4,808,674	625,881	6,921,321
Bond liabilities	9.25%	–	–	2,020,970	26,170,959	–	28,191,929
		2,325,166	865,143	3,982,118	31,005,935	625,881	38,804,243

Fair value of financial instruments

The Company uses the following hierarchy for determining the fair value of financial instruments broken down by valuation models: (i) Level 1 includes evaluations on quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 includes evaluations obtained using valuation techniques in which all used significant inputs are directly or indirectly observable for the asset or liability (i.e., price derivatives), and (iii) assessment of Level 3, which are evaluations not based on observable market data (i.e. based on unobservable inputs). Management uses judgment in classifying financial instruments in the fair value hierarchy.

If the fair value measurement uses observable inputs that require a significant adjustment, it is classified as Level 3. The significance of the data used is assessed for the collective fair value measurement.

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. Since no readily available market mechanisms for determining fair value exist for a large part of the Group's financial instruments, assumptions based on current economic conditions and the specific risks attributable to the instrument must be used in measuring the fair value.

As at 31 December 2022, the fair value of financial assets and financial liabilities, excluding loans and debt securities issued, did not differ materially from their carrying amounts.

The carrying and fair values of financial assets and financial liabilities as at 31 December 2022 and 31 December 2021 were as follows:

In thousands of tenge	**31 December 2022**		31 December 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Loan liabilities	–	–	5,080,143	5,130,387
Bond liabilities	22,381,639	18,921,894	22,381,639	18,608,647

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments (continued)

Fair value hierarchy as at 31 December 2022:

In thousands of tenge	Level 1	Level 2	Level 3	Total
Assets whose fair values are disclosed				
Investment property	–	–	6,924,363	6,924,363
Total	–	–	**6,924,363**	**6,924,363**
Liabilities whose fair value is disclosed				
Loan liabilities	–	–	–	–
Lease liabilities	–	–	810,717	810,717
Bond liabilities	–	–	18,921,894	18,921,894
Total	–	–	**19,732,611**	**19,732,611**

Fair value hierarchy as at 31 December 2021:

In thousands of tenge	Level 1	Level 2	Level 3	Total
Assets whose fair values are disclosed				
Investment property	–	–	5,575,965	5,575,965
Total	–		**5,575,965**	**5,575,965**
Liabilities whose fair value is disclosed				
Loan liabilities	–	–	5,080,143	5,080,143
Lease liabilities	–	–	862,202	862,202
Bond liabilities	–	–	18,608,647	18,608,647
Total	–	–	**24,550,992**	**24,550,992**

For the years ended 31 December 2022 and 31 December 2021, there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

At 31 December 2022 and 31 December 2021, management determined that the fair value of the Group's financial instruments, such as trade and other receivables and payables, cash and cash equivalents, short-term financial investments, approximate their carrying amount, mainly due to short-term maturities of these instruments.

Fair value measurement

The fair value of the loan, lease and bond obligations as at 31 December 2022 is the present value of future cash flows discounted at market interest rates of 19.84% (2021: 17.31%)

32. EVENTS AFTER THE REPORTING PERIOD

In the course of implementation of the project on transfer of ownership between Kedentransservice JSC and National Company Kazakhstan Temir Zholy JSC - "Direktsiya Magistralnoi Seti", the Management Board of National Company Kazakhstan Temir Zholy JSC has decided on 9 December 2022 to increase the number of authorized shares by 200,000 shares. On 23 January 2023 the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market registered the amendments and additions to the Prospectus of the Company and issued a new certificate of state registration of the issue of authorized shares.