



ANNUAL REPORT

INCREASING THE SCOPE OF BUSINESS

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ABOUT THE REPORT

The purpose of this Integrated Annual Report is to provide comprehensive and reliable information to our stakeholders about the Company and its activities in the three dimensions of sustainable development – economic, social and environmental. The Report includes indicators for the period from 1 January to 31 December 2021 inclusive, as well as for previous periods and forecast values to reflect the dynamics of the indicators. The Reports are published on an annual basis and are available on the Company's website <https://www.kdts.kz/ru/aktsioneram/godovaya-i-finansovaya-otchetnost/>. The Report is approved by the resolution of the Board of Directors of Kedentransservice Joint-Stock Company dated 4 November 2022.

ANNUAL REPORT

INCREASING THE SCOPE OF BUSINESS



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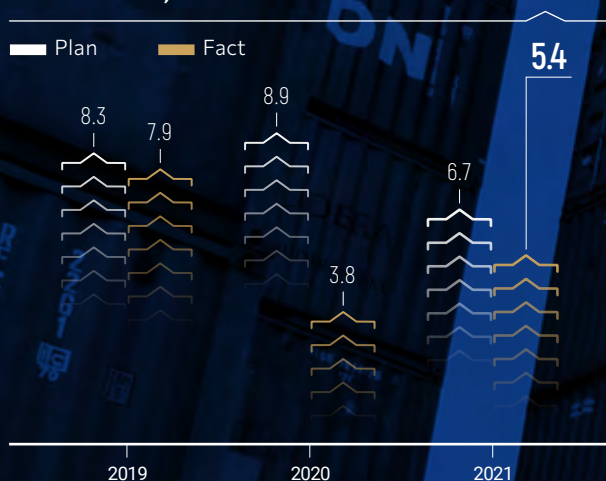


THE COMPANY IN FIGURES

KEY INDICATORS for 2021

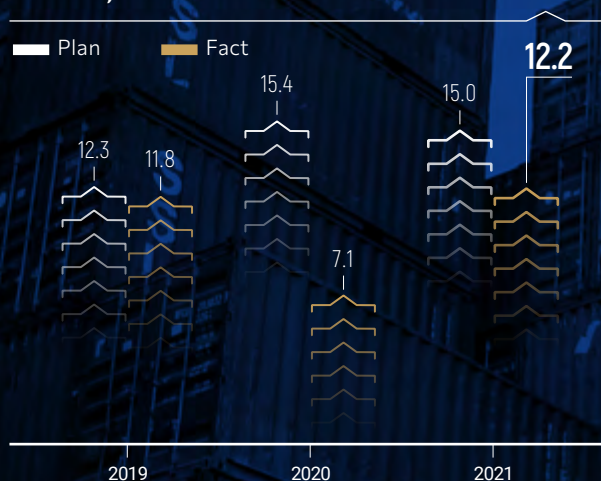
NET PROFIT, KZT billions

Plan Fact



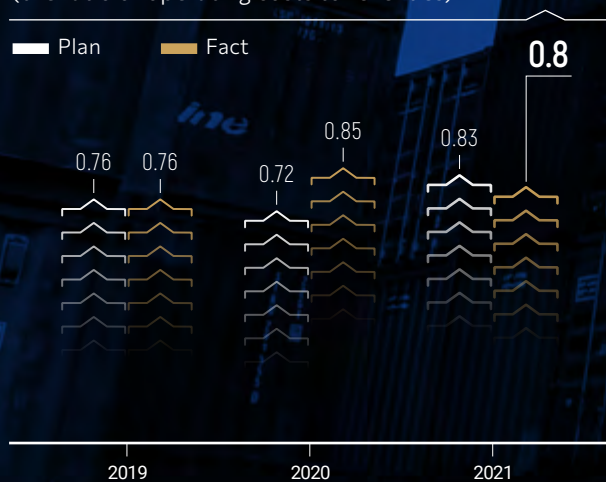
EBITDA, KZT billions

Plan Fact



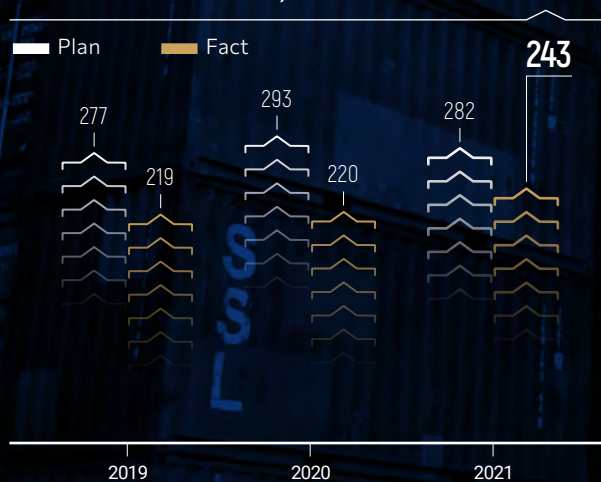
OPERATING RATIO (the ratio of operating costs to revenues)

Plan Fact



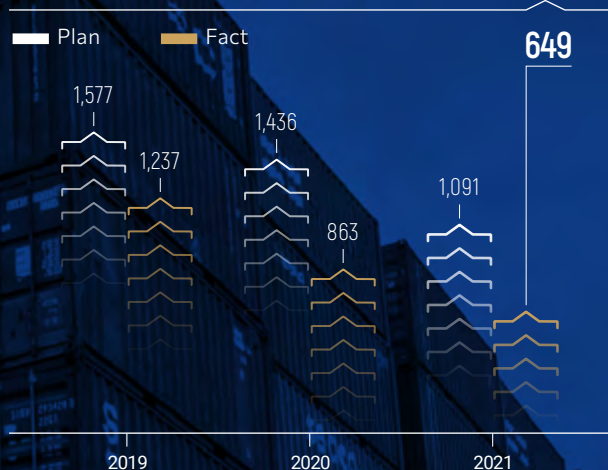
OPERATION of the PS, thousand TEU

Plan Fact

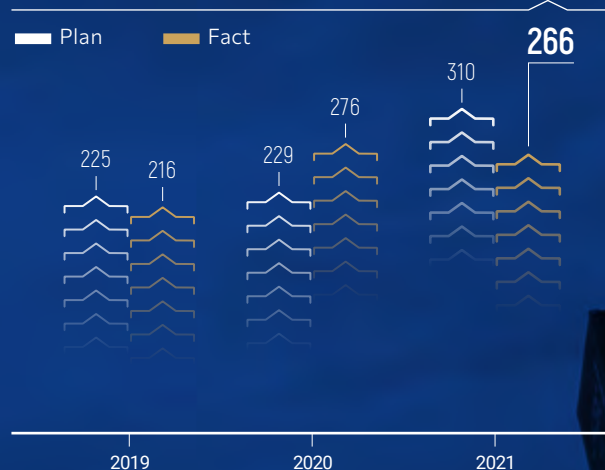




WAGON OVERLOADING, thousand tones



CONTAINER OVERLOADING, thousand TEU



TERMINALS: WAGON TRANSMISSION, thousand tones



TERMINALS: CONTAINER PERFORMANCE, thousand TEU





ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS JSC “KEDENTRANSSERVICE”

Dear colleagues, partners, investors and readers of this annual report!

Today Kedentransservice JSC is the largest transport and logistics company of the Republic of Kazakhstan, successfully operating on the market of the country for 25 years. Over these years, it is the coherent work and flexibility in decision-making that allowed the Company to occupy and maintain a stable position in the container transportation market.

Since 2020, as a subsidiary of JSC “NC “Kazakhstan Temir Zholy”, the Company has shown decent operating results.

JSC “Kedentransservice” operates in various areas, starting with transshipment activities at the Dostyk and Altynkol border stations with China, provides forwarding and logistics services throughout Central Asia, Europe and Western China, and also operates rolling stock in Kazakhstan.

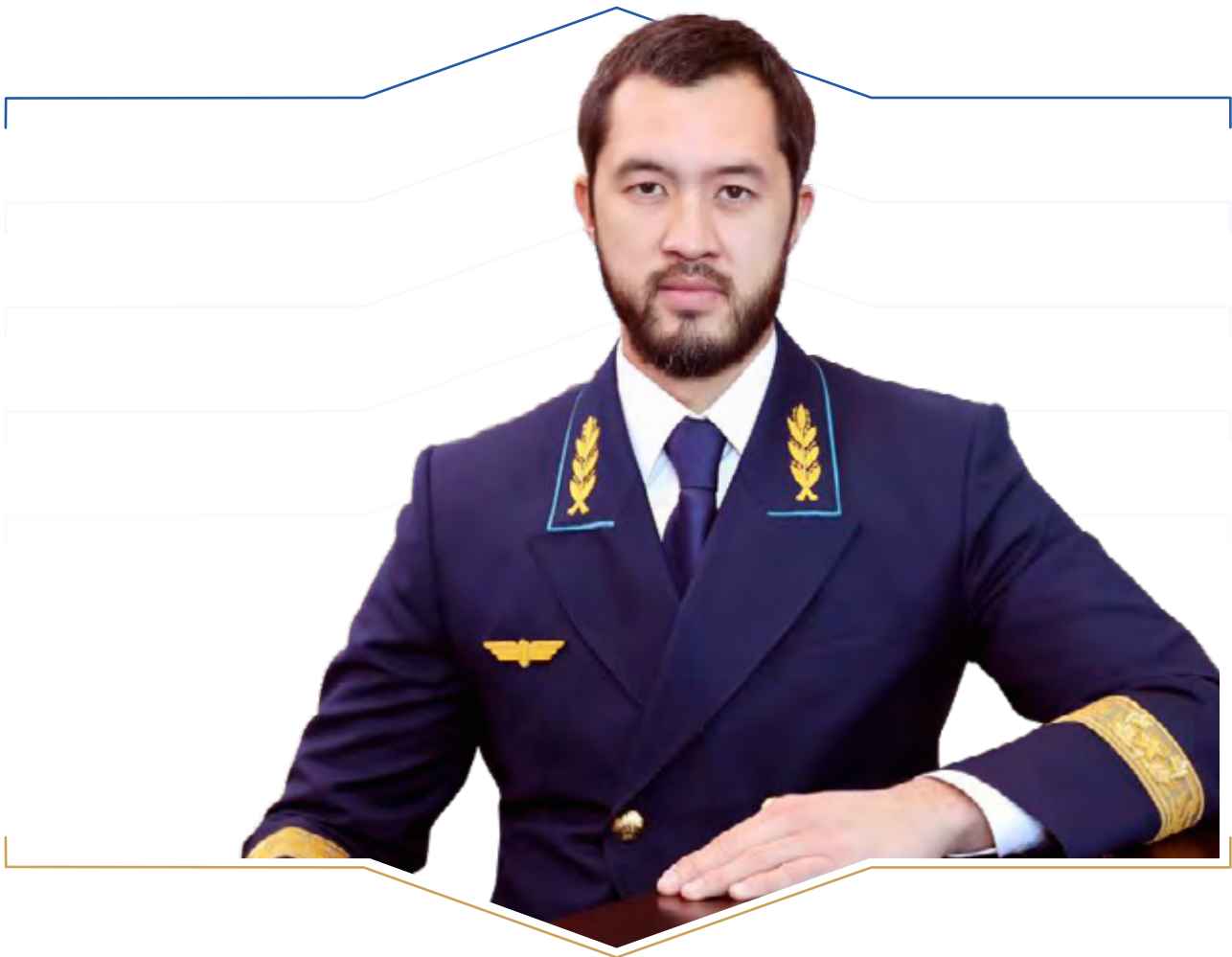
It is no exaggeration to say that 2021 was a challenging year for the industry, as we saw the impact and consequences of the pandemic caused by the spread of coronavirus infection. Nevertheless, the Company reaffirmed its status as a reliable partner, delivering on all of its commitments to customers and partners.

In today’s world, it is not just production figures, numbers and volumes that create the Company’s

name, but also the high level of corporate responsibility standards. For us, corporate governance and the resolution of social issues are not less important than meeting production and financial targets. This position is based on the clear understanding that corporate and social responsibility is necessary to maintain the long-term role of the Company. Recognising that our employees are a valuable resource, we are always ready for a constructive dialogue with our employees.

JSC “Kedentransservice” plans to continue working on the development and expansion of its logistics services.

Best Regards, Yerlan Koishibayev



Koyshibayev Yerlan Khamardinovich

Managing Director for Logistics, “National Company “Kazakhstan Temir Zholy” JSC, Chairman of the Board of Directors of JSC “Kedentransservice”



ADDRESS BY THE CHAIRMAN OF THE BOARD JSC “KEDENTRANSSERVICE”

Dear shareholders, colleagues and partners!

Year after year JSC “Kedentransservice” overcomes new frontiers, strengthening its positions in the market of transport and logistics services. First and foremost, we are proud of the fact that we have managed not only to fulfil the promises we made to our shareholder but also to significantly exceed both market expectations and our own plans.

As you know, in 2020 we became part of JSC “NC “Kazakhstan Temir Zholy”. Today JSC “Kedentransservice” has the most branched out geographical network of terminals in Kazakhstan and keeps the leadership in transshipment activity at Altynkol and Dostyk stations bordering China. It renders transport-forwarding services in the territories of Central Asia and the Russian Federation and operates more than 4 thousand units of fitting platforms. The company has 17 freight terminals in 12 region and 3 cities of national importance.

The joint efforts of the shareholder and JSC “Kedentransservice” have given a significant impetus to improving the direction of work and providing freight forwarding and rolling stock transportation services. In 2021 and today, JSC “Kedentransservice” has provided and continues to provide customers with a full range of services in the field of terminal operations.

Summing up the results of 2021, we can confidently admit that the results show positive growth dynamics.

For all the financial and economic indicators we show steady growth by the end of 2021 as compared to 2020: net profit – 45%, EBITDA – 42%.

Labour productivity in 2021 increased by 5% compared to 2020.

In 2021, 2,326,669 hours were worked without any injuries at work. There were also no cases of occupational diseases.

Today we can state that thanks to our joint efforts, as part of the “JSC “NC “KTZ Digital Transformation Program”, the Company has begun work on the implementation of an automated terminal management system, building an effective process model for the commercial function and interaction with customers in online services.

There is no doubt that all our achievements are, first and foremost, the merit of our Company’s team. We strive to ensure that all employees share in the success of the Company, are aware of their involvement in corporate values and are proud to be part of our large and professional team. We keep pace with the times, react quickly to changing realities, and flexibly build relationships with customers and partners. During the pandemic in 2021, it was this approach that enabled JSC “Kedentransservice” to retain and expand its niche in the transport and logistics services market.

We strive to constantly develop our services and meet high quality standards. At the end of 2021 JSC “Kedentransservice” successfully passed a certification audit carried out by TÜV Rheinland Kazakhstan Limited Liability Partnership (TÜV Rheinland Kazakhstan), which is the exclusive representative of TÜV Rheinland in the countries of the Eurasian Economic Union. Based on the results of the certification audit, compliance of the Company’s integrated management system with the requirements of international standards ISO 9001:2015 quality management system, ISO 14001:2015 environmental management system, environmental management system ISO 45001:2018 occupational health and safety management system.

In conclusion, I would like to thank our customers and partners, whose opinions and wishes are particularly valuable to us. I would especially like to acknowledge the contribution of our employees to the development of the Company over all these years. Our joint efforts will always be aimed at seizing new opportunities to ensure continuous growth. This is the key to our success!

Best regards, **Arman Sultanov**



Sultanov Arman Turlykhanovich

**Chairman of The Board
“Kedentransservice” JSC**



COMPANY HISTORY

FORMATION HISTORY

In accordance with Government Decree of the Republic of Kazakhstan of December 11, 1997 №1750 “On the creation of the Republican State Enterprise “Kedentransservice” was created RSE “Kedentransservice” on the right of economic management to carry out customs clearance of goods and vehicles. The Customs Committee of the Ministry of Finance of the Republic of Kazakhstan was determined as the state management body of Kedentransservice, as well as the body exercising the functions of the subject of state property rights in relation to it.

In accordance with the order of the Ministry of Transport, Communications and Tourism of the Republic of Kazakhstan on May 26, 1999 №2461 “On the transfer of the property of RSE Kazakhstan Temir Zholy to RSE Kedentransservice, 21 freight yards were transferred to RSE Kedentransservice. In connection with the reorganization of the Ministry of Finance of the Republic of Kazakhstan in accordance with Presidential Decree of 12 October 1998 №4114, the Customs Committee was transferred to the newly established Ministry of Public Revenue of the Republic of Kazakhstan. According to Resolution No. 1374 of the Government of the Republic of Kazakhstan of December 31, 1998 “On making amendments and additions to Resolution No. 1750 of the Government of the Republic of Kazakhstan of December 11, 1997”, the Ministry of State Revenue of the Republic of Kazakhstan was appointed as the authorized body of RSE “Kedentransservice”.

According to Resolution of the Government of the Republic of Kazakhstan No. 864 of June 26, 1999 “On Transformation of Kedentransservice Republican State Enterprise”, RSE Kedentransservice was transformed into CJSC “Kedentransservice”.

Taking into account the requirements of the Law of the Republic of Kazakhstan dated May 13, 2003 415 “On Joint-Stock Companies”, CJSC “Kedentransservice” was re-registered as JSC “Kedentransservice” on June 15, 2004.

DEVELOPMENT HISTORY

In March 2011 a significant event happened in the history of Kedentransservice JSC – in accordance with the Agreement No. 80-AO between National Company Kazakhstan Temir Zholy JSC and TransContainer PJSC on cooperation on the basis of a joint venture dated March 17, 2011 (hereinafter – the Agreement), TransContainer PJSC, the leading container operator of Russian Railways, became a 67% shareholder of Kedentransservice JSC, while the remaining 33% of shares were retained by the National Company Kazakhstan Temir Zholy JSC. On 23 December 2013, as part of an agreement between TransContainer PJSC and National Company Kazakhstan Temir Zholy JSC, arrangements for the acquisition by National Company Kazakhstan Temir Zholy JSC of a 17% stake in Logistic System Management B.V. were completed.

At the end of 2015, Dostyk and Altynkol stations handled 1.8 million tons of freight in wagons and 150 thousand TEU in containers coming from China. In 2015, the total annual volume of the China-Europe route was 648 trains.

On 28 October 2016, Logistic System Management B.V. became the sole shareholder of Kedentransservice JSC. The composition of the shareholders of Logistic System Management B.V. is as follows: – TransContainer PJSC – 50%; – National Company Kazakhstan Temir Zholy JSC – 50%.

In 2017, the organisational structure of the branch network was reorganised. The objectives of reorganising the organisational structure of the branch network were aimed at improving customer focus and, as a result, improving the quality of services provided to customers, decentralising certain functions and establishing a system of tariff discounts.



ON THE CONSOLIDATION BY KTZ OF 100% OF ITS SHARES JSC KEDENTRANSSERVICE

In 2018, agreements were reached to buy out 50% of Logistic System Management B.V. previously owned by PJSC TransContainer. On November 26, 2019 a purchase and sale agreement for 50% of the share capital of Logistic System Management B.V. was concluded between TransContainer PJSC and National Company Kazakhstan Temir Zholy JSC.

Today, Kedentransservice JSC is the leading operator of logistics terminals in the Republic of Kazakhstan, which is present in the transport and logistics services market. The company has assets and competences in terminal cargo handling and provides services for transshipment of cargoes imported from the PRC at the Dostyk and Altynkol border stations.

Kedentransservice JSC has an extensive geographical network, including 3 representative offices in Urumqi (PRC), Tashkent (Uzbekistan), Minsk (Republic of Belarus), 11 branches and one subsidiary, Transport Holding Kazakhstan LLP.



BUSINESS MODEL

Key activities

KDTS provides fitting platforms for the transport of containers, mainly from the PRC to Uzbekistan and vice versa.
KDTS also provides transshipment services at Dostyk and Altynkol stations, freight forwarding and loading/unloading services at its own terminals

Key resources

Wagon fleet - over 5,000 units,
owned - 4,403 units
Transshipment facilities
at Dostyk and Altynkol Terminal network
ISC – Transporters

Value propositions

Provision of a range of services (provision of fitting platforms, transshipment at Dostyk and Altynkol stations, payment of railway tariff on all the way, Provision of freight terminal services)

Organization together with KTZE of container trains to Uzbekistan creates advantage in speed of delivery and lower tariff

Customer relations

Digitalisation of KDTS business processes through the implementation of a CRM system,

Tariff calculator,

Client's personal account.

Conducting VCNS with shippers

Improvement of website and rebranding for the recognition of the Company



Regulatory environment

Operator, freight forwarding
and terminal service tariffs
are market regulated
Tariffs for transshipment approved
by the OSJD Committee

Consumer segments

Forwarders
Do not work directly
with shippers

Cost structure

Wagon hire
Lease of wagons (outside the holding company)
Depreciation Employee remuneration expenses
Financial expenses
TOD
Depot repairs, demurrage

Relationship with other KTZ subsidiaries

Payment of the railway fare,
Organization of container trains
together with KTZE
PM rental at Dostyk and Altyntkol





01

ABOUT THE COMPANY

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GENERAL INFORMATION ABOUT THE COMPANY

JSC “Kedentransservice” is a national container operator in the Republic of Kazakhstan with a sole shareholder represented by JSC “National Company “Kazakhstan Temir Zholy” and in accordance with the Charter the Company shall be entitled to carry out any activities not prohibited by Kazakhstan law, including:

1. transportation of passengers, cargo, dangerous goods;
2. provision of locomotive traction services;
3. provision of wagon (container) operator services;
4. repair and operation of freight terminals (transshipment facilities), railway rolling stock;
5. technical and economic maintenance of terminals and provision of services;
6. loading and unloading operations;
7. provision of customs representative services and customs clearance of cargo;
8. registration, reception and storage, as well as destruction in accordance with legally established procedure of confiscated, drawn up in the customs regime of refusal of goods in favour of the state, ownerless property, selective property and passed on the right of inheritance to the state;
9. marketing, consulting, intermediary activity;
10. information and engineering services
11. purchase and sale of inventory items;
12. foreign economic activity and development of economic cooperation with foreign entities;
13. wholesale and retail trade, including through creation of network of trade bases, shops, commercial centres;
14. investments in production, commercial, scientific-technical and other types of activities;
15. design, construction and operation of lifting equipment;
16. manufacture, production, processing and wholesale of disinfection, disinsection and deratisation agents and preparations and types of works and services connected with their use;
17. design and survey, expert, construction and installation works, works on production of construction materials, products and structures;
18. Activities carried out under certain customs regimes in accordance with the customs legislation of the Republic of Kazakhstan as well as the provision of customs services;
19. collection (procurement), storage, processing and sale of non-ferrous and ferrous metal scrap and waste;
20. production of special containers used for transportation of dangerous goods;
21. possession and lease of fixed assets, including locomotives;
22. provision of freight forwarding, logistics and related services;
23. other activities not prohibited by the legislation of the Republic of Kazakhstan.
24. The main activities of the company are provision of fitting platforms, transshipment of cargoes imported from China at Dostyk and Altynkol border railway stations, their processing in terminals located in all regions and major cities of Kazakhstan, forwarding services, operation of wagon fleet and operation of freight rolling stock.



JSC “KEDENTRANSSERVICE” TODAY IS:



The largest transport and logistics company of the Republic of Kazakhstan



A full range of transport and logistics services



Leader in transshipment of cargoes imported from the PRC at the border crossing of Dostyk station



Broad customer base



Financial sustainability

OPERATING ROLLING STOCK

4,121 fitting platforms (average daily).

Of which:

CDTS **600** units

leased **3433** units

attracted **398** units

TERMINAL CARGO HANDLING:

17 regional terminals

80 km of own sidings

134 units of cargo handling equipment

CARGO TRANSSHIPMENT

at Dostyk and Altynkol stations

6 rented transshipment facilities

4 own transshipment facilities

83 units of material handling equipment



MISSION. VISION. STRATEGIC OBJECTIVES

MISSION

KDTS mission is defined as "Efficient and quality provision of customers' needs in transport-logistic services".

VISION

Operator of container fleet and fitting platforms.

TO ACHIEVE ITS TARGET POSITIONING, THE COMPANY PROPOSES TO IMPLEMENT THE FOLLOWING STRATEGIC OBJECTIVES:

1 leader in the container segment of Kazakhstan (National Champion)

2 The digital company to effectively meet customer needs in transport and logistics services

3 Formation of highly corporate culture in the Company (One family)

4 Building a culture of care for the environment (Environmentally friendly)

Achievement of the strategic goals requires implementation of short-term initiatives aimed at consolidation and development of KDTS production assets.

The following initiatives are planned under the first strategic objective:

1. Consolidation and expansion of the fleet of fitting platforms and containers:
 - Transfer of the fleet from KTZ Express JSC ("KTZE") in 2021.
2. Development of container routes (New services) such as "Dostyk – Minsk – Dostyk", "Altynkol/ Dostyk – Kolyadichi-Altynkol/Dostyk", "Altynkol – Novosibirsk – Altynkol" in 2021.
3. Transfer of KTZE's assets and KTZE's branch, Trunk Grid Directorate (hereinafter referred to as TGS), into the ownership of KDTS:
 - Transfer of KTZE's debt to DBK-Leasing under the contract for the purchase of 2,000 wagons on lease in the amount of 52 billion KZT in 2023
 - Contribution to the charter capital for the transfer of TGS assets.
4. Modernization of transshipment facilities at Dostyk station (Loading facility M-4 (hereinafter – PM), PM-7) in 2022.



As part of the second strategic objective, it is planned to implement the project transformation programme “Improvement of Terminal Operations Efficiency”:

1. Implementation of online sales (90% of sales through “Personal Cabinet” of the client by 2025.
2. Development of the information settlement system-transport (“ISS-transport”) by 2021.
3. Development and implementation of a fare calculator in 2021.
4. Introduction of automated accounting system at regional terminals, on the 1st stage in Almaty.
5. Creation of a unified digital platform for sales, accounting and control in 2022.

The following initiatives are planned under the **third** strategic objective:

1. Obtaining of “A” corporate standard rating by 2025.
2. Improving the safety and health of employees on an ongoing basis.
3. Sustainable development and social stability on an ongoing basis.

Under the **fourth** strategic goal, responsible use of natural resources is a key element of corporate social responsibility and an important factor in sustainable development. The Company aims to minimise its impact on the environment by reducing emissions, pollutant discharges and waste generation.

Thus, by 2025, KDTs plans to become a company **providing container shipping services through Kazakhstan** (transshipment at border stations, provision of fitting platforms and containers, processing at terminals), in addition to forwarding services.

Due to vertical integration of processes, the Company will be able to provide flexible tariffs for the services provided under 2PL.

AREAS OF ACTIVITY	MARKET SHARE IN 2021
Delivery of fitting platforms	16%
Overloading of wagons (non-containerized cargo) on Dostyk station	57%
Overload of containers at Dostyk station	84%
Overloading of wagons (non-containerized cargo) In Altyntkol station	49%
Overload of containers at Altyntkol station	8%
Regional terminal services, wagons (non-container cargo)	3.9%
Regional terminal services, containers	54%



ORGANISATIONAL STRUCTURE OF THE COMPANY





SUBSIDIARIES, DEPENDENT ORGANISATIONS

NAME OF SUBSIDIARY	AUTHORISED CAPITAL	SHARE CAPITAL KDTS
"Transport holding of Kazakhstan" LLP	46,362,762.89 KZT	100%

Transport Holding of Kazakhstan LLP

Transport Holding Kazakhstan LLP ("THK") was established by resolution of the general meeting of participants dated 25 January 2005.

The sole participant of THK LLP is KDTS.

In accordance with the Charter of THK LLP, its principal activities are:

- provision of services for the provision of access road for the passage of rolling stock in the absence of a competitive access road;
- provision of services on provision of a driveway for shunting operations, loading-unloading, other technological operations of the transportation process, as well as for parking of rolling stock, not provided by technological operations of the transportation process in the absence of a competitive driveway.



BRANCHES AND REPRESENTATIVE OFFICES. GEOGRAPHY OF OPERATIONS

KDTS has an extensive terminal network of branches in 14 regions of Kazakhstan and three representative offices:

- Representative Office in the Xinjiang Uygur Autonomous Region of the People's Republic of China (Urumqi);
- Representative Office in the Republic of Uzbekistan (Tashkent);
- Representation office in the Republic of Belarus (Minsk).

The Company's terminal network consists of freight stations located at 17 railway stations across Kazakhstan.

It is the largest network in Kazakhstan in terms of volume of cargo handled in wagons and containers.





BRANCHES AND REPRESENTATIVE OFFICES OF THE COMPANY







02

MARKET OVERVIEW

KEY RESULTS OF ACTIVITY

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TRENDS IN THE WORLD MARKET OF TRANSPORT AND LOGISTICS SERVICES

The main trend in the world economy today is globalization, which has become one of the most influential forces shaping production and distribution of goods.

Increasing internationalization and globalization of production, characteristic for the world economy, leads in turn to integration of transport and logistics systems and commodity distribution networks of the countries.

It is possible to distinguish the following main driving forces of business integration in the transport and logistics market:

- economic growth;
- prospects for the development of world markets;
- regionalization;
- global competition;
- technology expansion;
- deregulation of the world's transport system
- development of logistics infrastructure.

CORRELATION OF GDP GROWTH RATE WITH THE GROWTH RATE OF DIFFERENT MODES OF TRANSPORT¹

MODES TRANSPORT	RAIL ROAD	HIGH-SPEED RAILWAY (passenger)	ROAD	WATER-BORNE TRANSPORT	CIVIL AVIATION
1990-2007	0.791 ²	--	0.831	0.596	0.954
2008-2012	0.740	0.480	0.812	0.552	0.942
2013-2020	0.947	0.920	0.950	0.605	0.929

As international trade increases worldwide, containerisation is increasing with the introduction of advanced transport technologies, stimulating the development of intermodal, multimodal or combined international transport (intermodal, multimodal or combined). The level of containerisation of rail transport today is 28% in the USA, 16% in the EU and 10% in Russia.

As a result, integrated transport systems involving different modes of transport are being created, the work of which is strictly coordinated and interconnected. Intermodal transport is developing dynamically, as can be seen from the volume of maritime container traffic.

THE LEVEL OF CONTAINERISATION OF RAIL TRANSPORT



28%



16%



10%

¹ Yongbin Wang 2020 J. Phys.: Conf. Ser. 1486 072008.

² 0.65-0.85 indicates strong coupling of 2 system indicators
0.85-1.00 indicates high correlation between 2 system indicators.



DEVELOPMENT OF INTERNATIONAL MARITIME TRADE, SELECTED YEARS³

YEAR	TANKER TRADER	MAIN BALK	OTHER DRY CARGO	TOTAL (all cargo)
1970	1,440	448	717	2,605
1980	1,871	608	1,225	3,704
1990	1,755	988	1,265	4,008
2000	2,163	1,186	2,635	5,984
2005	2,422	1,579	3,108	7,109
2006	2,698	1,676	3,328	7,702
2007	2,747	1,811	3,478	8,036
2008	2,742	1,911	3,578	8,231
2009	2,641	1,988	3,218	7,857
2010	2,752	2,232	3,423	8,408
2011	2,785	2,364	3,626	8,775
2012	2,840	2,564	3,791	9,195
2013	2,828	2,734	3,951	9,513
2014	2,825	2,964	4,054	9,842
2015	2,932	2,930	4,161	10,023
2016	3,058	3,009	4,228	10,295
2017	3,146	3,151	4,419	10,716
2018	3,201	3,215	4,603	11,019
2019	3,169	3,225	4,682	11,076

Multimodal transport has pushed the world's transport companies to overcome their segmental fragmentation and has contributed to a process of vertical integration throughout the transport industry. Among other reasons, they have led to the formation of multi-species or common, total transport companies, which extend their services not only to transport but also to many related operations.

At least five international transport corridors run through Kazakhstan: the Northern Corridor of the Trans-Asian Railway (TARM), the Southern Corridor of the TARM, the Central (Central Asian) Corridor, North-South and TRACECA (Transport Corridor Europe-Caucasus-Asia). The main corridors are routes from China to Europe and back. All these

have a direct impact on the economy and development of the railway industry and provide an incentive to actively participate in international activities, e.g. within the Customs Union or the Central Asia Regional Economic Cooperation (hereinafter referred to as CAREC). CAREC has developed a Transport Strategy to 2030⁴ focusing on improving logistics infrastructure, reducing road deaths by updating road design standards, financial sustainability of national railways, and liberalising aviation markets in the region. Activities are mainly aimed at developing transit activities, but indirectly affect the terminal cargo handling market as well.

³ REVIEW OF MARITIME TRANSPORT 2020, United Nations.

⁴ CAREC Transport Strategy 2030, Asian Bank of Development.



TERMINAL HANDLING MARKET IN KAZAKHSTAN

At the end of 2021 the terminal handling market of large-capacity container (hereinafter referred to as LCC) amounted to 217.4 thou. TEU, which is 44.3 thou. TEU more compared to the same period of 2010.

Following the results of 2021 the volume of terminal handling of KTK increased by 11% and amounted to 81.9 thousand TEU, the share of KDTS was 38%.

The market for terminal handling of wagons in the reporting period 2021 was 23,630 thou. tons, up 3% from the same period in 2020, the volume of CDTS was 1,466 thou. tons, up 1 thou. tons from the same period in 2020, the share of CDTS was 6.2%.

The strongest level of competition in terminal handling of LCC is observed in the cities of Almaty, Nur-Sultan, Shymkent, Karaganda, where “new generation” terminals such as, Astana Cargo Terminal, Continental Logistics, USKO International, DAMU Contract Logistics-Astana, Tau Terminal, DAMU-Almaty Industrial-Logistics Centre, Global City Wholesale-Distribution Logistics Centre in Karaganda operate.

There is a high level of competition in the railcar terminal market, since the construction of a terminal for railcar handling does not require significant investment (having your own access road is sufficient). In this regard, there are many terminal companies in the market carrying out this type of activity.

The Company plans to increase the volume of handling on the terminal network by increasing the efficiency of operations, increasing containerization and developing interterminal routes.

The advantage of KDTS over its competitors in this market is its extensive branch network throughout Kazakhstan. The Company handles cargo at 11 branches (15 freight terminals).

The Company's market share in railcar terminal handling in 2021 was 6.2%. With increased competition from private terminals, the company maintained its competitiveness by upgrading its production resources and increasing the range of services provided (construction of ramps for loading/unloading of wheeled vehicles and other).

The company's market share in container handling in 2021 was 38%. Maintaining the market share is due to an increase in the competitiveness of the company's terminals, including through the provision of a range of door-to-door transportation and terminal services (provision of a railcar, freight forwarding services, auto delivery).

In the terminal cargo handling market, a separate segment of the temporary storage warehouse (hereinafter, “TSW”) market can be singled out.

At the end of 2021, the Company operated 6 temporary storage warehouses at terminals in the following cities: Almaty, Nur-Sultan, Aktobe, Oskemen, Uralsk and Shymkent.

Despite global containerisation, the container market in Kazakhstan is relatively small. Above 60% of container transportation is occupied by transit, which is not involved in terminal processing of cargo.

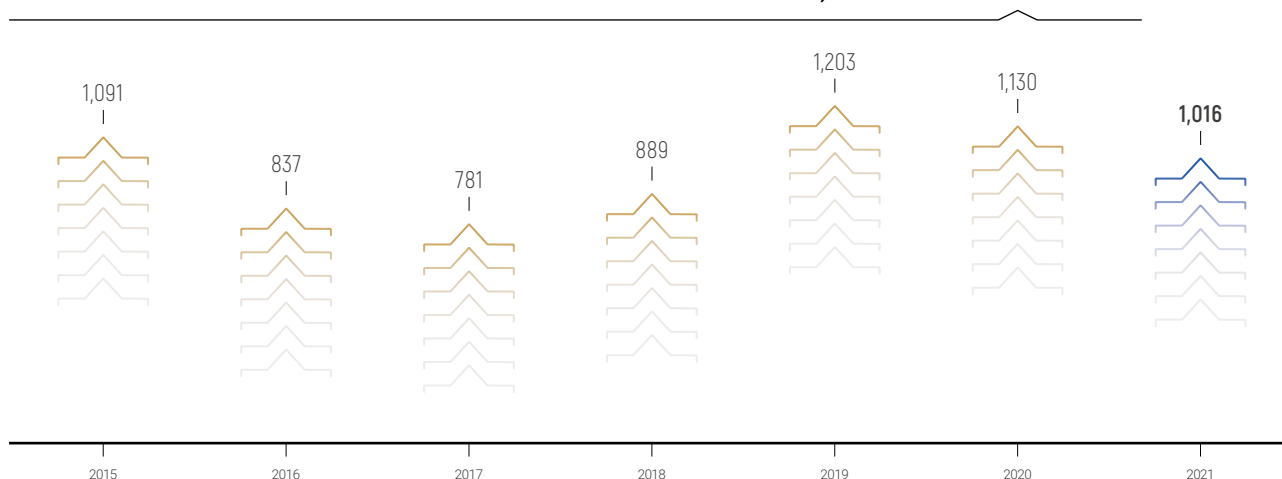
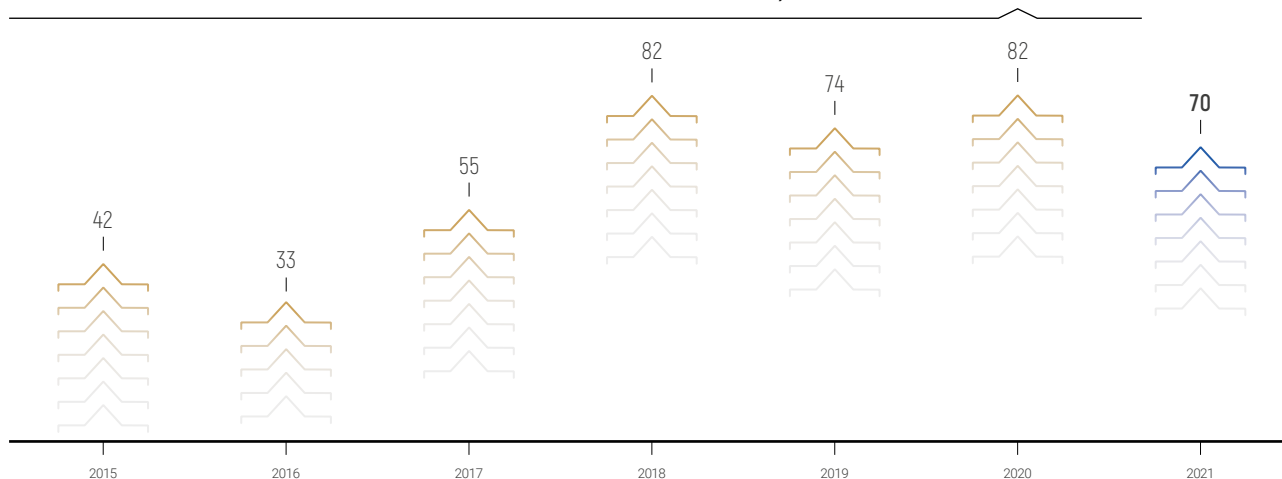
The company's market share in container handling in 2021



38%


TSW REVENUES FOR 2021 (thousand KZT)

NAME OF TSW	REVENUE
Almaty-1	42,351
Nur-Sultan	12,696
Aktobe	11,489
Ust-Kamenogorsk	8,316
Uralsk	4,547
Shymkent	15,451
Total	94,850

VOLUMES OF CARGO PROCESSING IN WAGONS FOR 2015 – 2021, thousand tons

VOLUMES OF PROCESSING OF CONTAINERS FOR 2015 – 2021, thousand tons. TEU


FORECAST OF CONTAINERIZED CARGO SHIPMENTS FOR 2021–2025 BY ALL MODES OF COMMUNICATION, thousand TEU⁵

COMMUNICATION	2018	2019	2020	2021	2022	2023	2024	2025
Republic	23	26	26	26	26	26	27	27
Export	165	189	245	270	285	295	310	330
Import	165	203	260	295	320	340	360	384
Transit	537	665	868	969	1,056	1,146	1,233	1,309
Total	889	1,083	1,399	1,560	1,687	1,807	1,930	2,050

The ongoing work on cargo containerisation is reflected in the increase in exports and imports of cargo since 2018. The current containerisation rate in Kazakhstan varies from 2 to 6% according to different sources.⁶

The low level of containerisation is caused by the existing lack of infrastructure and restrictions on its development. This is due to the fact that the infrastructure for container transportation, which was actively developed during the Soviet era along with the railway infrastructure designed for a different cargo turnover, was not adapted to the large-scale development of large-capacity container transportation. Accordingly, the prospects for rail container transport are linked to the development of freight infrastructure and the reorientation of containerised cargoes to crates.

The railcars market is showing steady, low growth, from 282.9 million tons in 2018 to 287.4 million tons by 2020 year⁷. In contrast to containers, wagon traffic is dominated by domestic traffic and, consequently, wagon traffic is more susceptible to internal fluctuations in the economy than to external factors.

Based on data from the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan and actual data of the Company for 2020, a ranking of the logistics potential of Kazakhstan regions was developed to identify the regions with the highest potential for investment in rail freight terminals.

The ranking of logistics potential of Kazakhstan regions is based on 16 indicators: “Logistics” (7), “Economy” (6) and “Population” (3). The regions were compared with each other for each indicator. The analysis resulted in a standardised score for each indicator, with the highest (best) score of 1 and the lowest (worst) score of 17. Each indicator has an equal weighting of 5.88% (1/17), the aggregate rating is presented as the sum of all indicators. The Logistics cluster included indicators on the region’s share of exports, imports and domestic transportation of containers and wagons, the region’s share of road freight transport. Cluster “Economy” – the region’s contribution to gross regional product of the Republic of Kazakhstan (hereinafter – GRP RK) share of transport and warehousing in GRP RK, volume of wholesale trade divided by retail trade volume, share in industrial production volume, share in gross output of agriculture, share of investments in fixed capital. “Population” – the share of unemployed population in the economically active population, the region’s share in the RK population, nominal purchasing power of the population.

Based on the results of the assessment, 5 terminals of the Company in 3 regions were identified and determined as the most favourable for investments: East Kazakhstan Region (Company’s terminals in Ust-Kamenogorsk and Semey), Karaganda Region (Karaganda city), Almaty City (terminals of Cargo Technical Station-1 (hereinafter – CTS), CTS-2).

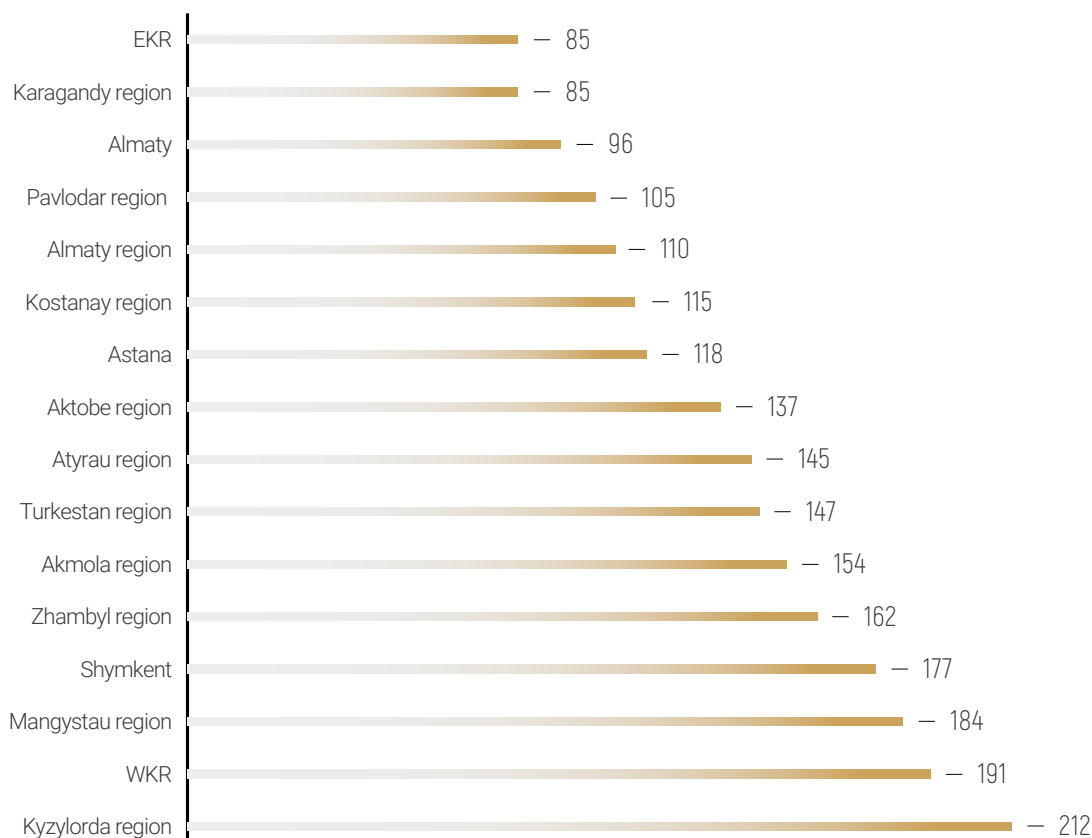
⁵ KTZ forecast (ITC).

⁶ <https://kapital.kz/economic/87562/v-rk-predlozhi-razrabotat-programmu-razvitiya-konteynernykh-perevozok.html>

⁷ KTZ’s Annual Report for 2020.



LOGISTICS POTENTIAL OF KAZAKHSTAN REGIONS



ANALYSIS OF THE COMPETITIVE ENVIRONMENT OF TERMINAL OPERATIONS

Terminal network of the Company is represented by 17 freight sites in 12 region of the country and 3 cities of republican level. Terminals are linked each to its own region; accordingly, competitors are also represented by geography.

The level of competition in the market of terminal handling of goods in wagons is significantly high, as the construction of a terminal for processing of wagons does not require large investments (availability of own access road is sufficient). In this regard, there are many terminal companies in the market carrying out this type of activity.

The competitors for terminal handling of containers are large transport and logistics centres, freight

sections adjacent to stations and terminals affiliated with large enterprises.

CURRENT AND POTENTIAL CUSTOMER BASE

Current volumes of terminal handling at regional terminals are predominantly provided by regular customers. Specialisation of cargo flow and sales of services is limited by the class of warehousing space, condition and capacity of infrastructure, as well as lack of focus of local sales management.

Terminals are provided with transshipment equipment of required capacity. Infrastructure and transshipment facilities are maintained in satisfactory condition. Tariffs for services are dynamic and can be adjusted depending on economies of scale and availability of attractive offers.

The development of the freight base with the attraction of new sales may be additional factors in targeting higher modernisation costs. An important aspect of decisions taken in this respect will be to strengthen marketing and sales measures for services in branches with centralised coordination of service sales.

The regional specialisation of growth and nucleation points of the freight base under the current government programmes identifies the main large local industries as potential subjects for which marketing and sales strategies will be undertaken, in particular:

Akmola region – production of foodstuffs, construction materials, non-ferrous metallurgy, railway agricultural engineering.

Aktobe region – non-ferrous, ferrous metallurgy, oil and gas processing, production of chemicals for industry, construction materials, food products.

Almaty region – production of food products, electric equipment, basic pharmaceutical products, construction materials, clothes, furniture.

Atyrau region – oil and gas chemistry, production of chemicals for industry, production of machinery and equipment for oil refining and oil extraction industry, production of construction materials, production of food products.

West-Kazakhstan region – production of machinery and equipment, construction materials, food products.

Zhambyl region – production of chemicals for industry, agrochemistry, ferrous metallurgy, production of construction materials, food products, leather and related products.

Karagandy region – ferrous, non-ferrous metallurgy, production of chemicals for industry, production of machinery and equipment for mining industry, electric equipment, construction materials, food products.

Kostanay region – ferrous metallurgy, production of foodstuffs, motor vehicles, agricultural machinery.

Kyzylorda region – production of construction materials, production of foodstuffs.

Mangistau region – oil refining, petrochemistry, gas processing, production of machinery and equipment for oil refining and oil extraction industry, production of foodstuffs, support of FEZ, tourism and trade facilities.

Turkestan region – food production, oil refining, light industry, production of basic pharmaceutical products, construction materials, ferrous metallurgy, electrical equipment, agrochemistry.

Pavlodar region – ferrous, non-ferrous metallurgy, oil refinery, production of railway equipment, chemicals for industry, foodstuffs.

North-Kazakhstan region – mechanical engineering (equipment for oil refining and oil producing industries, railway transport, power production), production of foodstuffs.

East-Kazakhstan region – non-ferrous metallurgy, production of motor transport, agricultural machinery, electric equipment, stop valves, building materials, foodstuffs.

Nur-Sultan city – production of foodstuff, railway equipment, electric equipment, production of building materials.

Almaty city – production of food products, electrical equipment, machinery and equipment for oil refining and oil extraction industry, machinery and equipment for mining industry, production of construction materials, basic pharmaceutical products, furniture.

Shymkent city – production of food products, production of construction materials, basic pharmaceutical products, furniture.

In support of planned measures, data from industrialisation maps on existing and on-going projects will be used, research will be carried out with local executive bodies and the project offices of large and medium-sized businesses and Damu JSC.



FREIGHT FORWARDING MARKET

There is a high level of market competition in the freight forwarding business. There are more than 600 forwarding companies competing with the Company.

Development of market of transport-forwarding services depends on level of development of economy and business activity of business in countries of presence of clients of forwarding organizations.

By the results of 2021 the carriage by wagonload market amounted to 275 703 thous. tons, which is -0.3% (-733 thous. tons) lower than in the same period of the previous year, the share of KDTS in carriage by wagonload is insignificant and amounts to less than 1%.

By the end of 2021 the volume of freight-forwarding services for container transportation was 1,624 thousand TEU, up by 226 thousand TEU from the same period in 2020. KDTS accounted for 167 thousand TEU or 10% of the market, compared with 178 thousand TEU or 13% of the market during the same period in 2020.

Kazakhstan's freight forwarding market is highly competitive and has many major players, such as UTLC – Eurasian Railway Alliance JSC, KTZ Express JSC, Atasu Logistics LLP, Transcom LLP, DAR RAIL LLP, Asya Tasymal Qyzmety LLP, Globalink Transport and Logistics LLP, GE Logisetics Group LLP, etc.

OPERATION OF ROLLING STOCK

At the end of 2021 the container transportation market amounted to 1,624 thousand TEU, which is 226 thousand TEU more (+16%) than in the same period of last year.

The share of the CDTS market for 2021 was 15% (243,000 TEU). In the same period of the previous year, the share of KDTS market was 16% (219.6 thou. TEU).

Direct alternative carriers other than KDTS in container transportation in the market of rolling stock operation are: OTLK, TransContainer, Atasu Logistics, PTC Holding, Istkomtrans, Asia expes logistics, GE logistics

group, TEK R.D Trans, Global Logistics kz, TSW-energy, LogBox, TransCom.

Cargo transloading at Dostyk/Altynkol station (railcars)

Wagonload traffic from PRC in 2021 was 1,377 thousand tons, down 188 thousand tons (-12%) from the same period in 2020.

The share of KDTS in wagonloaded cargo through Dostyk and Altynkol stations is 47% (649 thousand tons). For 2021, the share of CDTS for cargo transshipment in wagons is 55% (863 thous. tons).

The share of the CDTS market in cargo transshipment at Dostyk station is 45% (374 thou. tons). The market share in 2021 at Dostyk station was 58% (652 thou. tons).

The main alternative transshipment facilities for cargo transshipment at Dostyk station are Tengri Dostyk, Dostyk Cargo service.

CDTS market share in cargo transshipment at Altynkol station is 50% (275 thous. tons). Market share in 2021 at Altynkol station is 49% (212 thou. tons).

Alternative transshipment facilities besides KDTS at Altynkol station for cargo transshipment are Eurotransit, KTZE-Khorgos Gateway.

Cargo transloading at Dostyk/Altynkol station (containers).

Container traffic from/through PRC for 2021 through Dostyk, Altynkol border crossing was 788.8 thousand TEU, an increase of 84.7 thousand TEU (+12%) compared to the same period in 2020.

The share of KDTS in container transshipment through Dostyk, Altynkol was 34% (265.6 thou. TEU). For 12 months of 2021 the share of CDTS in container transshipment was 39% (275.7 thou. tons).

The share of CDTS market in container transshipment through Dostyk station was 66% (215.5 th.TEU). In 2021 the market share of KDTS JSC amounted to 81% (237 thou. TEU).

At Dostyk station, Dostyk Trans Terminal, Dostyk Cargo service are alternative transshipment facilities apart from KDTS for container transshipment.

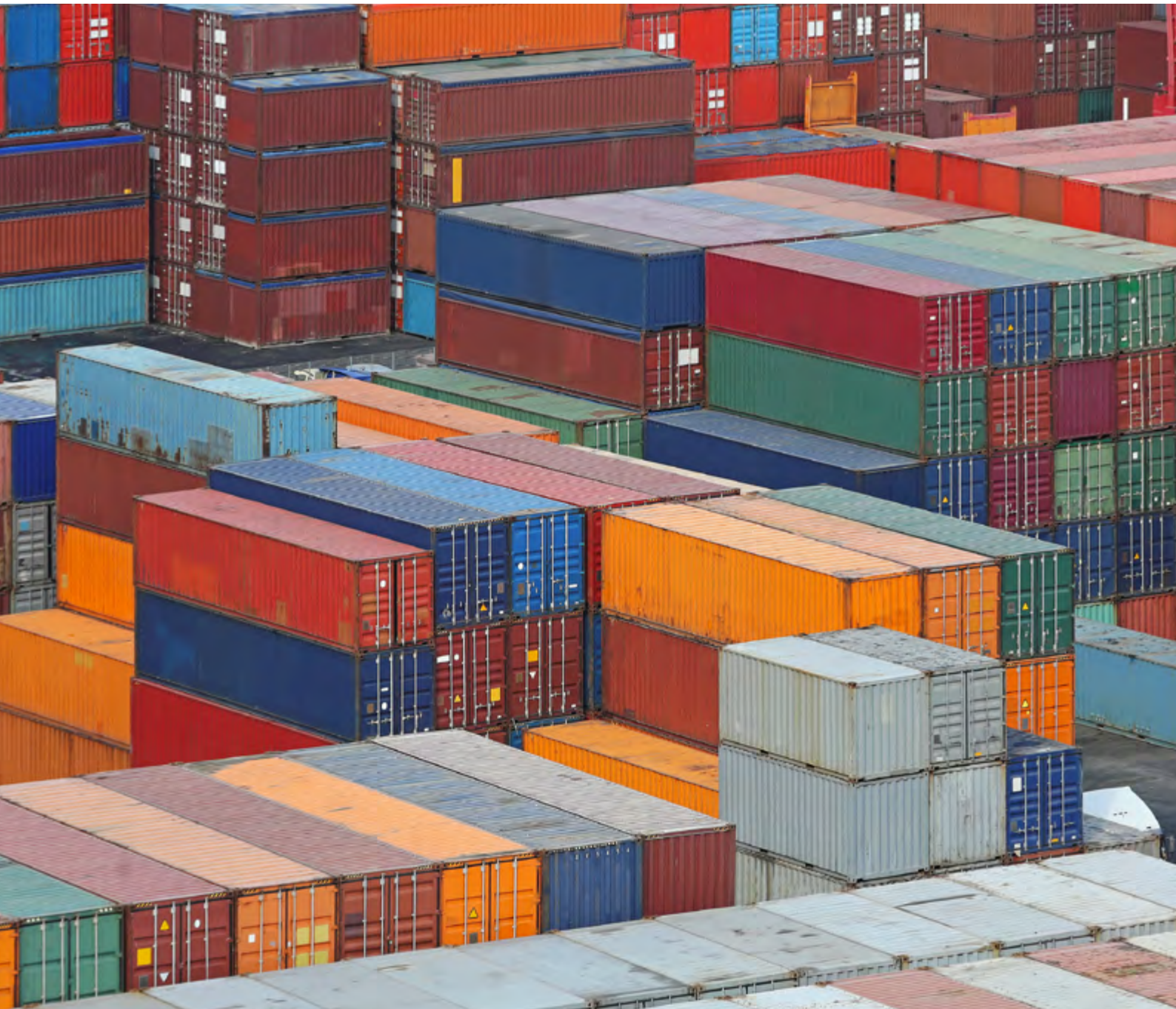
The market share of KDTS for container transshipment in Altynkol station for 2021 amounted to 11%

(50 thou. TEU). In 2021 the market share of KDTS JSC amounted to 9% (38 thou TEU).

The following alternative transshipment facilities operate at Altynkol station: KTZE-Khorgos Gateway and Eurotransit.

OPERATIONAL INDICATORS for 2021

NAME OF ITEMS	Reporting period		Deviation from plan		Same period of last year	Comparison with previous period	
	Plan	Actual	Abs.	%	Actual	Abs.	%
Rolling stock operation							
Average number of wagons for the period, units		3,808			3,619	189	
Transported containers, TEU	293,264	219,609			219,442	167	
Turnover of wagons, twenty-four hours		16.8			12.7	0	
Idle time of wagons, days		4.2			4.2	0	
Empty to loaded coefficient		0.74			0.49	0	
coefficient of Load on wagon		2.21			2.27	0	
Load on wagon (%)		87.0			90.0	0	



CAIU

7406

45G1

MAX GROSS 32.500 K

71.650 L

TARE 3.750 K

8.270 L

NET 28.750 K

63.380 L

CU. CAP. 76.2 CU

2.690 CU



CAUTION

9' 6"

HIGH



03

FINANCIAL AND ECONOMIC INDICATORS

Management report



FINANCIAL AND ECONOMIC INDICATORS

(Management report)

MAIN FINANCIAL RESULTS, million tenge

№	INDICATORS	2020 year	2021 year		Deviation to plan	
		Actual	Plan	Actual	abs.	ref.
1.	Revenue	36,640	47,021	37,991	-9,029	-19%
2.	Expenses	25,404	28,704	21,918	-6,786	-24%
3.	General and administrative costs	6,214	6,147	6,598	452	7%
4.	Finance costs	745	3,816	2,769	-1,046	-27%
5.	Balance from Non-core Activities	373	0	618	618	0%
6.	Balance from foreign exchange	490	0	91	91	0%
7.	Corporate income tax expense	1,371	1,713	1,969	256	15%
8.	Net income	3,769	6,642	5,446	-1,196	-18%
9.	EBITDA	7,087	15,034	12,296	-2,738	-18%
10.	Investment programme	7,672	1,554	322	-1,231	-79%
10.1.	Including acquisition of fitting platforms	6,922	0	0	0	0%

According to the results of 2021, the net profit of the Company was 5,446 million tenge, execution was 82% against the plan and against 2020 the growth was 45%. The main reason for non-fulfillment of the plan is the convention ban on empty containers loading.

REVENUE

According to the results of the Company's activity in 2021 the net revenue (excluding subcontractors) decreased compared to plan (19% or by KZT9,029 million against plan) due to a decrease in income of Rolling Stock Operations (by 18% or by KZT4,922 million). Revenues from operating

of rolling stock (by 18% or KZT4,922 million), transshipment operations (by 24% or KZT3,256 million), transportation and forwarding (by 9% or KZT140 million) and terminal operations (by 14% or KZT648 million) decreased. Revenues for each business segment compared to the plan are shown in Table 8.

CLEARED COSTS

Compared to the plan, there is 22% or KZT8,384 million in savings on cleared expenses. Element-by-element analysis of change in expenses against plan and against actual for 2020 is shown in Tables 9 and 10, respectively.


FINANCIAL INDICATORS BY BUSINESS SEGMENTS, million tenge

№	INDICATORS	2020 year	Plan	2021 year	Deviation to plan	
		Actual		Actual	abs.	ref.
1	Operating the wagon fleet					
1.1.	Revenue	20,872	27,412	22,490	-4,922	-18%
1.2.	Expenditure	18,944	23,884	17,599	-6,285	-26%
1.3.	Profit (operating)	1,928	3,528	4,891	1,363	39%
2	Transshipment operations					
2.1.	Revenue	10,572	13,307	10,051	-3,256	-24%
2.2.	Expenses	5,902	7,163	6,212	-951	-13%
2.3.	Profit (operational)	4,669	6,144	3,840	-2,304	-38%
3	Freight forwarding services					
3.1.	Revenue	1,269	1,506	1,367	-140	-9%
3.2.	Expenses	9	10	10	0	0%
3.3.	Profit (operational)	1,260	1,496	1,357	-140	-9%
4	Terminal activities					
4.1.	Revenue	3,927	4,519	3,871	-648	-14%
4.2.	Expenses	3,480	3,989	3,464	-525	-13%
4.3.	Profit (operating)	447	530	407	-123	-23%
5	TOTAL operating activities					
5.1.	Revenue	36,640	47,021	37,991	-9,029	-19%
5.2.	expenses	25,404	28,704	21,918	-6,786	-24%
5.2.1.	General and administrative expenses	6,214	6,147	6,598	452	7%
5.2.2.	Financing costs	745	3,816	2,769	-1,046	-27%

ITEM-BY-ITEM ANALYSIS OF THE CHANGE IN COSTS COMPARED TO THE PLAN

Nº	INDICATORS	2021 year		Deviation to plan	
		Plan	Actual	abs.	ref.
1	Expenditure	38,666	30,282	-8,384	-22%
1.1.	Labour compensation fund	6,381	5,115	-1,225	-19%
1.2.	Social tax and contributions	546	469	-77	-14%
1.3.	Materials	1,084	925	-158	-15%
1.4.	Fuel	270	202	-68	-25%
1.5.	Electric power	145	126	-19	-13%
1.6.	Depreciation of fixed and intangible assets	2,864	2 769	-96	-3%
1.7.	Payment for work and services	9,195	13,636	4,441	48%
1.8.	Other	42,564	34,641	-7,923	-19%
1.9.	General Business Expenses	107	46	-61	-57%
1.10.	Social costs	449	383	-67	-15
1.11.	Taxes	242	404	162	-67%
1.12.	Finance costs	3,816	2,769	-1,046	-27%
1.13.	Non-core Activities	0	42	42	0%

ELEMENT-BY-ELEMENT ANALYSIS OF CHANGE IN COSTS AGAINST ACTUAL FOR 2020

Nº	INDICATORS	2020 year	2021 year	Deviation to plan	
		Actual	Actual	abs.	ref.
1	Expenditure	31,666	30,282	-1,384	-4%
1.1.	Labour compensation fund	4,687	5,115	469	10%
1.2.	Social tax and contributions	445	469	24	%
1.3.	Materials	1,025	925	-100	-10%
1.4.	Fuel	231	202	-29	-13%
1.5.	Electric power	126	126	0	0%
1.6.	Depreciation of fixed and intangible assets	1,500	2,769	1,269	85%
1.7.	Payment for work and services	10,041	13,626	3,585	36%
1.8.	Other	11,881	3,365	-8,516	-72%
1.9.	General Business Expenses	57	46	-11	-20%
1.10.	Social costs	541	383	-158	-29%
1.11.	Taxes	161	404	243	151%
1.12.	Finance costs	698	2,769	2,071	297%
1.13.	Non-core Activities	273	42	-231	-85%



MAIN FACTORS AFFECTING THE PRODUCTION AND FINANCIAL PERFORMANCE OF THE COMPANY

For the operation of the wagon fleet – for 2021 actually transported 243 thou. TEU, non-performance against plan was –14%, including on the directions:

- 134.4 thousand TEU in transit traffic (20% less than planned);
- imports – 58 thousand TEU (12% less than planned);
- exports amounted to 41.4 thousand TEU (6% less than planned);
- domestic transportation amounted to 9.2 thousand TEU (159% more than planned).

The main reasons for the failure to meet the plan were a decline in cargo traffic from the PRC to Uzbekistan (hereinafter – OTY), and the introduction of a convention ban on empty container loading in the PRC direction led to a build-up of abandoned railcars in the PRC direction. As a consequence, this led to a decrease in revenue by 18% or KZT4,922 million to plan.

Operating expenses amounted to KZT17,599 million versus plan (down 26% or KZT6,285 million tenge), of which savings were:

- KZT5,271 million in empty running due to the exclusion of freight wagon acquisitions from the investment budget, as well as due to the convention ban;
- for depreciation and overhaul, KZT1,576 million;
- savings on financial expenses amounted to KZT1,236 million.

Increase in wagon rental costs of Kaztemirtrans JSC (“KTT” JSC) and attracted fleet amounted to KZT1,605 million because of transferring wagons from KTT JSC (transfer and acceptance act was executed on 27 January 2021, this fact is included in the plan as of 1 January 2021). Increase in other expenses (depreciation, fleet, maintenance of information systems) KZT193 million tenge.

As for fitting platforms, leased out revenue amounted to 212 million tenge against the plan (-23%), failure to perform due to lack of demand from the customer (Ministry of Defence of the Republic of Kazakhstan).

Volumetric indicators for railcar handling decreased by 8% compared to the plan and amounted to 1,465 thousand tons. As a result, revenues from terminal operations amounted to KZT3,871 million, which is 14% lower than the planned figure. Also, the need to modernise the company’s terminal network affects the performance of the volume indicators. Total depreciation of the terminal network is 43%, including machinery and equipment – 60%, transport vehicles – 58%, transfer equipment – 47%, buildings and structures – 32%. Expenses amounted to KZT3,464 million, decrease to plan was 13% due to decrease of railcars processing by 8%, containers processing by 13%. As a result, net income of the Company for the reporting period amounted to KZT5,446 million and EBITDA amounted to KZT12,296 million.

As of 31 December 2021 the Company’s accounts receivable excluding allowances for doubtful accounts amounted to KZT2,847 million, including accounts receivable from KTZ Express JSC of KZT1,591 million.

The Company financed projects under investment budget in amount of KZT322 million (21% of plan) and realized KZT668 million tenge (43% of plan).



INVESTMENT ACTIVITIES

Capital investments plan of Kedentransservice JSC for 2021 was approved by the Board of Directors as of September 16, 2021 (Minutes No.224) for a total amount of 1,553,633 thousand tenge and financing of KZT1,553,633 thousand.

Execution of JSC “Kedentransservice” Capex plan for 12 months of 2021 (Table 11) made up KZT668,331 thousand with KZT1,553,633 thousand plan (-57% to plan) with financing of KZT322,306 thousand with KZT1,553,633 thousand plan (-79% to plan), including:

1. Execution of target program “Renovation and rehabilitation of infrastructure” under Capital Investment Plan of “Kedentransservice” JSC for 12 months of 2021 made up KZT633,210 thou. with financing of 289 405 thou. tenge with KZT1,518,133 thou. (-58% to the plan) due to the absence of potential suppliers and violation of terms of contracts.
2. Execution under target program “Improvement of administrative and social environment and working conditions of employees” under “Kedentransservice” JSC capital investments plan by results of 12 months of 2021 made up KZT35,120 thou. with financing in amount of KZT32,901 thou. with KZT35,500 thou. as planned (-7% to the plan).




INVESTMENT BUDGET EXECUTION REPORT FOR 2021, MILLION TENGE

PROJECT NAME	CEP/FC	Sources of financing	Execution for the reporting period to the Plan (from the beginning of the year till December)			
			Plan amount excl. VAT	Actual amount excl. VAT	Deviation amount excl. VAT	% scheduled
Total	assimilation	total	1,553,633	668,331	-886,210	-56.98
	financing	owned	1,553,633	322,306	-1,232,234	-79.25
Targeted programme “Infrastructure renewal and rehabilitation”	assimilation	total	1,518,133	633,210	-884,923	-58.29
	financing	owned	1,518,133	289,405	-1,228,728	-80.94
Targeted programme “Improve the administrative and welfare conditions of employment”	assimilation	total	35,500	35,120	-1,287	-1.07
	financing	owned	35,500	32,901	-3,506	-7.32





04

CORPORATE GOVERNANCE



BASIC PRINCIPLES AND OBJECTIVES OF CORPORATE GOVERNANCE IN THE COMPANY

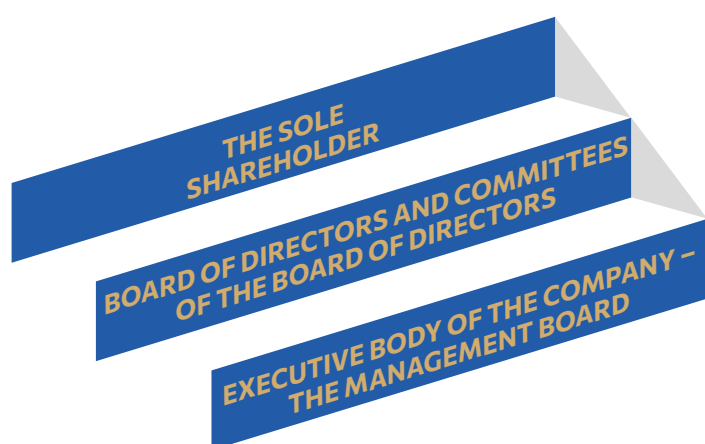
One of strategic directions of KDTS activity is increasing the efficiency of corporate governance.

The Company proceeds from the fact that effective corporate governance is fundamental for sustainable growth of the Company's capitalization, reduction of probability of corporate conflicts, increase of the Company's attractiveness for investors, as well as positive influence on the Company's image.

The purpose of corporate governance is to ensure efficient operation of the Company, increase the value of its share capital, ensure protection of rights and implementation of shareholders' interests.

The Company, understanding the importance of corporate governance, pays great attention to the implementation of corporate governance principles. By decision of the sole shareholder of the Company dated 10.04.2020 (Minutes No.21), the Code of Corporate Governance of KDTS was approved.

The Company seeks to strike a balance between the interests of shareholders, Company management and interested parties, with the Company's corporate governance system comprising the interaction of several levels of the corporate ladder:



Corporate governance in the Company is based on the following basic principles:

1. Principle of protection of shareholder's rights and interests.
2. Principles of effective management of the Company by the Board of Directors and the Executive Body.
3. Principles of transparency and objectivity of information on the Company's activities.
4. Principle of legality and ethics.
5. Principle of effective dividend policy.
6. The principle of effective human resources policy.
7. The principle of environmental protection.
8. The policy of regulating corporate conflicts.
9. Principle of responsibility.

Equity structure

As of December 31, 2021 there was 1 person, JSC "NC "Kazakhstan Temir Zholy" (100%), registered in the register of shareholders of the Company.

The rights and obligations of the Company's shareholder are set out in the Company's Charter and Corporate Governance Code.



100%



Dividends

The dividend policy of the Company is based on the following principles:

- if net profits are available, the Company allocates part of these profits annually to the payment of dividends, using the profit remaining at the disposal of the Company primarily for the implementation of the Company's investment program and the repayment of the Company's financial obligations to be paid in the next period;
- Maintaining a balance between the interests of the Company and its shareholders;
- striving to increase the capitalisation of the Company and its investment appeal;
- observance of shareholders' rights stipulated by the legislation of the Republic of Kazakhstan and best corporate governance practices;
- transparency of procedures for determining the amount of dividends and their payment.

Dividends are paid within the period stipulated by the Regulations on Dividend Policy of KDTS – not later than 90 calendar days from the date of making a decision on their payment by the General Meeting of Shareholders.

The amount of dividends recommended to the General Meeting of Shareholders is determined by the Board of Directors on the basis of the Company's financial performance. In this case, the target level of the share of the Company's consolidated net profit (excluding income from revaluation of financial investments) to be paid out as dividends is no less than 50% and no more than 70% of the Company's consolidated net profit, depending on the Company's financial and economic performance plan and the recommendation of the Company's Board of Directors.

Key documents ensuring the observance of shareholders' rights:

1. The Charter of JSC "Kedentransservice".
2. Code of Corporate Governance of JSC "Kedentransservice".
3. Regulations on the Board of Directors of JSC "Kedentransservice".
4. Regulations on the Audit Committee.
5. Regulations on the Strategic Planning Committee.
6. Regulations on the Human Resources, Remuneration and Social Affairs Committee.
7. The Regulations on Information Disclosure of JSC "Kedentransservice".
8. Policy on Settlement of Conflict of Interest of JSC "Kedentransservice".
9. Regulations on preparation and submission of materials for meetings of the Board of Directors of JSC "Kedentransservice".
10. Regulations on the Dividend Policy of JSC "Kedentransservice".



BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic management of the Company and its long-term sustainable development. The Board of Directors determines the vision and mission of the Company, defines strategic goals and key performance indicators of the Company.

The competence of the Board of Directors is defined in the Company's Charter and is clearly delineated from the competence of the Company's executive bodies that manage the Company's current operations.

One of the most important functions of the Board of Directors is to form effective executive bodies and ensure control over their activities. The Board of Directors exercises effective control over the activity of executive bodies, regularly monitoring the achievement of strategic goals and the implementation of the Company's business plans. The competence of the Board of Directors includes the election of executive bodies, termination of their powers, determining the terms of employment contracts with members of executive bodies and their motivation.

The Board of Directors (hereinafter, the BoD) approves the internal control and risk management policy and ensures the operation of risk management and internal control systems. When determining the risk management policy, the Board of Directors seeks to achieve a reasonable balance between risks and profitability of the Company. The Board of Directors is responsible for improving the Company's corporate governance system and practices, and approves plans for improving corporate governance. The Board of Directors is responsible for the Company's corporate social responsibility and the development of its corporate culture and business ethics.

The Board of Directors monitors and where possible eliminates potential conflicts of interest at the officer and shareholder levels, including misuse of Company property and abuse of related party transactions, and monitors the effectiveness of the Company's corporate governance practices.

STRUCTURE OF THE BOARD OF DIRECTORS

In 2021 members of the Board of Directors:

Until 04 June:

1. **Sokolov Pavel Vladimirovich** – Chairman of the Board of Directors
2. **Kushеров Dair Adilbekovich** – shareholder representative
3. **Rakhimbekov Askar Nuridenovich** – representative of the shareholder
4. **Mukushov Ardak Zhumagulovich** – representative of the shareholder
5. **Kuanysh Bolatuly Zhylykyshev** – independent director
6. **Erlan Bekenovich Dikhanbayev** – independent director

since June 04:

1. **Kushеров Dair Adilbekovich** – Chairman of the Board of Directors
2. **Koyshibaev Yerlan Khamardinovich** – representative of the shareholder
3. **Meiramkul Altynbekovna Duzbaeva** – representative of the shareholder
4. **Kassymbek Ardak Makhmuduly** – representative of the shareholder
5. **Kuanysh Bolatuly Zhylykyshev** – independent director

since of December 9:

1. **Kushеров Dair Adilbekovich** – Chairman of the Board of Directors
2. **Yerlan Koyshibaev Hamardinovich** – representative of the shareholder
3. **Meiramkul Altynbekovna Duzbaeva** – representative of the shareholder
4. **Kassymbek Ardak Makhmuduly** – representative of the shareholder
5. **Marat Zhanabergenovich Urazbekov** – independent director
6. **Arginzin Arman Anuarbekovich** – independent director



CHAIRMAN:



KUSEROV DAIR ADILBEKOVICH

Chairman of the Board of Directors

Member of the Board of Directors since 2019.

Year of birth: 1977

Citizenship: Republic of Kazakhstan

Education:

Indiana University, USA, Bachelor's degree in Finance;

Kazakh State Academy of Management majoring in International Economics.

Employment history:

From 1998 to 2000 – deputy chief accountant, director of internal audit department of PAMC Ak-niet.

From 2000 to 2005 – deputy chief accountant, risk manager, head of department, portfolio manager of CJSC “PAMC»ABN AMRO Asset Management”

From 2005 to 2006 – Deputy Director, Director of Corporate Finance Department of JSC “Intergas Central Asia”

From 2006 to 2008 – Director of Corporate Finance Department of KazTransGas JSC

From 2008 to 2012 – Financial Director of JSC “KazTransOil”, Managing Director for Economy and Finance of JSC “KazTransGas”

From 2012 to 2018 – Deputy General Director for Economy and Finance, JSC “KazTransGas”

From December 2018 to the present – Deputy Chairman of the Management Board on Finance, Managing Director on Finance of NC JSC “Kazakhstan Temir Zholy”

MEMBERS:

**KOYSHIBAYEV YERLAN KHAMARDINOVICH**

Member of the Board of Directors

Member of the Board of Directors since June 2021.

Year of birth: 1985

Citizenship: Republic of Kazakhstan

Education:

American University in Dubai, Bachelor of Finance and Banking;

Kazakhstan Academy of Transport and Communications, Master of Science in Logistics;

Russian Presidential Academy of National Economy and Public Administration, Master of Business Administration.

Labor activity:

He began his career in 2007 as an assistant to the Minister of Finance of the Republic of Kazakhstan.

From 2010 to 2011 – Director of the Investment Projects Department of Samruk-Kazyna Invest LLP.

From 2011 to 2013 – Vice-President of JSC National Centre for Transport Logistics Development.

From 2013 to 2018 held managerial positions in the subsidiaries of JSC “NC “KTZ”: President of JSC “Transport Services Center”, Vice-President for Logistics of JSC “KTZ Express”.

From 2018 to 2019 – Deputy Chairman of the Board of JSC “Kazakhstan Institute for Industry Development”.

Since 2019 till April, 2021 – Deputy Akim of Kostanay region.

Since May, 2021 up to present – Deputy Chairman of the Board on Logistics, Managing Director on Logistics of JSC «NC «Kazakhstan Temir Zholy».

**MEYRAMKUL ALTYNBEKOVNA DUZBAEVA**

Member of the Board of Directors

Member of the Board of Directors since June 2021.

Year of birth: 1966

Citizenship: Republic of Kazakhstan

Education:

Kazakh Polytechnic Institute n.a. V.I. Lenin Kazakh;

Kazakh National Technical University named after K.I. Satpayev.

Labor activity:

From 1994 to 2000 held positions of chief specialist, head of department, deputy head of the main board, head of the main board of state property and privatization of the Ministry of Finance of the RK.

In different years worked in managerial positions in companies Kazakhoil-Products LLP, Kazakhoil NPC CJSC, Caspian Industrial and Financial Group LLP, NC KazMunayGas CJSC, Kazakhstan Holding for Management of State Assets Samruk JSC, Mercury Service Company LLP, TEK – Kazakhstan LLP, NPO RK Atameken, Kamkor Management LLP, Silkway Transit LLP.

Since December 2018, he has been the Managing Director for Development of NC JSC “Kazakhstan Temir Zholy”.



KASYMBEK ARDAK MAKHMUDOVICH

Member of the Board of Directors

Member of the Board of Directors since June 2021.

Year of birth: 1977

Citizenship: Republic of Kazakhstan

Education:

Kazakh State National University named after Al-Farabi, Bachelor and Master in International Economic Relations;

Business School of City University, MSc in Banking and International Finance;

Institute of Directors, Certificate in Company Direction (International).

Labor activity:

Started out to work in 1998 as a leading banker at Structured Finance Department of Halyk Savings Bank of Kazakhstan JSC.

From 2001 to 2004 – manager of the Investment Management Department of JSC NC KazakhOil, chief manager of the Corporate Financing Department of JSC NC Kazmunaigas.

From 2004 to 2005 – Financial Director of the Directorate of the enterprise under construction within the project of reconstruction in cooperation with Marubeni JSC «Atyrau Refinery».

From 2006 to 2007 – Deputy General Director for Economics and Finance at JSC MOC “KazMunayTeniz”

From 2007 to 2016 worked in managerial positions at JSC NC Kazmunaigas.

From 2017 to 2018 – General Director of «PROTALENT Creativity Center» LLP.

From 2018 to 2019 – Chairman of the Management Board of JSC “Kazyna Capital Management”.



MARAT ZHANABERGENOVICH URARAZBEKOV

Member of the Board of Directors, Independent director

Member of the Board of Directors since December 9, 2021.

Year of birth: 1960

Citizenship: Republic of Kazakhstan

Education:

Almaty Institute of Railway Transport Engineers, qualification: electrical mechanical engineer;

Academy of Public Service under the RK President, specialty – state and municipal management.

Labor activity:

Began his career in 1986 as a foreman, senior foreman, chief technologist and chief engineer of the Arys locomotive depot.

From 1994 to 2008 worked in senior positions at the Ministry of Transport and Communications of the Republic of Kazakhstan, also served as Chairman of the Board of Directors of Yrysti AEVRZ JSC (Almaty) and JSC Transport Service Center

From 2008 to 2016 – Director of Transport Assets Management of JSC Holding Samruk-Kazyna.

At the same time, he was a member of the Board of Directors of NC KTZ JSC, Air Astana JSC, Chairman of the Board of Directors of MAA Aktobe and Atyrau and JSC Qazaq Air.

From 2017 to the present – Deputy General Director of “LRT Construction Directorate” LLP.


KUANYSH BOLATOVICH ZHYLYKSHIEV

Member of the Board of Directors, Independent director

Member of the Board of Directors since July 2020.

Year of birth: 1980

Citizenship: Republic of Kazakhstan

Education:

South Kazakhstan State University named after M. Auezov, majoring in International Economic Relations and Engineering, Construction and Operation of Oil and Gas Pipelines and Oil and Gas Storages.

Labor Activities:

In different years worked in managerial positions at NC JSC KazMunayGas, JSC KazTransGas.

Since 2016 till present – Director of Kaysar Group LLP, AARS LLP.

Since May 2020 – Independent Director of JSC “AstanaGas KMG”.


ARMAN ARGINZIN ARMAN ANUARBEKOVICH

Member of the Board of Directors, Independent director

Member of the Board of Directors since December 9, 2021.

Year of birth: 1978

Citizenship: Republic of Kazakhstan

Education:

Boston University, USA, Bachelor of Science.

Employment history:

From 2000 to 2002 – banker at Halyk Bank JSC.

From 2002 to 2003 – HSBC Bank Kazakhstan.

From 2002 to 2008 – ABN AMRO Bank Kazakhstan.

From 2008 to 2012 – RBS Bank Kazakhstan.

From 2012 till December 2021 – Managing Director of UBS AG.

In 2021, 14 meetings of the Board of Directors were held (11 meetings in presentia and 3 meetings in absentia) and 71 items were considered.

Key issues considered by the Board of Directors in 2021:

- Provisionally approved the Kedentransservice JSC Strategic Development Concept for 2021–2025;
- Approved the Budget for 2021 and the Development Plan for 2021–2025, as well as the key performance indicators of the Company’s management;
- in accordance with the legislative acts of the Republic of Kazakhstan pre-approved the annual financial statements of the Company for 2020;
- changes were made to the composition of the Management Board and the committees of the Board of Directors, and a candidate for the position of Chief Accountant of the Company was approved;
- paid special attention to risk management and internal control: quarterly hearings and approval of reports, approved the Risk Management and Internal Control Policy of the Company, register and map of risks, action plan on risk response, key risk indicators and risk tolerance of the Company for 2021 and 2022;
- The reports of the Chairman of the Management Board on implementing the budget of the Company were reviewed on a regular basis;
- in order to improve corporate governance the Comprehensive plan



for improvement of corporate governance of JSC “Kedentransservice” for 2021–2022 was approved;

- The Report on the Company’s compliance with the principles and provisions of the Corporate Governance Code of Kazakhstan Temir Zholy JSC and the Annual Report of the Company for 2020 were approved;
- In order to implement the principles of sustainable development, the Action Plan for implementation of the principles of sustainable development of the Company for 2021–2022 was approved;
- the Strategy for development of the internal terminal network of the Company was approved;
- Approved the updated Development Plan of the Company for 2022–2026;
- Considered the issue of critical evaluation and discussion of the Company’s strategic goals;
- In accordance with the provisions of the Company’s Charter, approved the Company’s Accounting Policy and the Rules for Remuneration and Bonus Payments to Executives, Corporate Secretary’s Office and Compliance Controllers of the Company.
- Approaches were defined and a plan-schedule for self-assessment of the Company’s Board of Directors’ performance based on the results of 2021 was approved.

STRATEGIC PLANNING COMMITTEE

The competence of the Strategic Planning Committee includes the most significant issues of strategic development, issues related to financial stability and issues in the area of investment strategy and asset management.

In 2021, the members of the Committee:

1. Kuanysh Bolatuly Zhylykyshev – Chairman of the Committee
2. Aigul Kurmantayevna Nurpeisova
3. Ruslan Maratovich Muzhikov

Due to the changes in the composition of the Company’s Board of Directors that took place in the second quarter of 2021, 3 meetings of the Committee were held.

In 2021 the Committee considered and gave respective recommendations regarding approval of the Company’s Budget and Development Plan for 2021–2025, and reviewed and approved the reports of the Chairman of the Company’s Management Board regarding the implementation of the Company’s Budget for 2020 and the first quarter of 2021.

AUDIT COMMITTEE

The competence of the Audit Committee includes issues in the area of financial reporting, external audit, risk management and internal control system, corporate governance, internal audit, as well as compliance functions.

In 2021, the members of the Committee are:

1. Yerlan Bekenovich Dikhanbaev – Chairman of the Committee
2. Dair Adilbekovich Kusherov
3. Zhylykyshev Kuanysh Bolatuly

Due to the changes in the composition of the Company’s Board of Directors that took place in the second quarter of 2021, 2 meetings of the Committee were held.

In 2021, the Committee reviewed and provided recommendations on the following matters:

- control over ensuring the completeness, accuracy and reliability of the Company’s financial statements and the provision of financial and other reports and ensuring the independence and objectivity of the external audit:
 - discussed with the Company’s chief accountant and the external auditor the reasonableness and acceptability of the financial reporting principles used, significant estimates in the financial statements, and material reporting adjustments;
 - As part of the external audit process, the CA met with the external auditor on February 15, 2021, and pre-approved the Company’s annual (separate and consolidated) financial statements for the year ended December 31, 2020, prior to issuance;

- reviewed the Management Letter on the results of the audit for the year ended December 31, 2020 and the Action Plan to address the comments and recommendations of the external auditor following the audit of the 2020 consolidated financial statements of JSC “Kedentransservice”;
- controls over the reliability and efficiency of risk management and internal control systems:
 - reviewed and pre-approved the risk management reports for Q3 and Q4 2020;
 - reviewed and recommended for approval by the Board of Directors the Company’s risk appetite for 2021;
 - the Risk Register and Risk Map were discussed in detail and recommended for approval by the Board of Directors;
- ensuring the independence and objectivity of the internal audit function:
 - reviewed and pre-approved the report of the Company’s Internal Audit Services for 2020, and took note of the report on the implementation by the Company’s structural units of the recommendations issued by the Internal Audit Service in 2020.

In 2021, the Committee reviewed and approved the Risk Management and Internal Control Policy of the Company.

PERSONNEL, REMUNERATION AND SOCIAL AFFAIRS COMMITTEE

The Personnel, Remuneration and Social Affairs Committee considers issues in the field of human resources policy, appointments, performance evaluation, remuneration and corporate social responsibility.

In 2021, the members of the Committee are:

1. Kuanysh Bolatuly Zhylykyshev – Chairman of the Committee
2. Ardak Zhumagulovich Mukushov
3. Rakhimbekov Askar Nuridenovich
4. Urumbaeva Aislu Tolegenovna

In connection with the changes in the composition of the Board of Directors of the Company that occurred in the second quarter of 2021 and the withdrawal of independent directors from the Board of Directors, 1 meeting of the Committee was held in 2021, at which the information on the results of the General Director of the Company’s subsidiary LLP “Transport Holding Kazakhstan” Bektauov M.S. during the probation period was considered.



MANAGEMENT BOARD

The executive body of Kedentransservice JSC is the Management Board, which plays a key role in the management of the Company, ensuring:

- achievement of strategic goals and objectives determined by the Board of Directors of the Company;
- implementation of prospective plans and programs of the Company's activities;
- implementation of decisions of the Board of Directors and the General Meeting of Shareholders;
- Creation and support of functioning of the effective risk management and internal control system;
- managing the Company's personnel, motivating its employees and forward-looking personnel planning;
- managing the activities of the Company's branches and subsidiaries..

The Management Board is managed by the Company's General Director who is the Chairman of the Management Board.

In the period from January to December 2021 the Company's Management Board consists of six members of the Board.

In 2021 the members of the Management Board:

August 11, 2020 to April 06, 2021:

1. **Viktor Viktorovich Fedotov** – Chairman of the Management Board, General Director;

From August 19, 2020 – till May 20, 2021

2. **Askarov Kairat Meiramuly** – member of the Management Board, First Deputy General Director;

From September 2, 2020:

3. **Dyusembinov Nurzhan Shakslyamovich** – member of the Management Board, Deputy General Director of economics and finances;

4. **Dzhumataev Elnar Erikovich** – member of the Management Board, Deputy General Director for Logistics;

From September 2, 2020 – till May 20, 2021:

5. **Yerzhan Yesenbekovich Ablayev** – member of the Management Board, Managing Director for legal relations;

From October 14, 2020:

6. **Tashpenbetov Yerzhan Amirbekovich** – member of the Management Board, Chief Engineer;

From January 27, 2021 – till May 20, 2021:

7. **Kulakhmetov Yerden Avdomazhitovich** – member of the Board, Deputy Director General on development of terminal activities;

From May 04, 2021:

8. **Sultanov Arman Turlykhanovich** – Acting Chairman of the Board, Acting General Director;

From May 20, 2021:

9. **Tapalov Kalmukhan Sapargalievich** – member of the Management Board, Deputy Director General on operating activities.

Composition of the Management Board (as of December 31, 2021):

1. Sultanov Arman Turlykhanovich – Acting Chairman of the Board
2. Nurzhan Shakslyamovich Dyusembinov
3. Dzhumataev Elnar Erikovich
4. Tapalov Kalmukhan Sapargalievich
5. Tashpenbetov Yerzhan Amirbekovich (has no voting rights, Labor contract terminated from 21.06.2021 by Order #164-L)


Dyusembinov Nurzhan Shaikslayamovich

Deputy General Director for Economics and Finance

Member of the Management Board from 02.09.2020

Date of birth: 03.12.1970

Place of birth: Kazakh SSR; Pavlodar region

Education, specialty (qualification), license:

Akmolinsk Agrarian University named after S.V. Lomonosov. C. Seifullin University (1997)

Specialty “accountant-economist”;

Kazakh Humanitarian-Legal University (2002) Major in Jurisprudence;

KIMEP University (2018) Specialty “Executive MBA”.

Employment experience:

Tax Accountant, Head of the Department of Industrial and Technical Planning in Pavlodar Oil Pipeline Department of “KazTransOil” JSC (2002–2006).

Deputy Chief Accountant, Head of Planning Department, Director of Economics and Finance Department of “KazTransGas-Almaty” JSC (2006–2009).

Deputy Director of Budget Planning Department, Head of Labor and Wage Service, Director of Budget Planning Department of KazTransGas JSC, Astana (2009–2016).

Deputy General Director of KazTransAymak JSC, Nur-Sultan, Member of the Board of KazTransAymak JSC (from 10.2019) (08.2016–04.2020).

Deputy General Director for Economy and Finance of Kedentransservice JSC (from 02.09.2020).


Dzhumataev Elnar E.

Deputy General Director for Logistics

Member of the Management Board since 02.09.2020

Date of birth: 25.06.1986

Place of birth: Almaty

Education, specialty (qualification), license:

Kazakh Economic University named after T. Ryskulov (2008) Specialty: “Finance”;

Kazakh Academy of Transport and Communications named after Tynyshpayev (2017)

Specialty “Master of Logistics”;

Russian Presidential Academy of National Economy and Public Administration (2018) Specialty “MBA-regional and municipal management”.

Employment experience:

Inspector in the Population Service Center of Almaty District (2008–2009).

Deputy Sales Director in RCCU-Taraz LLP (2011–2012).

Head of Internal Control Department in “GasTechnology” LLP (2012–2012).

Director in “TechSell” LLP (2012–2013).

Logistics Manager in “EuroTransitComex” LLP (2013–2013).

Director in EuroTransitComex LLP (2013–2014).

Manager, Chief Manager of Railway Transportation Department, Director of Sales and Transportation Planning Department in KTZ Express JSC (2015–2019).

Director of Tariff Calculation Department, Director of Logistics Department in Kaztemirtrans (2019–2020).

Deputy General Director for Logistics in Kedentransservice JSC (2020–present).


Kalmukhan Sapargalievich Tapalov

Deputy General Director for Operations

Date of birth: February 21, 1960

Place of Birth: Turgai Region

Education, specialty (qualification), licenses:

Alma-Ata Institute of Railway Transport Engineers (1981)

Specialty: Railway engineer for operation of railroads.

Employment experience:

Assistant draughtsman, Shunting dispatcher, Deputy chief, Head of station at Esil station of the Tselinnaya railroad (1981-1994).

Chief of Tselinograd mechanized distance of loading-unloading work of Tselinnaya railroad (1994-1998).

Chief in Akmola agency of Akmola branch of DGP Zheldorexpedition (1998-1999).

Chief of production and technical department of Center of firm transport service of RGP KTZ (1999-1999).

Director at the Northern Branch of Kaztransservice JSC (1999-2016).

Executive Director for Freight and Operations, Executive Director for Operations, Acting Vice President for Operations, Vice President for Operations, Deputy General Director for Operations (2016-present).


Tashpenbetov Yerzhan Amirbekovich

Chief Engineer

Member of the Board from 14.10.2020

Date of birth: 1975

Citizenship: Republic of Kazakhstan

Education, specialty (qualification), licenses:

Almaty State University named after Abay, specialty "Economist-Financier

Kazakhstan University of Railway Communication, specialty "Engineer for Organization of Transportation;

Management on Railway Transport" Central Asian University, specialty "Jurisprudence;

East Kazakhstan State University, major in Law. S. Amanzholov East Kazakhstan State University, specialty "Master of Economics and Business.

The labour activity:

The labour activity started in 1998 as the trainee of the master-receiver. In different years occupied positions of the head of Department of transport control on Kyzylorda region, on Almaty region, on East Kazakhstan region, director of RSCE "Real Estate Center of East Kazakhstan region" Committee of Registration Service and Legal Assistance of the Ministry of Justice of the Republic of Kazakhstan, Deputy General Director of RGP on PCV "Real Estate Center" MJ RK, Director of the Department of Land Cadastre and Technical Survey of Real Estate – Branch NJSC "Government for Citizens" in Astana, Deputy Director of the Branch NJSC "Government for Citizens" in Astana, Advisor to the Chairman of the Board of JSC "NC" KTZ ".

From September 2020 to July 21, 2021 – Chief Engineer of KDTS.

In 2021 25 meetings of the Management Board were held, at which 204 issues were considered, including issues referred to the Board of Directors – 29, approval of the Rules, Regulations, Regulations, Instructions – 19, conclusion of interested transactions – 59, approval of staffing – 15, procurement – 7, and others – 75.

Meetings of the Management Board in 2021



RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system is designed to provide reasonable assurance in achieving strategic and operational objectives, goals in the area of reliable reporting and compliance with applicable laws and internal requirements of the Company.

The objectives of the corporate risk management and internal control system are to:

- Increase the risk culture and integrate risk management and internal control into all aspects of the Company's activities;
- to reduce the volatility of business results by increasing the Company's ability to prevent situations that threaten its goals, to respond effectively to negative events, and to reduce the consequences of such situations, if they occur, to an acceptable level;
- to ensure the use of opportunities to increase the value of assets and profitability of the Company in the long term.

Committees of the Management Board

1. Development Committee
2. Budget Committee
3. Committee on Tariff Policy
4. Personnel Motivation and Development Committee
5. Committee on Circulating Capital
6. Technical and Economic Council

The Management Board operates in accordance with the approved work plan for each quarter taking into account the work plans of the Committees of the Board of Directors and proposals of the Company's management.

Risk management and internal control system of the Company takes into account changes in the external and domestic Risk appetite, register and risk map of the Company are approved on an annual basis, on a quarterly basis risk reports are submitted for consideration of the Audit Committee and approval by the Board of Directors with updating the risk map and plans for risk management. The work on building of effective system of internal control and systematization of internal normative documents of the Company is carried out.

The Board of Directors controls the functioning and efficiency of the risk management and internal control group of the Company on an ongoing basis in order to improve the efficiency of the Company's management, improvement of its financial and economic activities through a systematic and consistent approach to the analysis



and assessment of risk management and internal control systems.

The Company's non-exhaustive list of risks is as follows:

- Cargo turnover risk – the main risk associated with a decrease in freight traffic in transit, export, import and domestic transportation due to intermodal and intra-modal competition, growth slowdown and downturn in industry and business.
- Operational risk – risks associated with changes in company value due to actual losses incurred due to inadequate or failed internal processes, people and systems, or from external events.
- Traffic and occupational safety and health risk – risks associated with violations of safety at work and is significant for the Company due to the specification of its activities. The Company is building an effective occupational safety system, including safety briefings, implementation of relevant international standards, monitoring employee compliance with safety rules, providing employees with protective equipment at work. Employees are also provided with compulsory accident insurance. In order to analyze and further develop safety programs, timely reporting of occupational accidents, prevention of concealment of incidents, and monitoring of the injury rate is performed to find out the causes and submit reports.
- Contractual, contractual risks – the probability of loss as a result of failure to fulfill the contract (breach of contract terms, claims, warranty issues, termination, allegations of intellectual property rights violations, disclosure of confidentiality information, disputes and litigation).
- Credit risk is the risk of losses due to non-fulfillment, untimely or incomplete fulfillment by the counterparty of its obligations to the Company. To manage this risk the Company develops and approves corporate standards, applying various risk management mechanisms which contribute to their prevention and minimization.
- Liquidity risk is the risk associated with the inability of the Company to finance its activities and timely and fully meet its obligations. As part of the management of these risks, various measures are taken to improve the Company's financial stability and ensure compliance with established covenants, taking into account the results of the analysis of periodic reporting.
- Railway tariff risk – risks related to the increase in costs as a consequence of failure to meet the requirements of regulatory state bodies above the approved tariff estimates or the reduction of the tariff margin to negative indicators, which leads to unprofitable financial performance by type of activity.
- HR-risk is the risk of personnel-related risks due to low qualification, high personnel turnover and low motivation of employees affecting the efficiency of operations and interruptions in production.
- Epidemiological risk – new risk associated with the likelihood of new cases of disease / infection in a large number of people in a given locality in a short and fast period of time, which affects the business interruption, slowdown in business activity due to restrictive measures.



INTERESTED PARTY TRANSACTIONS

Approval of interested party transactions is carried out in accordance with the law and the Company's Articles of Association. The Board of Directors receives a report on all interested-party transactions. The information about the interested party transactions is placed on the official website of the Company in the Internet: www.kdts.kz.





POLICY ON SETTLEMENT OF CONFLICT OF INTEREST

By the decision of the Board of Directors of the Company dated 18.05.2015 (Minutes No. 130, amendments dated 25.01.20017 Minutes No. 159) the Policy on settlement of conflict of interest in Kedentransservice JSC was approved, which defines the concept of conflict of interest, list of possible situations of conflict of interest and sets forth the procedure for settlement of conflict of interest in members of executive bodies and other employees of the Company.

According to the Policy on Settlement of Conflicts of Interest in Kedentransservice JSC, the officers and employees of the Company shall timely inform the superior officer of the actual or potential circumstances contributing to a conflict situation, shall make every effort to avoid situations that lead or may lead to conflicts, including in relations with business partners and customers, state authorities and other business entities, shall refrain from taking

In the reporting year, there was no information on conflicts of interest among the members of the Board of Directors, the Management Board, and the Company's employees.



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SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT

Implementation of the management system in the field of sustainable development in the Company is provided by the Policy in the field of sustainable development of JSC “Kedentransservice”, approved by the decision of the Management Board of 04.08.20 (Minutes № 01/15). This policy is based on the reference model on sustainable development for portfolio companies of Samruk-Kazyna JSC, approved by the decision of the Management Board of Samruk-Kazyna JSC (Minutes No. 09/17 of March 17, 2017), as well as on the GRI Standards sustainability reporting guidelines. The Policy stipulates the responsibility of the KDTS management bodies for the implementation of the principles of sustainable development in the Company..

The process of implementing the principles of sustainable development is carried out by implementing the following measures:

- The Order of the President of the Company dated April 05, 2018 (Order No. 102-P) approved the “Rules of Analysis of the Context and Stakeholders of Kedentransservice JSC”;
- On September 29, 2018, the President of the Company approved the Map of stakeholders of Kedentransservice JSC. Also, the Kedentransservice JSC Sustainable Development Policy includes a section “Stakeholder Engagement”;
- AA Standard 1000 “Stakeholder Engagement Standard (Stakeholder Engagement Standard), GRI is used in determining the stakeholders;
- A map and risk register for 2021 were approved, which reflect social, economic and environmental risks. The size of the risk appetite was also determined.

PERSONNEL POLICY

The purpose of personnel policy is to secure the Company’s demand for qualified personnel and effective development of human potential.

The basis of personnel policy of the Company is the understanding that the personnel is the main resource that determines the effectiveness of processes to achieve the strategic goals of KDTS.

In its relations with the employees, the Company is guided by the following basic principles:

- development and implementation of effective methods of material and moral incentives for employees to achieve the goals set for the Company;
- guaranteeing favorable and safe working conditions for employees and providing social and medical support to employees as part of the collective bargaining agreement;
- Adaptation of new employees to the workplace, as well as their professional development, providing all employees with equal opportunities for training and professional development, as well as professional and career growth;
- Providing equal rights and opportunities to every employee regardless of position, nationality, gender, age, religious beliefs and life values.



Provision of additional social guarantees

The main social guarantees provided to the Company's employees are set forth in the Collective Bargaining Agreement and include:

- compulsory and collective voluntary medical insurance allowing the Company's employees to receive medical assistance in medical institutions within the insurance amount;
- Life insurance for employees working in hazardous areas;
- organization of summer holidays for children;
- payment of financial aid at the birth or adoption of a child in the amount of 2 minimum wages for the corresponding financial year; if an employee has two or more children, the payment amounts to 3 minimum wages for each child;
- payment of material aid to employees in connection with illness or death of an employee, spouse, parents, children, brothers (full), sisters (full), children – adopted, parents – adoptive parents, parents of spouse, employee, in the amount of 50 monthly calculation indices;
- Payment of lump sum incentives to employees in connection with the jubilee dates: 50-55-60

years old, in the amount of the monthly wage rate (salary);

- organization of children's matinees at the rate of not less than 50 percent of monthly calculation indices per child;
- Purchase of New Year's gifts for children of employees under the age of 10 years, inclusive, at a cost of at least 1 MCI;
- payment of financial assistance in case of a paid operation costing more than 25 thousand tenges;
- Retention of a place of work (position) and average monthly salary for workers-donors during days of examination and blood donation for transfusion;
- providing women with children under the age of one and a half years and fathers (adoptive fathers, adoptive fathers) with additional paid nursing breaks of at least thirty minutes after every three hours of work.

The number of the Company's employees for 2021 was 1,755 people, including 357 women. The number of administrative and management personnel was 553 people, production personnel – 1,202 people. The Company's staffing level under the plan of 1,911 persons is 87.7%.

The age breakdown of the Company's personnel is as follows:

UNDER 30 YEARS OLD	30-44 YEARS OLD	OVER 45 YEARS OLD
233 persons	915 persons	607 persons

The number of the Company's employees for 2021 decreased by 42 people or 2.1% compared to the same period in 2020 (1,953) due to a staff reduction caused by changes in the Company's organizational structure (1,911).

The Company's headcount for 2021 (1,755) decreased by 166 persons or 8.6% compared to the same period in 2020 (1,921).

In order to acquire new knowledge and skills and more effectively achieve the goals set by KDT, the Company pays great attention to the professional development of its personnel.

In 2021, professional qualifications were upgraded:

- Employees of the Corporate Secretary Office took part in the XV International Forum of Corporate Secretaries on the topic: “Corporate Secretary UNLIMITED”;
- Also, the Corporate Secretary took a training event on the topic: “Corporate Secretary Certification Program”;
- Employees of the Sector for the organization of procurement received training on: “The order of procurement in the group of companies of JSC “NWF Samruk Kazyna”. The standard of procurement activities. The system of electronic procurement”;
- Employees of the Risk Management and Internal Control Group were trained on: “Risk Management System. Occupational Health and Safety Management System and Occupational Risk Management Rules – 2021 Requirements”;
- Employees of the Logistics and Tariff Control Unit were trained on: “The regulatory framework

for sending cargo on open rolling stock. Rules of placement and securing of cargo in cars and containers. Accommodation and fastening. Transportation of oversized and overdimensioned cargoes;

- Members of the conciliation commission underwent compulsory annual training on the subject: “The Conciliation Commission. Labor Disputes: Causes of Arising. The procedure for resolving a labor dispute in the conciliation commission”;
- Fifteen employees of the Central Office received training on “Internal Auditor of the Integrated Management System ISO 9001:2015, ISO 14001:2015, ISO 45001:2018”.
- The management and employees of the Technical Support and Development Department underwent compulsory training aimed at verification of knowledge on occupational health and safety: “Health and Safety”, “Fire Safety”, “Electrical Safety”, “Industrial Safety”.



QUALITATIVE COMPOSITION OF PERSONNEL

Since the beginning of 2013 the Company has been implementing the project on implementation of process management. To date, the Company has achieved the following results:

- described business processes (models and regulations) of KDTS at the moment – “as is”;
- the described “as is” processes have been analyzed;
- the processes of the future basic business processes have been modeled – “as it should be”;
- trained the personnel and management of the KDTS in the process approach to organizing its activities;
- in each structural subdivision of the Company’s head office, business process modelers have been trained in ARIS tools.

Regular work is carried out in terms of updating existing business processes (14 processes have been optimized to date), process-oriented regulations on the subdivisions of the Company’s central office, process-oriented job descriptions for all staff units of the Company have been developed and approved.



REMUNERATION AND MOTIVATION SYSTEM

Since 2013, the Company implemented a new remuneration and motivation system based on the grading system (for the permanent component of the salary) and key performance indicators (for the variable component of the salary).

GRADE SYSTEM

The grade system was developed based on the analysis and assessment of Company positions by compensation factors (530 positions have been assessed). The grading system allows taking into account a number of criteria that include such job evaluation indicators as management, communications, responsibility and risks, complexity of work, independence, and cost of error. The Company has a total of 14 grades, and each grade has a salary range, the so-called fork. This system creates a transparent salary system, raises the base salary of those employees who actually play an important role for the Company, and encourages their career development.

SYSTEM OF KEY PERFORMANCE INDICATORS

In parallel with the grading system, the Company has developed and introduced a system of key performance indicators (KPIs) to calculate the efficiency and performance of top managers, heads of central administration departments, directors of branches and representative offices.

The Company's KPI system consists of general corporate indicators developed on the basis of the Company's strategic priorities and individual indicators based on each manager's tasks in the KDTS business processes. Target KPIs are set by decision of the Management Board based on the Company's budget parameters.

RATING ASSESSMENT OF BRANCH PERFORMANCE

In 2019, in accordance with Order No. 465-P of December 31, 2019, the Company updated and approved the Rules for rating the performance of the Company's branches and subsidiaries, which allow for an objective assessment of the Company's branches, help improve their performance in achieving budget targets and meeting production targets, and make it possible to identify leaders and laggards.

The criteria for evaluating the performance of branches are the efficiency of internal processes (achievement of budgetary and production targets), as well as the quality of their performance (absence of occupational injuries, accidents and derailments at a branch).



SOCIAL POLICY

The rules of social assistance in Kedentransservice Joint Stock Company, approved by Order No. 523-P of December 28, 2017

The Company recognizes that in today's business environment, human resources and the way in which they are managed are becoming an increasingly important element in ensuring the competitiveness of enterprises compared to other traditional sources of success.

Human resources are the main productive force of the Company. In this regard, the Company pays great attention to ensuring stability, creating a healthy social and psychological climate in the team, timely consideration of problematic issues, prevention and management of labor disputes and conflicts.

According to the Rules for Social Assistance at KDTS, approved by Order No. 523-P of December 28, 2017, and as part of social policy implementation, the Company provides employees with additional benefits, services and payments of a social nature, including:

- material assistance on the occasion of death/disease of employees and their close relatives in the amount of KZT**29,767,448**;
- pecuniary aid on the occasion of childbirth, marriage registration, paid operations – KZT**15,955,140** tenge
- organization of summer holidays for children;
- recreation of employees in sanatoriums on preferential vouchers – KZT**271,156**;
- Sports programs and initiatives, including the opportunity to play various sports.



LABOR SAFETY

In 2021, the Company's work in the field of health and safety was carried out in strict accordance with the requirements of the Labour Code of the Republic of Kazakhstan, as well as other normative and technical documents in this area. The absolute priorities Safety of life and health of the Company's employees and environmental protection are unconditional priorities of KDTS.

In 2021, 2 million 326 thousand 669 hours were worked without any industrial injuries.

The Company keeps records of accidents related to labor activities and takes measures to reduce the factors contributing to their occurrence.

In 2021, 32 million 092 thousand tenge, which amounts to 1% of the annual payroll, were spent on comprehensive measures to improve working conditions and sanitary and health measures.

In order to prevent injuries, employees were instructed and trained in safe work practices.

In 2021, 643 briefings on safety and labor protection, 352 technical sessions on industrial safety and labor protection were held.

In specialized educational organizations 317 responsible persons and 897 employees from production personnel were trained on industrial safety issues for the total amount of 10,209 thousand tenge.

For the period 2019 – 2021, an agreement on compulsory insurance of employees against industrial accidents in the amount of 16 million 499 thousand tenge was concluded.



Employees were provided at the expense of the Company with special clothing, footwear, personal protective equipment. For 2021, 1,067 cotton suits, 735 warm suits, 903 pairs of summer shoes, 621 pairs of winter shoes, 2,862 pairs of gloves, 882 signal vests, 41 protective helmets in total amount 53 million 200 thousand tenge.

During 2021, 372 employees working in harmful conditions were given 7,219 liters of milk in the amount of 2,887,000 tenge.

In order to implement a unified policy of the Company in terms of health and safety management system, in 2021, Industrial Safety Branch developed and sent to branches technological charts on health and safety when loading and unloading from trucks and open cars.

Meetings on occupational health and safety and environmental issues with the participation of the General Director, Chief Engineer, managers and specialists of the Company were held on a regular basis.

The Company has introduced a health and safety management system (hereinafter – OHSMS), which is a set of interrelated socio-economic, organizational and technical measures, methods and tools aimed at creating safe and healthy working conditions.

The Company defines the following as the key priorities of its Occupational Health and Safety Policy:

- Priority of life and health of an employee in relation to the results of production activities;
- prevention of injuries and deterioration of employee health;
- Continuous improvement of the occupational health and safety management system and enhancing its effectiveness;
- constant improvement of the safety level by using modern types of equipment and means of collective and individual protection.

To implement the priorities of the Policy the Company intends to ensure:

- Continuous work to identify existing risks and develop action plans to prevent and eliminate them;
- Continuous improvement of personnel's qualifications;
- inclusion of occupational health and safety issues for all existing and newly introduced processes;
- Establishing the personal responsibility of managers and executives on the issues of occupational health and safety;
- motivation of personnel to increase their involvement into the OHS management system;
- Introduction of advanced knowledge and experience in the field of occupational health and safety.

For this purpose in the Company's branches in 2021 a complex of socio-economic, organizational and technical, therapeutic and prophylactic measures were carried out, such as:

- training employees in safe work practices;
- creation of safe working conditions;
- providing employees with protective clothing and other personal protective equipment;
- establishment of benefits and guarantees for working in hazardous conditions;
- conducting annual medical examinations and pre-shift medical examinations.

In order to avoid occupational injuries, the Company's occupational safety services and specialists constantly carry out comprehensive inspections of occupational health and safety and power equipment operation in the structural subdivisions, and inspect workplaces of the crews.



ENVIRONMENTAL PROTECTION

Environmental protection issues are among the most important priorities of the Company under the Strategic Development Program of the Company.

Environmental activities of the Company shall be performed in accordance with the Environmental Code of the Republic of Kazakhstan, other regulatory legal acts and international treaties and agreements ratified by the Republic of Kazakhstan. The Company annually allocates funds for a complex of environmental activities, including industrial environmental control, monitoring of air and soil, ground, surface and waste water, waste management. For implementation of environmental measures in 2021 the Company allocated 48 million 265 thousand tenge.

The Company carries out a complex of measures to monitor the consumption of resources for activities, environmental impact assessment, environmental audits, rationing of emissions. Monitoring and assessment are carried out both by the Company itself and by third-party independent specialized organizations, in accordance with the concluded contracts.

These measures make it possible to assess the environmental impact of the Company's production facilities, thus reducing the negative impact on the environment and the life of people living in the vicinity of these facilities.

The main principles of the Company's activities in the field of environmental protection are:

- Contributing to the prevention of negative impacts on the environment;
- striving to adhere to the principles of the most careful and rational attitude towards the environment and supporting environmental protection initiatives in every possible way;
- energy conservation and rational use of natural and energy resources at all stages of production activity;
- reduction and environmentally safe management of emissions and waste.

Prevention of environmental pollution is a determining factor in all operational decisions during loading and unloading operations.

The fundamental principles of the environmental policy are:

- Energy conservation and rational use of natural and energy resources at all stages of production activities;
- reduction and environmentally safe handling of emissions and waste;
- improvement of technological production processes;
- transparency and accessibility of the environmental monitoring results;
- Involving the personnel of the Company's entities in environmental activities by developing and improving their environmental upbringing and education;

The Company's environmental activities are carried out in the following areas:

1. Organization and conduct of industrial monitoring to obtain target indicators of environmental quality:
 - monitoring of atmospheric air, including:
 - monitoring the efficiency of dust and gas purification equipment and compliance with established emission standards;
 - monitoring of soils, land resources and industrial waste, including:
 - control over the level of soil contamination in the area of cargo areas and sites;
 - control over the formation, use and disposal of production and consumption waste;
- Developing and planning environmental protection measures;
- Monitoring the implementation of environmental protection measures;
- minimizing the environmental and human health impact of the Company's production processes.

For 2021 development of funds allocated for environmental protection measures amounted to 99% (48,265.0 thousand tenge with plan 48,624.1 thousand tenge), information is reflected in Table 12.



FULFILLMENT OF ENVIRONMENTAL PROTECTION PLAN BY KDTS in 2021

Name	Unit of measurement	Planned for 2020	Achieved for 2020
Expenses for environmental actions	thousand tenge	48,624.1	48,265.0

2. Keeping records of emissions into the environment by each branch of the Company, analyzing production monitoring data for compliance with environmental requirements, providing production environmental control data.

Consumption and production wastes for 2021 amounted to 3,767.5 tons, when for the same period it amounted to 4,434.1 tons (Table 13). The decrease in the volume of waste removal and disposal is associated with the introduction of quarantine for coronavirus infection, which led to a decrease in the volume of work.

ENVIRONMENTAL PERFORMANCE OF THE COMPANY for 2021

No. n/a	Type of emissions and environmental charges	Unit of measurement	2021 year	2020 year
1	Air emissions	ton	25.9	26.1
		ton	3,767.5	4,434.1
2	Waste consumption and production	ton	13.0	21.8
		ton	3,754.5	4,412.3

All branches of the Company have environmental emission permits in accordance with the requirements of the regional environmental protection authorities.



COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS

To comply with the requirements of the Environmental Code and to minimize the impact of production processes on the environment and human health, the Company developed environmental protection measures to minimize the possible reduction of emissions into the environment.

The main ones are:

- Planting of green spaces (trees and bushes), breakdown of new lawns and flower beds;
- Organizing separate collection of paper, plastic and glass with subsequent transfer to specialized organizations for recycling;
- Collecting and storing waste in metal containers and removing it to authorized garbage collectors;

- Collection of spent mercury-containing lamps in special containers and submitting them for demercurization.

For the purpose of environmental improvement of the territories of production units, the Company's structural subdivisions hold annual cleaning day aimed at cleaning, landscaping and beautification of territories, whitewashing and painting of buildings and structures, maintaining the territories of production units in accordance with sanitary and epidemiological requirements.





06

ANNEXES



CONSOLIDATED FINANCIAL STATEMENTS

Agreement No. 34031841 A009/90/2-U of 12.07.2019 (Supplementary Agreement No. 1 to Agreement “90/2-98/1-U of 29.10.2020) was concluded between the Company and Pricewaterhouse (hereinafter PwC), under which services were provided for the audit of the consolidated financial statements of the Company for 2020.

The remuneration paid to the audit firm PwC for the audit of the 2020 financial statements amounted to 56,910,000 (fifty-six million nine hundred ten thousand) tenge.

(Consolidated financial statements are attached)





INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

CORPORATE GOVERNANCE CODE

The Corporate Governance Code of NC JSC “Kazakhstan Temir Zholy” (hereinafter – the Code) was approved by the decision of the Management Board of Samruk-Kazyna JSC dated May 27, 2015 (Minutes No. 22/15).

The Code was developed in accordance with the laws of the Republic of Kazakhstan, the internal documents of Samruk-Kazyna JSC, taking into account the corporate governance practices evolving in Kazakhstan and the world, the Transformation Program of the Fund, approved by the Board of Directors of the Fund on September 17, 2014 (Minutes №113). The provisions of the Code are applicable to organizations, more than fifty percent of the shares of which are directly or indirectly owned by the Fund, and are applied taking into account the peculiarities provided by the legislation of the Republic of Kazakhstan.

The objectives of the Code are to improve corporate governance in JSC “Samruk-Kazyna” and its organizations, ensure transparency of governance, confirm the commitment of JSC “Samruk-Kazyna” and its organizations to the standards of good corporate governance.

INFORMATION ON COMPLIANCE WITH THE REQUIREMENTS OF THE CORPORATE GOVERNANCE CODE

The Board of Directors of “Kedentransservice” JSC is responsible for monitoring compliance with the provisions of the Corporate Governance Code. In accordance with the provisions of the Code, the Office of the Corporate Secretary prepared a report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code.

According to the analysis results, in practice the Company complies with 93% of provisions of the Code, another 6% of provisions of the Code are partially complied with, 1% of provisions are not complied with and 57 provisions of the Code are not applicable to KDTS.

▶▶▶ INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholder and the Board of Directors of Kedentransservice Joint Stock Company:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kedentransservice Joint Stock Company (the "Company") and its subsidiary (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the consolidated financial statements.

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A, 4th floor, Almaty, Kazakhstan, A25D5F6
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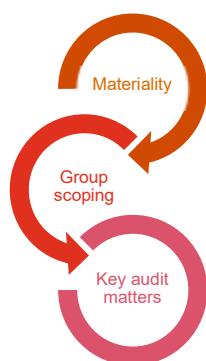


Independent auditor's report (Continued)

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Our audit approach

Overview



- Overall Group materiality: Kazakhstani Tenge ("KZT") 373 million, which represents approximately 5% of profit before tax.
- We conducted audit work at 2 reporting units in 1 country.
- Our audit scope addressed 99% of the Group's revenues, 99% of the Group's absolute value of underlying profit before tax and 99% of Group's assets.
- Agreement for transfer of obligations and fitting platforms;
- Recognition of revenue from transport and forwarding services – principal - agent relationships.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	Kazakhstani Tenge ("KZT") 373 million
How we determined it	approximately 5% of profit before tax



Independent auditor's report (Continued)

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Rationale for the materiality benchmark applied

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Agreement for transfer of obligations and fitting platforms</p> <p><i>Notes 7 and 29 to the consolidated financial statements</i></p> <p>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 fitting platforms. As a result of this transaction, Kedentransservice JSC is an issuer of Tenge bonds with a nominal value of Tenge 21,848,328 thousand, which is confirmed by the Astana International Exchange (AIX) certificate dated 27 January 2021. The holder of the bonds is the parent company, NC Kazakhstan Temir Zholy JSC. Also, as a result of this transaction, Kedentransservice JSC received 3,803 fitting platforms from Kaztemirtrans JSC to repay debt resulting from the transfer of bond obligations. At the time of the asset transfer, the fair value of fitting platforms was lower than bond obligations by Tenge 486,147 thousand. This difference was recognised as the amount of accounts receivable of Kaztemirtrans JSC to the Group. As of 31 December 2021, this account receivable to the Group from Kaztemirtrans JSC was closed by offsetting existing accounts payable to Kaztemirtrans JSC.</p>	<p>Our audit procedures in relation to the accounting of bonds and fitting platforms included:</p> <ul style="list-style-type: none"> • review of contract on transfer of bond obligations; • verification of the initial recognition and subsequent accounting of bonds in accordance with the requirements of IFRS 9 Financial Instruments; • confirmation of registration of the issue of bonds by the Company on Astana International Exchange (AIX); • confirmation of coupon payments made during 2021; • confirmation of the fair value of the fitting platforms and confirmation of the fair value of the bond obligations; • testing of documents for receiving fitting platforms in order to confirm the transfer of ownership of assets; • verification of the completeness and reliability of disclosures in the consolidated financial statements.



Independent auditor's report (Continued)

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Recognition of revenue from transport and forwarding services – principal - agent relationships

Notes 4 and 30 to the consolidated financial statements

Revenue from transport and forwarding services for the year ended 31 December 2021 amounted to Tenge 1,366,648 thousand (for the year ended 31 December 2020: Tenge 1,269,078 thousand).

Transport and forwarding services are services that represent several performance obligations in each individual buyer's request, as they are distinct, identifiable and there is no significant integration between them. For third-party services, including transport services, management believes that the Group acts as an agent in these agreements.

Under agreements where the Group acts as an agent, third-party costs, including the railway tariff, are excluded from both revenue and operating expenses. As a result of this accounting, the amount of railway fare and services of third parties directly attributable to these types of services, excluded from both revenue and operating expenses, amounted to Tenge 31,279,154 thousand for the year ended 31 December 2021 (2020: Tenge 30,003,722 thousand).

Our audit procedures in relation to the appropriate recognition of revenue from transport and forwarding services included the following:

- analysis of contracts for forwarding services to determine whether there are criteria for services for which the Group acts as an agent;
- verification of the adjustment amount to exclude third party expenses from revenue and operating expenses;
- verification of the completeness and reliability of disclosures in the consolidated financial statements;
- receiving written representations from management regarding the determination of the adjustment amount.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Significant operations (99%) of the Group are concentrated at the level of the Company located in the Republic of Kazakhstan and audited by us. Based on our ongoing assessment, we have included the Company in our audit scope.



Independent auditor's report (Continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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



Independent auditor's report (Continued)

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

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

From the matters communicated with those charged with governance, 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 engagement partner on the audit resulting in this independent auditor's report is Dana Inkarbekova.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved and signed by:




 Dana Inkarbekova
 Managing Director
 PricewaterhouseCoopers LLP
 (General State License of the Ministry of
 Finance of the Republic of Kazakhstan
 #0000005 dated 21 October 1999)

Auditor in charge
 (Qualified Auditor's Certificate
 #0000492 dated 18 January 2000)

23 February 2022

Almaty, Kazakhstan

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management of Joint Stock Company Kedentransservice (hereinafter - the "Company") is responsible for the preparation of the consolidated financial statements of the Company and its subsidiary (together referred to as - "the Group") that present fairly in all material respects the consolidated financial position of the Group as at 31 December 2021, and the consolidated financial results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards.

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.

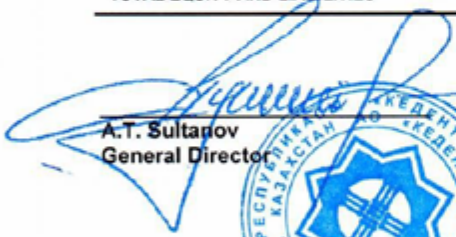
These consolidated financial statements for the year ended 31 December 2021 were approved by management of Kedentransservice JSC on 23 February 2022.

On behalf of Management of the Group:

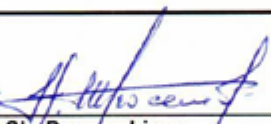
 A.T. Sultanov General Director	 N.Sh. Dyusembinov Deputy General Director for economics and finances	 K.K. Mukhatova Head of Accounting and Tax Reporting Sector
 23 February 2022 Nur-Sultan city, Republic of Kazakhstan	23 February 2022 Nur-Sultan city, Republic of Kazakhstan	23 February 2022 Nur-Sultan city, Republic of Kazakhstan

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Financial Position


<i>In thousands of Kazakhstani Tenge</i>	<i>Note</i>	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	7	41,631,820	20,348,109
Investment property	8	4,551,347	4,600,837
Right-of-use assets	9	854,597	1,954,871
Intangible assets	10	361,089	269,538
Other non-current assets	11	4,942	6,240
Investments	12	2,330	2,330
Total non-current assets		47,406,125	27,181,925
Current assets			
Inventories	13	723,587	1,017,506
Trade receivables	14	2,689,464	5,428,217
Receivables from related parties	38	157,558	137,544
Advances given	15	3,172,723	3,238,127
Advances given to related parties	36	44,743	126,916
Prepaid income tax	36	1,240,781	953,432
Taxes receivable	16	819,386	799,106
Other receivables	17	83,650	96,458
Short-term financial investments	18	472,466	119,227
Cash and cash equivalents	19	11,659,227	3,308,031
Total current assets		21,460,629	15,623,608
TOTAL ASSETS		68,866,754	42,805,533
EQUITY			
Share capital	21	1,255,242	1,255,242
Retained earnings		29,744,108	28,086,792
Actuarial profits		7,676	4,390
TOTAL EQUITY		31,007,026	29,326,424
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	36	2,114,347	920,383
Loan payable	28	4,171,459	5,054,317
Bond liabilities	29	21,848,328	-
Non-current portion of deferred income		197,006	-
Lease liabilities	27	863,451	1,893,626
Non-current liabilities on employee benefits	26	168,437	162,850
Total non-current liabilities		29,363,028	8,041,176
Current liabilities			
Trade payables	22	2,483,481	1,441,678
Accounts payable to related parties	38	127,534	43,520
Contract liabilities	23	2,183,991	1,868,142
Taxes payable	24	66,617	41,463
Current liabilities on employee benefits	26	27,678	16,551
Other payables and accrued liabilities	25	1,942,210	747,417
Current portion of loan payables	28	908,684	911,457
Current portion of bond liabilities	29	533,311	-
Current portion of deferred income		6,667	-
Current portion of lease liabilities	27	216,527	367,705
Total current liabilities		8,496,700	5,437,933
TOTAL LIABILITIES		37,859,728	13,479,109
TOTAL EQUITY AND LIABILITIES		68,866,754	42,805,533


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23 February 2022
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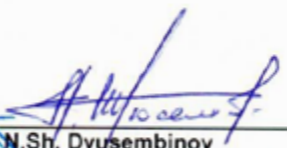
The accompanying notes are an integral part of these financial statements.

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income


<i>In thousands of Kazakhstani Tenge</i>	Note	2021	2020
Operating income	30	37,991,403	36,639,563
Other operating income	34	117,632	299,115
Operating expenses	31	(28,757,195)	(30,632,743)
Foreign exchange gain		90,746	489,956
Finance costs	32	(2,769,323)	(744,591)
Finance income	33	500,638	73,793
Reversal of/(loss from) the impairment of financial assets	35	241,048	(985,433)
Profit before income tax		7,414,949	5,139,660
Income tax expense	36	(1,968,920)	(1,370,947)
Profit for the year		5,446,029	3,768,713
Other comprehensive income for the period			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gains less losses from revaluation at fair value			
Remeasurements of post-employment benefit obligations		3,286	(9,205)
Income tax recorded directly in other comprehensive income		-	-
Other comprehensive income/(loss) for the year		3,286	(9,205)
Total comprehensive income for the year		5,449,315	3,759,508


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The accompanying notes are an integral part of these financial statements.


**Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Changes in Equity**

<i>In thousands of Kazakhstani Tenge</i>	Note	Share capital	Retained earnings	Actuarial profits	Total equity
Balance at 1 January 2020		1,255,242	29,604,119	13,595	30,872,956
Profit for the year		-	3,768,713	-	3,768,713
Other comprehensive loss for the year		-	-	(9,205)	(9,205)
Total comprehensive income for the year		-	3,768,713	(9,205)	3,759,508
Dividends declared		-	(5,941,663)	-	(5,941,663)
Adjustment of the current period		-	635,623	-	635,623
Balance at 31 December 2020		1,255,242	28,066,792	4,390	29,326,424
Balance at 1 January 2021		1,255,242	28,066,792	4,390	29,326,424
Profit for the year		-	5,446,029	-	5,446,029
Other comprehensive income for the year		-	-	3,286	3,286
Total comprehensive income for the year		-	5,446,029	3,286	5,449,315
Dividends declared	21	-	(3,768,713)	-	(3,768,713)
Balance at 31 December 2021		1,255,242	29,744,108	7,676	31,007,026




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The accompanying notes are an integral part of these financial statements.

Kedentransservice Joint Stock Company and Its Subsidiary
Consolidated Statement of Cash Flows

in thousands of Kazakhstani Tenge		Note	2021	2020
Cash flows from operating activities:				
Profit before income tax			7,414,949	3,768,713
Adjustments for:				
Finance costs	32		2,769,323	744,591
Finance income	33		(500,638)	(73,793)
Depreciation and amortization	31		2,821,047	1,551,456
Reversal of/(loss from) the impairment of financial assets	35		(241,048)	985,433
Impairment loss on non-financial assets	31		714,054	507,688
Income from stock count of PPE	34		-	(10,790)
Recovery of written off accounts payable	34		-	534
Employee benefit obligations	28		16,714	21,718
Accrual of/(decrease in) provision for unused vacations and bonus payments			1,055,968	(434,435)
(Loss)/gain from disposal of property, plant and equipment			259,589	(2,390)
Foreign exchange translation difference			(90,746)	(489,956)
Operating income before working capital changes			14,219,202	6,568,767
Change in in trade receivables and receivables from related parties			167,891	(3,215,070)
Change in advances given			71,984	(1,591,506)
Change in taxes receivable			(20,280)	213,316
Change in other receivables			284,898	32,578
Change in inventories			262,771	239,309
Change in trade payables and payables to related parties			1,262,357	30,984
Change in other payables and accrued liabilities			715,580	(426,298)
Change in contractual obligations			319,135	940,405
Change in taxes payable			25,154	1,366,820
Change in other assets			267,072	14,418
Cash flows from operating activities			17,575,764	4,173,723
Income taxes paid			(1,004,690)	(1,497,472)
Interest paid	27,28,29		(2,901,776)	(720,402)
Interest received			326,479	638
Net cash flows from operating activities			13,995,777	1,956,487
Cash flows from investing activities:				
Purchases of property, plant and equipment and advances paid for property, plant and equipment			(169,154)	(3,486,169)
Proceeds from the sale of property, plant and equipment			927	-
Purchases of intangible assets			(178,395)	(108,420)
Proceeds from the sale of other non-current assets			-	23,650
Financial aid			(353,650)	-
Net cash used in investing activities			(700,272)	(3,570,939)
Cash flows from financing activities:				
Dividends paid	21		(3,768,713)	(5,531,168)
Proceeds from loans	28		-	6,201,805
Repayment of loans	28		(892,858)	(244,630)
Repayment of lease liabilities	27		(386,280)	(569,973)
Net cash used in financing activities			(5,047,851)	(163,966)
Net increase/(decrease) in cash and cash equivalents			8,247,654	(6,778,418)
Cash and cash equivalents at the beginning of the year	19		3,308,031	9,530,244
Effect of changes in expected credit loss allowance			(457)	-
Effect of exchange rate changes on balance of cash and cash equivalents in foreign currency			103,999	556,205
Cash and cash equivalents at the end of the year	19		11,659,227	3,308,031

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Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

1 The Group and its Operations

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:

Entity's name	Principal activity	Company's share interest	
		31 December 2021	31 December 2020
Transport holding of Kazakhstan LLP	Activity in the area of the railway industry	100%	100%

On 22 May 2020, as a result of the buyback from PJSC TransContainer of 50% of the voting shares of Logistic System Management B.V. Private Limited LIA. ("LSM"), NC Kazakhstan Temir Zholy JSC owns 100% of the shares of the Company (indirect ownership through LSM). On 22 November 2020, there was a state re-registration of the Company's shares in the Central Securities Depository JSC, as a result of which, NC Kazakhstan Temir Zholy JSC became the Sole Shareholder of the Company.

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

At 31 December 2021 and 31 December 2020, the number of employees was 1,755 and 1,921, respectively.

Presentation currency. These consolidated financial statements are presented in Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

2 Political and Economic Situation in the Republic of Kazakhstan

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 debt and equity securities in the markets. 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.

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organization announced an outbreak of a new type of coronavirus, COVID19, as a pandemic. In response to the pandemic, the Kazakhstani authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed.

COVID-19 epidemic is spreading globally, having a severe negative effect on the entire world economy. Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Company/ Group in the future. Management believes that it is taking all necessary measures to maintain the sustainability and growth of the Company/ Group in current circumstances.

In the opinion of the Company's/Group's management, this event related to the outbreak of the virus does not have a material effect on the measurement of assets and liabilities in the financial statements as of 31 December 2021.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 432.93 per USD 1, compared to Tenge 431.67 per USD 1 as at 31 December 2021 (31 December 2020: Tenge 420.71 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

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.

Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Group in the future. Management believes that it is taking all necessary actions to maintain the sustainability and growth of the Group in current circumstances.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 39 provides additional information on how the Group incorporates forward-looking information in its ECL models.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities directly or indirectly controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group's entities. When a subsidiary is purchased, its assets and liabilities are evaluated at fair value at the date of acquisition. Financial and operating results of acquired or sold subsidiaries for the year are included into the consolidated statement of comprehensive income and profit and losses from the time of actual acquisition or to the date of actual disposal.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-current assets classified as held for sale

Non-current assets are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Held for sale non-current assets are measured at the lower of their carrying amount and fair value less costs of disposal. Held for sale property, plant and equipment and investment properties are not depreciated or amortised. Reclassified investment properties held at fair value are not subject to write down to the lower of their carrying amount and fair value less costs of disposal.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Financial instruments – key measurement terms

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement category: AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 38 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 38. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 38 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Property, plant and equipment

Property, plant and equipment acquired before 1 April 2003 are stated at fair value less accumulated depreciation. Valuation of fair value of property, plant and equipment was performed by an independent appraiser as of 1 April 2003. The results were reflected in the value of property, plant and equipment as at 1 January 2002, and recognized as the beginning value at the date of IFRS first-adoption less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 April 2003 are stated at cost less accumulated depreciation. Cost of purchased property, plant and equipment represents consideration paid on the acquisition of the related assets, as well as other direct costs incurred during delivery of the assets and necessary preparations for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

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, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method over their estimated useful lives:

	Useful lives in years
Buildings	10 to 140
Constructions	10 to 100
Transfer devices	15 to 59
Machinery and equipment	3 to 35
Vehicles, including	
- mobile transport	10 to 40
- motor transport	4 to 15
Other property, plant and equipment	2 to 20

Construction in progress includes costs directly related to the construction of property, plant and equipment, including appropriate allocation of directly attributable variable overheads incurred in the construction. Depreciation of these assets is charged on the same basis as for other assets, and commences from the date of putting into use. Carrying value of construction in progress is reviewed regularly to ensure its fair presentation and identify necessity to recognize impairment losses.

Profit or loss on disposal or write-off 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

Investment property is recognized as an asset if, and only if:

- 1) it is probable that future economic benefits will flow from the investment property; and
- 2) the value of the investment property can be reliably estimated.

All investment property costs are measured in accordance with this principle at the time they are incurred. These costs include both the initial cost of acquiring the investment property and the subsequent cost of adding, replacing parts or maintaining the investment property.

Investment property is initially measured at cost. Actual costs of acquiring an investment property include the purchase price and any direct costs. Direct costs include, for example, professional legal fees, taxes on transfer of property and other transaction costs.

The actual cost of a commercially constructed investment property is the cost at the date of completion of construction or renovation. Earned rental income is recorded in profit or loss for the year within revenue.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3. Significant Accounting Policies (Continued)

Intangible assets

Intangible assets are stated at cost less accumulated depreciation. Intangible assets are amortised using the straight-line method over their estimated useful lives from 2 to 7 years.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group assesses whether there is any indication for impairment of the current value of property, plant and equipment and intangible assets. If any such indication exists, the recoverable amount of the asset is determined in order to identify impairment loss amount (if any). If it is impossible to estimate the recoverable amount for an individual asset, the Group estimates the recoverable amount of the cash-generating unit the asset belongs to.

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

Inventories

Inventories are recognized at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price less the estimated cost of completion, marketing expenses, selling and transportation expenses.

Value added tax (VAT)

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium in equity.

Dividends

Dividends are recognized as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable 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 utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that there is sufficient future taxable profit available against which the deductions can be utilised.

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

Carrying value of deferred tax assets is revised at the end of each reporting period and reduced if it not highly probable that the Group will obtain taxable profit that would be sufficient for full or partial use of such assets.

Deferred tax balances are measured at tax rates (and provisions of tax legislation) enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when asset will be realised or liability will be settled. Assessment of deferred tax liabilities and assets reflects tax effect of the Group's intention (as of the reporting date) in relation to means of recovery/(redemption) of carrying value of assets/(liabilities).

Current and deferred taxes are recognized in profit or loss, unless they relate directly to other comprehensive income or equity. In this case, current and deferred taxes are also recognized in other comprehensive income or directly in equity.

Right-of-use assets

The Group leases various offices, railway platforms and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Buildings	7
Vehicles	7
Railway platforms	2

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based 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 purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The 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 associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of 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 taxes. Under agreements where the Group acts as an agent, third party costs, including the railway tariff, are excluded from both revenue and cost (Note 4).

The Group recognizes revenue upon fulfillment of contractual obligations based on approved documents between the respective parties. On an annual basis, the Group analyzes the effect of recognizing revenue from the provision of services as they are rendered. The carry-over effect on revenue on an annual basis largely overlaps the incoming and outgoing balances. Management believes that this effect does not have a significant effect on these consolidated financial statements.

The Group provides the following types of services:

Transport and forwarding services are services that represent several performance obligations in each individual buyer's request, as they are distinct, identifiable and there is no significant integration between them. For third party services, including transport services, management believes that the Group acts as an agent in these agreements. Accordingly, the Group recognizes revenue from customers on a net basis. Under agreements where the Group acts as an agent, third party costs, including the railway tariff, are excluded from both revenue and cost of sales. (Note 4).

Handling of railcars - revenue from the rent of containers and rail cars is recognised in the period when services are provided according to tariffs (prices) set in the contract for the provision of services. Payment is made by the Customer in accordance with the terms of the contract for handling of railcars.

Cargo overload and fastening on Dostyk station is providing of reloading services among railcars designed for different width of rails. Revenue from overload and fastening services is recognised in the period when services are rendered.

Terminal activities are services of terminal processing of cargo in railcars and containers including loading-reloading and other services. Revenue from terminal activities is recognised in the period when services are rendered.

Rent is presented by providing of infrastructure of loading yards and locomotives. Revenue from rent is recognised in the period when services are rendered.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

Warehousing and storage of cargo are providing cargo, containers and railcars storage services in the territory of cargo terminals and temporary storage warehouses. Revenue from warehousing and storage of cargo is recognised in the period when services are rendered.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Provisions

Provisions are recognized in the consolidated financial statements when the Group has a present (legal or constructive) obligation as a result of events that occurred in the past, and it is probable that an outflow of funds related to the economic benefits to settle the obligation, and the obligation can be estimated reliably. When the Group expects that a provision will be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is likely. 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 obligation. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Employee benefits

The Group provides employee benefits to employees at the end of employment (lump-sum payments at retirement, financial assistance) and other long-term employee benefits (financial aid for employees' disability, significant anniversaries and funeral aid to the employees) in accordance with the provisions of the collective agreement.

The entitlement to post-employment benefits is usually conditional on the employee remaining employed until the retirement age and the completion of a minimum service period.

Post-employment benefit of the Group are unfunded defined benefit plans and are valued in accordance with IAS 19, *Employee Benefits*. Actuarial and investment risks related to the unfunded defined benefit plans remain with the Group.

When measuring the obligation in respect of the unfunded defined benefit plans the Group initially determines the gross amount of payments due to employees for their services rendered in the current and prior periods; actuarial assumptions are developed. After that, the discounted value of the obligations in respect of the post-employment defined benefit plans is determined and current service cost is calculated using the projected credit unit method.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

3 Significant Accounting Policies (Continued)

The Group recognises as part of its profit or loss:

- current service cost;
- past service cost and any profit or loss, which originates from remeasurement of the plan obligations; and
- net amount of the interest related to the defined pension benefit plan obligation.

The Group recognises the actuarial gains or losses from the remeasurement of the net defined pension benefit plan obligation as part of other comprehensive income. The entitlement to other long-term employee benefits is conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the unfunded defined pension benefit plan.

In respect of the other long-term employee benefits the Group recognises the current and past service cost, net interest expense for the net liability, actuarial gains and losses (remeasurement of the net liability) as part of Group's profit or loss.

In accordance with the legislation of the Republic of Kazakhstan, the Group makes payments of 10% of employee compensation as a contribution to the Single Accumulative Pension Fund, but no more than Tenge 212,500 per month starting from 1 January 2021 to 31 December 2021 (Tenge 212,500 per month starting from 1 January 2020 to 31 December 2020). Mandatory pension contributions are deducted from employee compensation. The Group has no other obligations relating to pension payments.

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge"). Exchange rates at 31 December 2021 were as follows: US Dollar/Tenge – 431.67, Euro/Tenge – 487.79, Russian Rouble/Tenge – 5.77, Chinese Yuan/Tenge – 67.73, and Uzbek sum/Tenge – 0.0399 (31 December 2020: US Dollar/Tenge – 420.71, Euro/Tenge – 516.13, Russian Rouble/Tenge – 5.65, Chinese Yuan/Tenge – 64.49, and Uzbek sum/Tenge – 0.0403).

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the 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 transport and forwarding services

Transport and forwarding services are services that represent several performance obligations in each individual buyer's request, as they are distinct, identifiable and there is no significant integration between them. For third-party services, including transport services, management believes that the Group acts as an agent in these agreements.

Under agreements where the Group acts as an agent, third-party costs, including the railway tariff, are excluded from both revenue and operating expenses. As a result of this accounting, the amount of railway fare and services of third parties directly attributable to these types of services, excluded from both revenue and operating expenses, amounted to Tenge 31,279,154 thousand for the year ended 31 December 2021 (2020: Tenge 30,003,722 thousand).

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Liabilities carried at amortised cost

Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. 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 on which the amount could be required to be paid.

Investment property accounting method

Investment properties are reported in the Group's consolidated financial statements at cost less accumulated depreciation and allowance for impairment losses. The Group's management believes that the judgment applied to the new investment property accounting method is a true and reliable estimate of the assets.

Component accounting

The Group evaluates components of property, plant and equipment for separate accounting purposes based on the materiality of the cost of the component and on the basis of the significantly different residual life of the component.

According to the instructions for the maintenance of railcars and fitting platforms in operation, the Group regularly carries out major repairs, due to the fact that major repairs to restore serviceability and full or close to full restoration of the resource of an asset, major repairs are a capitalized type of repair. Therefore, capital repair expenses are recognized as a component of property, plant and equipment when the costs are incurred. The cost of wheelsets is expensed at the time of installation on property, plant and equipment, such wheelsets are included in inventory, which is in line with the Group's accounting policy.

Going concern

Management prepared these consolidated financial statements on a going concern basis. The management's decision is based on the financial position of the Group, its current intentions, profitability of operations and access to financial resources. At 31 December 2021, the Group's current assets exceeded current liabilities by Tenge 12,963,929 thousand (31 December 2020: Tenge 10,185,675 thousand).

The following factors were considered in assessing the Group's ability to continue as a going concern:

- The Group is a part of the largest industrial Kazakhstani enterprise National Company Kazakhstan Temir Zholy JSC. The management and shareholders of the Group have neither the intention nor the need to liquidate the Group.
- The Group has prepared a monthly cash flow forecast for the period 12 months after the reporting date and has not found a cash deficit in any of these months.

These consolidated financial statements do not include any adjustments to the carrying amounts of assets and liabilities, income and expenses, and the classification of the statement of financial position, which would be necessary in the event of an inability to continue operations, and such adjustments could be material.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment of non-financial assets

The Group analyzes indications of impairment of property, plant and equipment at each reporting date. Indications indicating a possible impairment of the carrying value of property, plant and equipment are identified as a result of scheduled stock counts carried out prior to the reporting date by the Group's technical services. If any such indication is identified, the asset's recoverable amount is estimated to determine the amount of any impairment loss, if any. If it is not possible to estimate the recoverable amount for an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. If the asset's (or cash-generating unit's) recoverable amount is less than its carrying amount, then the asset's (or cash-generating unit's) carrying amount is reduced to the asset's recoverable amount. An impairment loss is recognized immediately as an expense in the period.

Based on the analysis performed, the Group's management did not identify any indications of impairment of non-financial assets at 31 December 2021.

5 Adoption of New or Revised Standards and Interpretations

New Standards and Interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

6 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. The function of chief operating decision maker responsible for operational decision are performed by the Deputy General Director for Economics and Finance.

(a) 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; and
- rent.

(b) Factors that management used to identify the reportable segments

The Group monitors profitability measures these being:

- profit before tax, and
- profit for the year.

However, profit after 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.

(c) Geographical information

Analysis of revenue by geographical location of customers:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Kazakhstan	30,358,390	22,788,509
Russia	4,770,681	9,487,026
Poland	1,690,378	-
Estonia	359,180	-
Kyrgyzstan	321,270	30,831
China	221,312	2,829,846
Switzerland	167,444	119,500
Germany	36,767	11,578
USA	30,971	1,316,405
Belgium	15,202	-
Uzbekistan	3,477	25,042
Belarus	1,948	21,217
Other countries	14,383	9,609
Total revenue	37,991,403	36,639,563

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Notes to the Consolidated Financial Statements - 31 December 2021

6 Segment Information (Continued)

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

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

<i>In thousands of Kazakhstani Tenge</i>	Terminal services and overload	Transport and forwarding services	Handling of railcars	Rent	Unallocated results	Total
Operating income	13,083,295	1,366,648	22,489,907	996,927	54,626	37,991,403
Other operating income	-	-	-	-	117,632	117,632
Operating expenses	(9,675,444)	-	(15,019,193)	(164,772)	(3,897,786)	(28,757,195)
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
Reversal of the impairment on financial assets	-	-	-	-	241,048	241,048
Profit before income tax	3,417,227	1,366,648	4,893,506	832,155	(3,094,587)	7,414,949
Income tax expense	-	-	-	-	(1,968,920)	(1,968,920)
Profit for the year	3,417,227	1,366,648	4,893,506	832,155	(5,063,507)	5,446,029
Other comprehensive income for the year	-	-	-	-	3,286	3,286
Total comprehensive income for the year	3,417,227	1,366,648	4,893,506	832,155	(5,060,221)	5,449,315
Other key information about segments						
Depreciation and amortisation (Note 31)	(744,872)	-	(1,637,666)	-	(438,509)	(2,821,047)
Capital expenditure	345,197	-	-	-	-	345,197
Impairment loss on non- financial assets (Note 31)	(714,064)	-	-	-	-	(714,064)

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Notes to the Consolidated Financial Statements - 31 December 2021

6 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Terminal Services	Transport and forwarding services	Handling of railcars	Rent	Unallocated results	Total
Operating income	13,959,665	1,269,078	20,871,978	530,125	8,717	36,639,563
Other operating income	-	-	-	148,363	150,752	299,115
Operating expenses	(10,255,037)	(57,942)	(17,958,465)	(154,824)	(2,206,475)	(30,632,743)
Foreign exchange gain	-	-	-	-	489,956	489,956
Finance costs	-	-	(744,591)	-	-	(744,591)
Finance income	-	-	-	-	73,793	73,793
Loss from the impairment on financial assets	-	-	-	-	(985,433)	(985,433)
Profit before income tax	3,704,628	1,211,136	2,168,922	523,664	(2,468,690)	5,139,660
Income tax expense	-	-	-	-	(1,370,947)	(1,370,947)
Profit for the period	3,704,628	1,211,136	2,168,922	523,664	(3,839,637)	3,768,713
Other comprehensive income for the year	-	-	-	-	(9,205)	(9,205)
Total comprehensive income for the year	3,704,628	1,211,136	2,168,922	523,664	(3,848,842)	3,759,508
Other key information about segments						
Depreciation and amortisation (Note 31)	(729,181)	-	(193,788)	-	(628,487)	(1,551,456)
Capital expenditure	943,979	-	-	-	-	943,979
Impairment loss on non- financial assets (Note 31)	(507,688)	-	-	-	-	(507,688)

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

7 Property, Plant and Equipment

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings	Construc- tions	Transfer devices	Machinery and equipment	Railway transport	Vehicles	Other	Construction in progress	Total
Cost										
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
Additions	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)
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										
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)
Depreciation charge for the year	-	(90,151)	(180,147)	(4,376)	(409,467)	(1,644,326)	(92,762)	(28,050)	-	(2,449,279)
Impairment provision	-	(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
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										
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
Effect from revision of useful lives of property, plant and equipment at 1 January 2022	-	1,359	4,276	4	82,742	-	8,374	429	-	97,184

Kedentransservice Joint Stock Company and Its Subsidiary
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7 Property, Plant and Equipment (Continued)

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings	Construc- tions	Transfer devices	Machinery and equipment	Railway transport	Vehicles	Other	Construction in progress	Total
Cost										
At 1 January 2020	318,967	2,099,827	6,037,544	252,366	5,666,234	1,773,472	1,550,891	280,414	1,688,986	19,668,701
Additions	-	-	10,790	-	101,008	7,753,872	147,263	72,246	380,960	8,466,139
Disposals	-	(8,938)	(3,447)	(414)	(77,083)	-	(151,955)	(17,030)	(38,743)	(297,610)
Transfer from investment property	-	-	-	-	-	968,527	-	-	-	968,527
Internal transfers	-	591,768	220,517	-	56,798	66,597	6,551	1,748	(943,979)	-
At 31 December 2020	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
Accumulated depreciation and impairment										
At 1 January 2020	-	(743,609)	(1,832,762)	(146,788)	(2,987,830)	(318,172)	(909,803)	(183,487)	(15,396)	(7,137,847)
Depreciation charge for the year	-	(69,700)	(166,205)	(6,350)	(417,761)	(166,299)	(114,355)	(27,156)	-	(967,826)
Impairment provision	-	(34,077)	-	-	-	-	(8,876)	-	(401,080)	(444,033)
Disposals	-	8,308	3,366	414	76,244	-	135,165	13,450	38,684	275,631
Transfer from investment property	-	-	-	-	-	(206,714)	-	-	-	(206,714)
Reversal of impairment	-	-	7,643	-	3,089	-	12,409	-	-	23,141
At 31 December 2020	-	(839,078)	(1,987,958)	(152,724)	(3,326,258)	(691,185)	(885,460)	(197,193)	(377,792)	(8,457,648)
Carrying amount										
At 31 December 2020	318,967	1,843,579	4,277,446	99,228	2,420,699	9,871,283	667,290	140,185	709,432	20,348,109
Effect from revision of useful lives of property, plant and equipment at 1 January 2021	-	21	8,661	1,745	41,770	-	19,940	1,849	-	74,031

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7 Property, Plant and Equipment (Continued)

On 12 June 2020, the Group entered into an agreement to open a credit line in the amount of Tenge 6,236,160 thousand with SB Sberbank JSC, the loan was disbursed in the amount of Tenge 6,201,805 thousand. Thus, in 2020, the Group purchased 300 freight wagons for the total amount of Tenge 7,753,872 thousand, as part of the investment program. The acquisition of the assets was financed by the bank loan, as well as by the Group's free cash. In accordance with the property pledge agreement with SB Sberbank JSC, all property, plant and equipment acquired through the bank loan will be pledged on the basis of a separately concluded agreement on the pledge of movable/immovable property. As of 31 December 2021, the carrying value of pledged property was Tenge 7,401,942 thousand.

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 fitting platforms. As a result of this transaction, Kedentransservice JSC is an issuer of Tenge bonds with a nominal value of Tenge 21,848,328 thousand, which is confirmed by the Astana International Exchange (AIX) certificate dated 27 January 2021. The holder of the bonds is the parent company, NC Kazakhstan Temir Zholy JSC. Also, as a result of this transaction, Kedentransservice JSC received 3,803 fitting flatcars from Kaztemirtrans JSC to repay debt resulting from the transfer of obligations under the bonds. At the time of the asset transfer, the fair value of fitting platforms was lower than obligations under the bonded loan by Tenge 486,147 thousand. This difference was recognized as the amount of accounts receivable of Kaztemirtrans JSC to the Group. As of 31 December 2021, this account receivable to the Group from Kaztemirtrans JSC was closed by offsetting existing accounts payable to Kaztemirtrans JSC.

On 18 February 2021, acts of acceptance and transfer of property were signed on the basis of an agreement dated 26 January 2021 between Kedentransservice JSC and KTZ Express JSC. For the purpose of partial repayment of accounts payable, KTZ Express JSC transfers into the ownership of Kedentransservice JSC transshipment points 4A and 4B at Dostyk station, as well as a container transshipment terminal at Altynkol station. The cost of assets transferred was Tenge 2,822,156 thousand including VAT.

The Group revised the useful lives of property, plant and equipment at 1 January 2022 and reflected this change as a change in accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The effect of the revision of the useful lives of property, plant and equipment amounted to Tenge 97,184 thousand (at 1 January 2021: Tenge 74,031 thousand). At 31 December 2021, the historical cost of fully depreciated property, plant and equipment was Tenge 1,857,229 thousand (2020: Tenge 1,768,624 thousand). For the year ended 31 December 2021, the Group recognized the impairment of construction in progress items for the amount of Tenge 677,721 thousand (31 December 2020: Tenge 401,080 thousand).

8 Investment Property

At 31 December 2021, the carrying amount of investment property carried at amortized cost was Tenge 4,551,347 thousand (31 December 2020: Tenge 4,600,837 thousand). The Group hired an external appraiser, which determined the market value of the assets in the amount of Tenge 5,575,965 thousand.

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Cost of investment property at 1 January	4,600,837	4,660,671
- accrued depreciation for the period	(52,476)	(59,834)
- transfer from property, plant and equipment	2,986	-
Amortized cost of investment property at 31 December	4,551,347	4,600,837

Rental income from investment property in 2021 amounted to Tenge 718,289 thousand (2020: Tenge 530,125 thousand).

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

8 Investment Property (Continued)

One of the largest items of investment property is a business center in Almaty city, which is leased to the US Consulate General by management company, AP Property Management, on the basis of a real estate trust agreement dated 28 September 2018. The US Consulate has been a lessee of real estate since 2018, and the lease ends in July 2022. The monthly rental payment for 1 square meter is USD 41. The management of the Group expects with high probability the extension of the current lease, due to the lessee's interest in extending the term for the following reasons:

- economic inexpediency of changing location, due to the high capital costs incurred for the arrangement of special improvements;
- existing legal restrictions on relocation, due to the need to obtain permits from the authorized body to relocate the US Consulate in the Republic of Kazakhstan (Almaty city).

9 Right-of-Use Assets

From 1 January 2019, the lease is recognized as a right-of-use asset reflecting a corresponding liability from the date on which the leased asset is available for use by the Group. Movements in right-of-use assets for the year ended 31 December 2021 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Buildings	Vehicles	Total
Carrying amount at 1 January 2021	1,946,436	8,435	1,954,871
Disposals	(602,659)	(7,592)	(610,250)
Modification	(252,560)	-	(252,560)
Depreciation	(236,620)	(843)	(237,463)
Carrying amount at 31 December 2021	854,597	-	854,597

Movements in right-of-use assets for the year ended 31 December 2020 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Land	Buildings	Vehicles	Railway platforms	Total
Carrying amount at 1 January 2020	102,686	2,702,270	31,426	792,080	3,628,462
Modification	-	(65,424)	504	-	(64,920)
Disposals	(102,686)	(265,179)	(18,174)	-	(386,039)
Transfer to property, plant and equipment	-	-	-	(761,813)	(761,813)
Depreciation	-	(425,231)	(5,321)	(30,267)	(460,819)
Carrying amount at 31 December 2020	-	1,946,436	8,435	-	1,954,871

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

10 Intangible Assets

Movements in intangible assets for the year ended 31 December 2021 are presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	Software	Other	Total
Cost			
1 January 2021	815,987	1,923	817,910
Additions	173,379	-	173,379
Disposals	(200)	-	(200)
At 31 December 2021	989,166	1,923	991,089
Accumulated amortization and impairment			
1 January 2021	(546,449)	(1,923)	(548,372)
Charge for the year	(81,828)	-	(81,828)
Disposals	200	-	200
At 31 December 2021	(628,077)	(1,923)	(630,000)
Carrying amount			
At 31 December 2021	361,089	-	361,089
At 1 January 2021	269,538	-	269,538

Movements in intangible assets for the year ended 31 December 2020 are presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	Software	Other	Total
Cost			
1 January 2020	778,057	1,923	779,980
Additions	159,145	-	159,145
Disposals	(121,215)	-	(121,215)
At 31 December 2020	815,987	1,923	817,910
Accumulated amortization and impairment			
1 January 2020	(604,701)	(1,923)	(606,624)
Charge for the year	(62,977)	-	(62,977)
Disposals	121,229	-	121,229
At 31 December 2020	(546,449)	(1,923)	(548,372)
Carrying amount			
At 31 December 2020	269,538	-	269,538
At 1 January 2020	173,356	-	173,356

Kedentransservice Joint Stock Company and Its Subsidiary
Notes to the Consolidated Financial Statements - 31 December 2021

11 Other Non-current Assets

As at 31 December 2021 and 31 December 2020, other non-current assets consist of the following:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Advances given for capital repairs and purchase of property, plant and equipment	1,229,010	1,229,010
Loan given to employee	4,942	6,240
Less: provision for advances given	(1,229,010)	(1,229,010)
Total other non-current assets	4,942	6,240

The advances given for capital repairs and purchase of property, plant and equipment include an advance given for the acquisition of fitting platforms for the amount of Tenge 1,229,010 thousand to OJSC Novozybkov Machine-Building Plant (the "NMBP") pursuant to the Contract dated 21 December 2017. This advance payment was insured in the insurance company, Kommesk-Omir JSC (the "Insurer"). During 2018, NMBP did not perform its contractual obligations. At 31 December 2018, the Group recognized a provision for the total advance amount given to NMBP. The Group filed a claim against NMBP for the recovery of the advance payment, forfeit and penalty. Upon consideration, the court of Nur-Sultan city decided in favour of the Group for the amount of Tenge 2,340 million.

In 2019, the Group filed an application with the arbitration court of the Bryansk Region for the recognition and enforcement in the Russian Federation of the decision of the court of Nur-Sultan city. On 30 August 2019, the arbitration court satisfied the claims of the Group. At the same time, the Group applied to the Insurer several times with a demand to pay the insured amount, for which the Insurer invariably responded with a refusal.

The Group filed a claim to declare the Insurer's refusal to make the insurance payment illegal and to recognize the insured event under the contract as having occurred. The occurrence of an insured event was recognized by the court, and the Group applied to the Almaty SIEC with a claim to recover the sum insured from the Insurer.

On 19 March 2020, by the decision of the SIEC of Almaty, it was decided to deny the Group the claims against which the Group filed an appeal. On 17 June 2020, the Collegium for Civil Cases of the Almaty City Court refused to satisfy the Group's complaint.

On 25 September 2020, the Group applied to the Judicial Collegium for Civil Cases of the RK Supreme Court with demands to cancel the decision of the SIEC of Almaty dated 19 March 2020 and the Resolution of the Judicial Collegium on Civil and Administrative Cases of the Almaty City Court dated 17 June 2020.

By the resolution dated 9 December 2020 of the RK Supreme Court, the Resolution of the Judicial Collegium for Civil and Administrative Cases of the Almaty City Court dated 17 June 2020 was cancelled, the case was sent for a new consideration to the Almaty City Court with a different composition of judges.

By the decision of the Almaty Court dated 11 February 2021, the decision of the Almaty SIEC dated 19 March 2020 was left unchanged.

On 16 February 2021, the Group has sent for approval a draft cassation appeal against the decision of the Almaty City Specialized Interdistrict Economic Court dated 19 March 2020 and the Resolution of the Judicial Collegium for Civil Cases of the Almaty City Court dated 11 February 2021.

On 5 April 2021, according to the Resolution of the Judicial Collegium for Civil Cases of the Supreme Court of the Republic of Kazakhstan it was denied to transfer a petition on review of the decision of the Almaty City Specialized Interdistrict Economic Court dated 19 March 2020 and the Resolution of the Judicial Collegium for Civil Cases of the Almaty City Court dated 11 February 2021 for consideration at the court session of the Judicial Collegium for Civil Cases of the Supreme Court of the Republic of Kazakhstan.

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12 Investments

At 31 December 2021, investments are represented by 10% interest in the share capital of Transeurasia CJSC and amount to Tenge 2,330 thousand (31 December 2020: Tenge 2,330 thousand).

13 Inventories

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Materials	604,487	933,463
Fuel	59,355	48,732
Spare parts	16,858	23,296
Goods purchased for resale	2,277	2,653
Other	80,736	52,063
Less: provision for slow-moving and obsolete inventories	(40,126)	(42,701)
Total inventories	723,587	1,017,506

Change in the provision for slow-moving and obsolete inventories for the year ended 31 December 2021 and 31 December 2020 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
At 1 January	(42,701)	(16,268)
Charged for the year	(31,148)	(87,508)
Reversed	-	712
Written off	33,723	60,363
At 31 December	(40,126)	(42,701)

14 Trade Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Trade receivables	4,517,134	7,509,958
Credit loss allowance	(1,827,670)	(2,081,741)
Total trade receivables at 31 December	2,689,464	5,428,217

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales for previous 12 months. The credit loss allowance for trade receivables is determined according to the provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

Trade receivables are written off in full or partially when the Group has practically applied all debt recovery measures and concluded that there are no reasonable grounds to expect a return of the debt. This is usually the case when the receivables are overdue for more than 360 days.

Kedentransservice Joint Stock Company and Its Subsidiary
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14. Trade Receivables (Continued)

At 31 December 2021, the provision matrix is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables			
- current			
- less than 30 days overdue	1.43%	2,042,238	(15,682)
- 30 to 60 days overdue	2.00%	370,608	(1,494)
- 60 to 90 days overdue	7.16%	120,934	(1,547)
- over 90 days overdue	11.79%-100%	1,983,354	(1,808,947)
Total trade receivables (gross carrying amount)		4,517,134	
Credit loss allowance			(1,827,670)
Total trade receivables (carrying amount)		2,689,464	

At 31 December 2020, the provision matrix is as follows:

<i>In thousands of Kazakhstani Tenge</i>	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables			
- current			
- less than 30 days overdue	5.01%	3,015,558	(155,584)
- 30 to 60 days overdue	8.14%	2,646,024	(215,312)
- 60 to 90 days overdue	26.19%	54,567	(14,289)
- over 90 days overdue	40.18%-100%	1,793,809	(1,696,556)
Total trade receivables (gross carrying amount)		7,509,958	-
Credit loss allowance		-	(2,081,741)
Total trade receivables (carrying amount)		5,428,217	-

Kedentransservice Joint Stock Company and Its Subsidiary
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14. Trade Receivables (Continued)

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between 31 December 2021 and 31 December 2020.

<i>In thousands of Kazakhstani Tenge</i>	Credit loss allowance 2021	Credit loss allowance 2020
Trade receivables		
Balance at 1 January	(2,081,741)	(1,221,766)
New originated or purchased	(289,313)	(1,166,555)
Reversal	543,384	282,684
Total credit loss allowance charge in profit or loss for the period	254,071	(883,871)
Write-offs	-	23,896
Balance at 31 December	(1,827,670)	(2,081,741)

At 31 December 2021 and 31 December 2020, trade receivables are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Tenge	2,613,374	5,427,715
US Dollars	76,090	502
Total trade receivables	2,689,464	5,428,217

15 Advances Given

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
For provision of services	3,319,861	3,294,707
For purchase of goods	9,736	22,702
Less: provision for advances given	(156,874)	(79,282)
Total advances given	3,172,723	3,238,127

The main share of advances given at 31 December 2021 is attributed to KTZh-Freight Transportation in the amount of Tenge 2,453,999 thousand for re-billed transport and forwarding services.

Change in the provision for advances given as at 31 December 2021 and 31 December 2020 is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
At 1 January	(79,282)	(24,502)
Charged for the year	(78,702)	(54,796)
Reversed	1,110	16
At 31 December	(156,874)	(79,282)

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16 Taxes Receivable

At 31 December 2021 and 31 December 2020, taxes receivable included the following:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Value added tax	795,648	776,086
Property tax	13,233	9,915
Social tax	3,113	4,737
Land tax	2,477	3,096
Vehicles tax	1,370	1,689
Personal income tax	263	263
Other	3,282	3,320
Total taxes receivable	819,386	799,106

17 Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Other receivables	46,530	45,391
Less: allowance for doubtful accounts	(46,530)	(45,391)
Total financial assets within other receivables		
Claims receivable	130,731	156,400
Deferred expense	31,458	35,836
Receivables from employees	2,220	49,783
Loans to employees	1,299	1,299
Other	5,946	7,720
Less: allowance for doubtful accounts	(88,004)	(154,580)
Total other receivables	83,650	96,458

Change in the allowance for doubtful accounts as at 31 December 2021 and 31 December 2020 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
At 1 January	(199,971)	(108,457)
Reversed	120,679	(2,255)
Charged for the year	(55,242)	(89,259)
At 31 December	(134,534)	(199,971)

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Notes to the Consolidated Financial Statements - 31 December 2021

18 Short-Term Financial Investments

At 31 December 2021, short-term financial investments of the Group were represented by the following deposits:

- with the Kazakhstani banks with an original maturity of more than three months but less than one year;
- intra-group financial assistance issued to the parent company.

At 31 December 2021, short-term financial investments of the Group were represented by deposits held with the Kazakhstani banks with an original maturity of more than three months but less than one year and financial aid given to the parent company (Note 38):

<i>In thousands of Kazakhstani Tenge</i>	Currency	Interest rate, %	Maturity	31 December 2021
National Company Kazakhstan Temir Zholy JSC	Tenge	Not applicable	28 April 2021-28 April 2022	471,469
Sberbank of Russia JSC SB	Tenge	8.3	18 October 2021 - 19 October 2022	997
Total short-term financial investments				472,466

At 31 December 2020, short-term financial investments of the Group were represented by deposits held with the Kazakhstani banks with an original maturity of more than three months but less than one year and financial aid given to the parent company (Note 38):

<i>In thousands of Kazakhstani Tenge</i>	Currency	Interest rate, %	Maturity	31 December 2020
National Company Kazakhstan Temir Zholy JSC	Tenge	Not applicable	26 October 2020 - 26 October 2021 20 September 2020 – 20 September 2021	118,229
Sberbank of Russia JSC SB	Tenge	5.5	September 2021	998
Total short-term financial investments				119,227

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Notes to the Consolidated Financial Statements - 31 December 2021

19 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Cash on bank accounts, Tenge	7,436,911	1,766,059
Cash on bank accounts, US dollars	4,211,957	1,537,015
Cash in transit	10,428	1,464
Cash on hand	357	218
Cash on bank accounts, Chinese Yuan	289	2,722
Cash on bank accounts, Uzbek Sum	121	239
Cash on bank accounts, Russian Roubles	-	690
Cash on bank accounts, Belarus Roubles	-	4
Credit loss allowance	(836)	(380)
Total cash and cash equivalents	11,659,227	3,308,031

At 31 December 2021 and 31 December 2020, the credit quality of cash and cash equivalents balances is summarised as follows:

<i>In thousands of Kazakhstani Tenge</i>	Rating	2021	2020
		Bank balances on demand	Bank balances on demand
Altyn Bank JSC	BBB- Fitch Ratings	7,955,438	975,670
Halyk Bank Kazakhstan JSC	BBB-Fitch Ratings	2,335,033	450,165
Sberbank JSC SB	BBB- Fitch Ratings	1,356,411	975,213
Cash in transit	N/a	10,428	-
National Bank for Foreign Economic Activity of Uzbekistan	BB- Fitch Ratings	2,107	1,090
Cash on hand	N/a	357	218
Bank of China	A Fitch Ratings	289	2,722
ForteBank JSC	B+ Fitch Ratings	-	900,043
BTA Bank CJSC Brest Directorate BSC	N/a	-	3,290
Credit loss allowance		(836)	(380)
Total cash and cash equivalents		11,659,227	3,308,031

20 Non-Current Assets Classified as Held for Sale

In August 2018 the Group and Qazaq Banki JSC entered into the Settlement Agreement ("Agreement"), whereby the deposits payable from Qazaq Banki JSC to the Group are settled using immovable property (3 residential apartments, 3 parking spaces and 2 non-residential commercial premises) in Almaty city. The Group registered its title to these facilities. At 31 December 2021, the value of these properties is Tenge 397,044 thousand (31 December 2020: Tenge 397,044 thousand).

At 31 December 2021 and 31 December 2020, management classified the assets received from Qazaq Banki JSC as non-current assets held for sale. Management of the Group is performing the sales plan for these assets.

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21 Share Capital

At 31 December 2021 and 31 December 2020, the authorized, issued and fully paid share capital of the Group included 1,255,242 shares with par value of Tenge 1,000 per each.

At 31 December 2021, shares were allocated as follows:

Shareholder	Share, %	Number of shares	Thousand Tenge
National Company Kazakhstan Temir Zholy JSC	100%	1,255,242	1,255,242
Total share capital	100%	1,255,242	1,255,242

At 31 December 2020, shares were allocated as follows:

Shareholder	Share, %	Number of shares	Thousand Tenge
National Company Kazakhstan Temir Zholy JSC	100%	1,255,242	1,255,242
Total share capital	100%	1,255,242	1,255,242

On 22 November 2020, the re-registration of shares of Logistic System Management B.V. Private Limited LIA. took place, as a result of which the National Company Kazakhstan Temir Zholy JSC became the sole shareholder of the Group.

On 9 June 2021, dividends for 2020 were declared for the total amount of Tenge 3,768,713 thousand. As of 31 December 2021, dividends were paid. In 2020, dividends for 2018 and 2019 were declared in the total amount of Tenge 5,941,663 thousand.

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22 Trade Payables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
For services	1,840,673	1,207,628
For property, plant and equipment and intangible assets	564,143	169,955
For goods	78,665	64,095
Total trade payables	2,483,481	1,441,678

At 31 December 2021 and 31 December 2020, trade payables were denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Tenge	2,222,662	1,120,497
US Dollars	260,546	314,207
Uzbek Sums	186	7
Russian Roubles	71	6,966
Belarus Roubles	16	1
Total trade payables	2,483,481	1,441,678

23 Contract Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Contract liabilities	2,183,991	1,868,142
Total contract liabilities	2,183,991	1,868,142

24 Taxes Payable

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Personal income tax	38,579	22,675
Social tax	25,899	16,552
Other	2,139	2,236
Total taxes payable	66,617	41,463

25 Other Payables and Accrued Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Provision for bonuses	1,210,823	191,755
Provision for unused vacations	304,318	267,418
Short-term warranty liabilities	262,139	164,115
Liabilities on other obligatory and voluntary payments	111,051	77,189
Payables to employees	50,085	44,232
Other payables	3,794	2,708
Total other payables and accrued liabilities	1,942,210	747,417

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26 Employee Benefit Obligations

Movements in employee benefit obligations for the period ended 31 December 2021 and 31 December 2020 are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Total liabilities at 1 January	179,401	157,685
Current cost of services	15,663	15,751
Benefits paid	(22,259)	(21,045)
Actuarial revaluation recognized in other comprehensive loss	(3,286)	9,205
Actuarial loss recognized in profit or loss for the period	8,118	3,054
Interest expenses	18,478	14,751
Total liabilities at the end of the year	196,115	179,401
Including liabilities maturing within a year	27,678	16,551
Liabilities maturing after one year	168,437	162,850
Total obligations at 31 December	196,115	179,401

27 Lease Liabilities

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021		31 December 2020	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Within one year	345,039	216,527	712,689	367,705
From two to five years inclusive	1,047,396	863,451	2,466,659	1,729,775
Over five years	-	-	185,614	163,851
Net liabilities	1,392,435	1,079,978	3,364,962	2,261,331
Less future finance costs	(312,457)	-	(1,103,631)	-
Present value of lease liabilities	1,079,978	1,079,978	2,261,331	2,261,331
Less the amount due within 12 months	-	(216,527)	-	(367,705)
Amount due after 12 months		863,451		1,893,626

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Notes to the Consolidated Financial Statements - 31 December 2021

27 Lease Liabilities (Continued)

The Group has recognized the following lease liabilities:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Short-term lease liabilities	216,527	367,705
Long-term lease liabilities	863,451	1,893,626
Total lease liabilities	1,079,978	2,261,331

Interest expense included in finance costs in 2021 amounted to Tenge 173,058 thousand (2020: Tenge 418,775 thousand). For the year ended 31 December 2021, cash payments amounted to Tenge 386,280 thousand (2020: Tenge 589,973 thousand) on debt principal and Tenge 173,058 thousand (2020: Tenge 418,775 thousand) on interests. For the year ended 31 December 2021, as a result of disposal, termination of lease contracts, the right-of-use asset decreased by Tenge 610,250 thousand (Note 9) and lease liabilities decreased by Tenge 724,016 thousand. Thus, finance income from disposal amounted to Tenge 113,766 thousand (Note 33). For the year ended 31 December 2020, as a result of disposal, termination of lease contracts, the right-of-use asset decreased by Tenge 386,039 thousand (Note 9) and lease liabilities decreased by Tenge 434,401 thousand. Thus, finance income from modification amounted to Tenge 48,362 thousand (Note 33).

Expenses related to short-term lease included in operating expenses:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Expenses related to short-term leases	1,962,943	10,350,114

Expenses related to short-term lease include railcar rental under a contract with KTZ Express JSC and Kaztemirtrans JSC in the amount of Tenge 1,930,456 thousand for 2021 (2020: Tenge 10,312,998 thousand). These contracts are executed for one year. In subsequent years, a new agreement is executed, in which the number of railcars and the railcars themselves may change.

28 Borrowings

On 12 June 2020, the Group entered into an agreement on opening a credit line in the amount of Tenge 6,236,160 thousand with Sberbank JSC SB for the purchase of 300 units of freight wagons. The actual disbursement of the loan amounted to Tenge 6,201,805 thousand, received in seven tranches during 2020. The interest on the loan is repaid in monthly instalments at an interest rate of 12.75%. The principal is repayable in quarterly instalments until fully repaid in 2027.

For the year ended 31 December 2021, interest expenses amounted to Tenge 704,975 thousand (2020: Tenge 310,226 thousand) (Note 32). At 31 December 2021, the accrued interest on the loan was Tenge 15,826 thousand (31 December 2020: Tenge 18,599 thousand) and the short-term portion of the loan was Tenge 892,858 thousand (31 December 2020: Tenge 892,858 thousand).

The table below shows the movement of the loan for 2021 and 2020:

<i>In thousands of Kazakhstani Tenge</i>	Bank	Balance at 31 December 2020	Reclassification	Interest expense	Payment of principal	Payment of interest	Balance at 31 December 2021
Long-term portion of loan	Sberbank JSC SB	5,064,317	(892,858)	-	-	-	4,171,459
Short-term portion of loan	Sberbank JSC SB	892,858	892,858	-	(892,858)	-	892,858
Accrued interest	Sberbank JSC SB	18,599	-	704,975	-	(707,748)	15,826
Total borrowings		5,975,774	-	704,975	(892,858)	(707,748)	5,080,143

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28 Borrowings (Continued)

<i>In thousands of Kazakhstani Tenge</i>	Bank	Loan received	Reclassifi- cation	Interest expenditures on loans	Payment of principal	Payment of interest	Balance at 31 December 2020
Long-term portion of loan	Sberbank JSC SB	6,201,805	(1,137,488)	-	-	-	5,064,317
Short-term portion of loan	Sberbank JSC SB	-	1,137,488	-	(244,630)	-	892,858
Accrued interest	Sberbank JSC SB	-	-	310,226	-	(291,627)	18,599
Total borrowings		6,201,805	-	310,226	(244,630)	(291,627)	5,975,774

On 20 August 2021, Kedentransservice JSC, RSE "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 the purchase of freight platform cars. According to the subsidizing agreement, the RSE "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%. Thus, the Group recognized deferred income in the amount of Tenge 206,451 thousand. As of 31 December 2021, depreciation of deferred income amounted to Tenge 2,778 thousand (Note 32). As of 31 December 2021, the long-term portion of deferred income is Tenge 197,006 thousand, the short-term portion of deferred income is Tenge 6,667 thousand.

29 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 Tenge bonds with a nominal value of Tenge 21,848,328 thousand, which is confirmed by the Astana International Exchange (AIX) certificate dated 27 January 2021. The holder of the bonds is the parent company, NC Kazakhstan Temir Zholy JSC.

The debt 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 2021, interest accrued amounted to Tenge 2,554,281 thousand. Interest in the amount of Tenge 679,270 thousand falls on the period from 26 September 2020 to 26 January 2021, when the issuer was Kaztemirtrans JSC. At the time of interest payment for 2021, Kaztemirtrans JSC transferred Tenge 679,270 thousand to the bank account of Kedentransservice JSC. The remaining part of Tenge 1,875,011 thousand is the accrued interest of Kedentransservice JSC, from the moment of registration at AIX. This amount is included in the Group's finance costs for 2021 (Note 32). The payment of accrued interest was made by the Group in the amount of Tenge 2,020,970 thousand.

The table below presents movement in bond obligations for 2021:

<i>In thousands of Kazakhstani Tenge</i>	Platform	Bonds received	Interest for the previous period	Interest expense	Payment of interest	Balance at 31 December 2021
Long-term portion of loan	AIX	21,848,328	-	-	-	21,848,328
Short-term portion of loan	AIX	-	679,270	1,875,011	(2,020,970)	533,311
Total bonds		21,848,328	679,270	1,875,011	(2,020,970)	22,381,639

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30 Operating Income

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Handling of railcars	22,489,907	20,871,978
Reloading and fastening of freights related to international carriage	10,029,404	10,571,730
Terminal services	2,423,728	2,680,338
Transportation and forwarding services	1,366,648	1,269,078
Rent	996,927	530,125
Warehousing and storage	630,163	695,384
Other operating income	54,626	20,930
Total operating income	37,991,403	36,639,563

31 Operating Expenses

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Payroll expenses	7,298,362	5,413,682
Third party services related to principal activities	5,344,433	6,384,654
Maintenance and repair	5,074,652	772,136
Depreciation and amortisation	2,821,047	1,551,456
Rent	1,962,943	10,350,114
Works and services for freight transportation and handling	1,878,665	2,172,618
Materials	1,120,869	1,216,982
Impairment loss on non-financial assets	714,064	507,688
Taxes other than income tax	405,977	702,123
Consulting and information services	240,608	129,787
Other	1,895,575	1,431,503
Total operating expenses	28,757,195	30,632,743

32 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Interest expense on bonds	1,875,011	-
Interest on loan	704,975	310,226
Interest expense on lease liabilities	173,058	418,775
Other finance costs	16,279	15,590
Total finance costs	2,769,323	744,591

33 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Interest on current accounts and short-term financial investments	370,882	24,793
Income from disposal under lease contracts	113,766	48,362
Interest income on deposits	13,212	638
Income from government grants	2,778	-
Total finance income	500,638	73,793

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Notes to the Consolidated Financial Statements - 31 December 2021

34 Other Operating Income

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Income from fines and claims	90,874	116,611
Reimbursement of expenses	12,344	2,450
Income from accommodation	7,075	9,347
Income from trust management of property	-	148,363
Income from stock count of PPE	-	10,790
Gain on disposal of assets	-	2,382
Reversal of written-off payables	-	(534)
Other income	7,339	9,706
Total other operating income	117,632	299,115

35 Reversal of/(Loss from) the Impairment of Financial Assets

The table below reflects the impairment loss on financial assets for 2021 and 2020:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
(Recovery of)/provision for doubtful debts	(241,916)	991,150
Provision for cash and cash equivalents	868	(5,717)
Total (reversal of)/loss from the impairment of financial assets	(241,048)	985,433

36 Income Tax Expense

The income tax rate in the Republic of Kazakhstan, where the Group operates, was 20% in 2021 and 2020.

The Group's income tax expense for 2021 and 2020 comprised:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Current income tax expense	771,670	1,032,541
Deferred income tax expense recognized in profit or loss	1,197,250	338,406
Income tax expense	1,968,920	1,370,947

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36 Income Tax Expense (Continued)

Movement in items, which give rise to the deferred income tax, was as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	Charged/ (credited) to profit or loss	Charged to other comprehensive income	31 December 2020	Charged/ (credited) to profit or loss	Charged to other comprehensive income	31 December 2021
Tax effect of deductible temporary differences							
Allowance for doubtful accounts	265,200	191,133	-	456,333	(63,902)	-	392,431
Employee benefit obligations	210,258	(109,218)	(9,205)	91,835	207,908	3,286	303,029
Provision for slow-moving and obsolete inventories	3,254	5,286	-	8,540	(515)	-	8,025
Taxes payable	4,678	(760)	-	3,918	2,710	-	6,628
Lease liability	-	450,998	-	450,998	(235,002)	-	215,996
Other	51,996	95,272	-	147,268	(142,163)	-	5,105
Total deferred tax asset	535,386	632,711	(9,205)	1,158,892	(230,964)	3,286	931,214
Tax effect of taxable temporary differences							
Long-term non-financial assets	1,117,363	961,912	-	2,079,275	966,286	-	3,045,561
Gross deferred tax liability	1,117,363	961,912	-	2,079,275	966,286	-	3,045,561
Less offsetting with deferred tax assets	(535,386)	(632,711)	9,205	(1,158,892)	230,964	(3,286)	(931,214)
Total deferred tax liability	581,977	329,201	9,205	920,383	1,197,250	(3,286)	2,114,347

Below is the reconciliation of corporate income tax at 20% with the actual corporate income tax expense recognized in the consolidated statement of profit and loss and other comprehensive income of the Group:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Profit before income tax	7,414,949	5,139,660
Tax at statutory rate of 20%	1,482,990	1,027,932
Adjustments for:		
Non-deductible expenses in determining taxable profit	141,903	116,786
Impairment of assets (construction in progress)	142,813	72,479
Other	201,214	153,750
Income tax expense	1,968,920	1,370,947

The income tax prepaid at 31 December 2021 was Tenge 1,240,781 thousand (31 December 2020: Tenge 953,432 thousand).

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37 Contingencies and 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.

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 purpose of determining the tax base, the tax legislation refers to IFRS provisions, at that the interpretation of relevant IFRS provisions by Kazakhstan tax authorities may differ from the accounting policies, judgements and assessments applied by management in preparation of these consolidated financial statements, which could lead to additional tax liabilities of 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 has been and continues to be the subject of legal proceedings and decisions from time to time which have not had, individually or in the aggregate, any significant impact on the Group.

As of 31 December 2021, one of the significant legal proceedings is pending on Novozybkov Machine-Building Plant OJSC/Kommesk Omir JSC (Note 11).

Management believes that the resolution of any other business matters will not have a material impact on the Group's financial position or performance.

Capital commitments

As of 31 December 2021, the Group has capital commitments of Tenge 575,080 thousand (31 December 2020: nil). More than 75% of this amount is an agreement with AST 2030 GROUP COMPANY LLP for the purchase of a large-capacity loader – a reach stacker.

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38 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2021 the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Associates	Other related parties
Short-term financial investments	471,880	-	-
Credit loss allowance	(411)	-	-
Advances given to related parties	-	44,018	725
Trade receivables from related parties	-	36,224	121,334
Trade payables to related parties	-	(113,821)	(13,713)

At 31 December 2020 the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Associates	Other related parties
Short-term financial investments	118,229	-	-
Advances given to related parties	-	128,236	680
Trade receivables from related parties	-	46,650	90,894
Trade payables to related parties	-	(36,727)	(6,793)

Income and expense items with related parties for 2021 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Associates	Other related parties
Operating income	-	237,652	743,972
Operating expenses	-	(2,090,153)	(103,414)
Finance income	-	113,766	-
Finance costs	(533,311)	-	-

Income and expense items with related parties for 2020 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Parent company	Associates	Other related parties
Operating income	-	12,479,112	9,582
Operating expenses	-	(12,059,379)	(47,369)
Finance income	-	-	48,362

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38 Related Party Transactions (Continued)

Outstanding balances at year-end are unsecured, interest free and payments are made in cash or by offsetting. There were no guarantees given or received on any receivables and payables to related parties.

Compensation of key management personnel of the Group

Key management personnel consist of the President, Vice-Presidents, President Advisors, Executive Directors, Chief Engineer, Chief Accountant and members of the Group's Board of Directors, in total 23 persons at 31 December 2021 (31 December 2020: 28 persons). Compensation of key management personnel for 2021 and 2020 is presented as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Salaries and bonuses	193,770	313,712
Social tax	16,906	27,756
Pension contributions	15,914	22,701
Social contributions	1,241	1,840
Total compensation of key management personnel	227,831	366,009

39 Financial Instruments, Objectives and Financial Risk Management Policy

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets. Credit risk is associated mainly with the Group's trade and other receivables, trade receivables from related parties, cash and cash equivalents, short-term financial investments. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure within a defined period. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

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39 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikelihood-to-pay criteria listed below:
- the borrower is deceased;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- it is becoming likely that the borrower will enter bankruptcy; and
- the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

The Group considers a financial instrument to have experienced a significant increase in credit risk (SICR) in the event of 365 days overdue.

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39 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of financial assets: financial assets with unique credit risk characteristics, individually significant financial assets and impaired financial assets. The Group performs an assessment on a portfolio basis for the following types of financial assets: trade receivables and trade receivables from related parties. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

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39 Financial Instruments, Objectives and Financial Risk Management Policy (Continued)

Receivables are classified either within stage 2 or stage 3:

- Stage 2 includes receivables, for which a simplified approach was applied to measure expected credit losses during the loan period, except for certain trade receivables classified in Stage 3,
- Stage 3 includes receivables overdue by more than 360 days or individually determined to be impaired.

The Group performs assessments based on external ratings for cash and cash equivalents and short-term financial investments.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future quarter during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

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The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue-chip corporate bonds exposures.

Capital deficit risk management

The Group manages its capital deficit risk to ensure that the Group will continue to work as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance.

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

Currency risk

Short-term and long-term payables of the Group denominated in US Dollars are accounted for in Tenge. Devaluation of Tenge against the US Dollar may cause an increase in the Group's expenses due to growth of the exchange rate.

In respect of foreign currency risk, management sets limits on the level of risk for each currency and in total. The table below shows the Group's foreign exchange rate risk at the end of the reporting period.

Sensitivity analysis in relation to foreign currency

Sensitivity risk in relation to the foreign currency was that consolidated financial results of the Group depend on changes in exchange rates to which the Group is exposed. The Group operates mainly in the territory of the Republic of Kazakhstan.

The following table reflects the Group's sensitivity to a 10% increase and decrease in the value of the Tenge against USD and Russian Rouble. This proportion of sensitivity used in the preparation of internal reporting on foreign currency risk internally for key management and represents management's assessment of reasonably possible changes in exchange rates. The sensitivity analysis includes only outstanding cash positions in foreign currency and adjusts their translation at the end of the period, taking into account a 10% change in Tenge/USD exchange rate and 5% change in Tenge/ Russian Rouble exchange rate (2020: 10%). The table below shows the change of financial assets by strengthening of Tenge by 10% against USD and Russian Rouble (2020: 10%). A positive number indicates an increase in pre-tax profit for the reporting period and negative - a decrease in pre-tax profit. When Tenge is weakening against the relevant currency the same and opposite impact on the pre-tax profit will be demonstrated.

<i>In thousands of Kazakhstani Tenge</i>	US Dollar effect	
	2021	2020
Financial assets	428,839	153,744
Financial liabilities	(26,055)	(31,421)
Equity	(322,227)	(97,859)
Profit for the year	322,227	97,859

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<i>In thousands of Kazakhstani Tenge</i>	Russian Rouble effect	
	2021	2020
Financial assets	-	69
Financial liabilities	(7)	(697)

It mainly relates to cash denominated in US Dollars at the reporting date.

Carrying value of financial assets and financial liabilities in foreign currency at 31 December was as follows:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Financial assets		
US Dollars	4,288,392	1,537,441
Russian Roubles	-	690
Financial liabilities		
US Dollars	(260,546)	(314,207)
Russian Roubles	(71)	(6,966)

Credit risk

Credit risk arising from the counterparties' default on the terms of contracts with the Group's financial instruments is usually limited to the amounts, if any, for which the value of the counterparty's obligations exceeds the obligations of the Group to these counterparties. The Group's policy provides operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk is equal to the carrying amount of each financial asset. The Group considers that its maximum risk is equal to the total of its trade receivables (Note 14), other receivables (Note 17) and receivables from related parties (Note 38) net of allowance for doubtful accounts, recorded at the reporting date.

Concentration of credit risk may arise if there are several outstanding amounts from one debtor or group of debtors with similar conditions of activity in respect of which there is a reason to expect that changes in economic conditions or other circumstances may equally affect their ability to fulfil their obligations.

The Group has a policy providing continuous monitoring to ensure that transactions would be concluded with customers having an adequate credit history and would not exceed the credit limits. Due to the fact that the obligations of counterparties are mainly represented by liabilities from related parties, the Group believes that these obligations will be repaid on demand.

The Group does not act as a guarantor for liabilities of third parties.

Market risk

Market risk is the possibility of fluctuations in the value of a financial instrument as a result of changes in market prices. 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 unlikely.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the shareholders of the Group, who created the necessary liquidity risk management framework for the management of the Group for managing liquidity requirements of short, medium and long-term financing. The Group manages liquidity risk by maintaining adequate reserves, banking loans and available credit lines, by continuously monitoring of forecasted and actual cash flows and comparing the maturity profiles of financial assets and liabilities.

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Liquidity risk tables

The following tables reflect the contractual terms of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes cash flows both on interest and principal payments.

<i>In thousands of Kazakhstani Tenge</i>	Weighted average effective 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 payables		2,017,670	153,656	94,636	209,970	7,549	2,483,481
Trade payables to related parties		127,412	-	122	-	-	127,534
Lease liabilities		65,722	131,331	856,623	26,302	-	1,079,978
Borrowing	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	552,988	4,076,754	31,215,905	633,430	38,804,243

<i>In thousands of Kazakhstani Tenge</i>	Weighted average effective rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2020							
Trade and other payables		1,391,349	44	1,175	49,110	-	1,441,678
Trade payables to related parties		43,520	-	-	-	-	43,520
Lease liabilities	11.5%-15.4%	67,462	151,644	1,703,701	174,673	163,851	2,261,331
Borrowing	12.75%	121,173	217,979	1,239,129	6,084,899	648,675	8,311,855
		1,623,504	369,667	2,944,005	6,308,682	812,526	12,058,384

Fair value of financial instruments

Fair value measurements are analysed and classified by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy.

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If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of financial assets of the Group carried at amortised cost approximate fair values due to their short-term maturities.

Financial liabilities carried at amortised cost

Fair value of financial liabilities is determined using appraisal methods. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities redeemable on demand or redeemable on prior notice ("liabilities redeemable on demand") is calculated as the amount payable on demand discounted starting from the first date of potential demand to repay the liability. Carrying amounts of financial liabilities of the Group carried at amortised cost approximate fair values due to their short-term maturities.

40 Significant Non-cash Investing Activities

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Non-cash investing activities		
Acquisition of property, plant and equipment in exchange for bonds (Note 6)	21,362,181	-
Acquisition of property, plant and equipment for the repayment of accounts receivable (Note 6)	2,822,156	-
Offsetting of accounts receivable (Note 6)	486,147	-
Non-cash investing activities	24,670,484	-

41 Events after the Reporting Period

On 2 January 2022 population protests triggered by the rise in fuel gas prices began in Mangistau region and further spread to other regions in Kazakhstan. In the course of the protests, a number of social and economic demands were made. Although the Government took a comprehensive set of measures in order to respond to the people's demands, including a decrease in fuel gas prices, protests consequently turned into social unrest, during which the municipal governments' ("akimat") and law enforcement authorities' buildings were captured. Major events took place in Almaty and southern regions of the country. As a result, on 5 January 2022 the state of emergency was declared until 19 January 2022, and restrictions were imposed on communication and transportation of both people and vehicles, including railway and airline carriage.

Currently, the situation in all regions of the country has stabilized, the state of emergency canceled. Utilities and life support systems have been fully restored, and restrictions on communication and transportation of both people and vehicles have been relieved.

The events have not had a material impact on the Group's operations; however, the tensions remain in the country, and further development of the events and their impact on the Group's operations is not possible to predict.



GLOSSARY

JSC	joint-stock company
JSC “NC “KTZ”	National Company Kazakhstan Temir Zholy JSC
KTZ-FT JSC	branch of JSC “NC “KTZ” – “Freight traffic”
Samruk-Kazyna JSC	National Welfare Fund Samruk-Kazyna JSC
AaMS	Administrative and managerial staff
GRP RK	gross regional product of the Republic of Kazakhstan
SME	state municipal enterprise
FTS	freight technical station
TEU	Twenty-foot equivalent – conventional unit of measurement
EU	European Union
RR	Railroad
KDTS	JSC “Kedentransservice
PRC	People’s Republic of China, China
PRC-EU	China – European Union
PRC-RF	China – Russian Federation
PRC-UTI	China – Uzbekistan
KPI	key performance indicators
LCC	large-capacity container
KTZE	JSC “KTZ Express”
KTТ	JSC Kaztemirtrans
KF	regional branches of Kedentransservice JSC
MW	Minimum wage
MNE	Ministry of National Economy
MSL	minimum subsistence level
IEC	International Electrotechnical Commission
NP	non-profit partnership
PJSC	Public Joint Stock Company
FA	fixed assets
OCBT	Organization for Cooperation between Railways
ALE	Association of Legal Entities
UTLC	United transport and logistics company
PJSC	Public Joint Stock Company
MPE	Maximum permissible emissions
TF	transshipment facility
RK	Republic of Kazakhstan
RF	Russian Federation
TSW	Temporary storage warehouse



BOD	Board of Directors
CRM-system	Customer Relationship Management system
OHSMS	Labor Safety Management System
LLP	limited liability partnership
LLP “THofK”	Transport Holding of Kazakhstan LLP
CCR	current cordon repairs
TRACECA	Transport corridor Europe-Caucasus-Asia
TGS	KTZ Branch of KTZ – Trunk Grid Directorate
ISS-Transportation	Information Settlement System-Transportation
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
TEU	equivalent of a 20-foot container



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