

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Forms of separate annual financial statements
for publication by public interest entities
(other than financial institutions) for the year ended
31 December 2022, in accordance with the format
approved by the Order of the Minister of Finance of the
Republic of Kazakhstan dated 28 June 2017 No. 404
(with amendments from 2 March 2022 No. 241)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of the forms of separate annual financial statements that present fairly the separate financial position of the Company as at 31 December 2022, and the separate results of its operations, separate cash flows and separate changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board, and with the format of annual financial statements for publication by public interest entities in the media (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404").

In preparing the forms of separate annual financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial position and separate financial performance;
- compliance with the format of annual financial statements approved by Order No.404, as well as compliance with the separate financial statements prepared in accordance with IFRSs; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company and ensure that the forms of the separate annual financial statements comply with the format of the annual financial statements approved by Order No.404, and which enable them to ensure that the separate financial statements of the Company comply with IFRSs;
- maintaining statutory accounting records in compliance with the legislation of the Republic of Kazakhstan and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

These forms of annual separate financial statements for the year ended 31 December 2022, were authorised for issue by management on 24 March 2023 and subject to further approval by the Board of Directors and the Shareholder.

On behalf of the Company's management:



Dair Kusherov
Finance Director

24 March 2023



Yelena Stankova
Chief Accountant

24 March 2023

INDEPENDENT AUDITOR'S REPORT ON THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS

To the Board of Directors and the Shareholder of Kazakhstan Temir Zholy
National Company JSC:

Qualified Opinion

We have audited the forms of separate annual financial statements of Kazakhstan Temir Zholy National Company JSC ("the Company"), which comprise the separate balance sheet as at 31 December 2022, and the separate statement of profit or loss, separate statement of cash flows and separate statement of changes in equity for the year then ended, and explanatory note to the forms of separate annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the Company's accompanying forms of separate annual financial statements for the year ended 31 December 2022 presented fairly, in all material respects, in accordance with the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404").

Basis for Qualified Opinion

We were not provided with sufficient and appropriate audit evidence regarding the fair value of non-cash contributions to equity of certain subsidiaries made prior to 1 January 2007, which are included in the carrying value of investments in subsidiaries, reflected as investments accounted for at cost in the separate balance sheet, in the amount of 177,640,985 thousand tenge as at 31 December 2022 and 2021. Accordingly, we were unable to determine whether any adjustments to this amount and related disclosures were necessary.

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 Forms of Separate Annual Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the forms of separate annual financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw your attention to:

- Note 2 to the forms of separate annual financial statements, which specifies the basis for their preparation. Forms of separate annual financial statements have been prepared to ensure that the Company complies with the requirements of Order No.404 regarding the preparation of forms of annual financial statements. As a result, these forms of separate annual financial statements may not be suitable for another purpose.
- Note 34 to the forms of separate annual financial statements, which discloses significant transactions of the Company with related parties.

Our opinion is not modified in respect of these matters.

Other Information

The Company prepared the separate set of the separate financial statements in accordance with International Financial Reporting Standards, in respect of which we issued a separate modified audit opinion to the Board of Directors and the Shareholder on 17 March 2023.

Responsibilities of Management and Those Charged With Governance for the Forms of Separate Annual Financial Statements

Management is responsible for the preparation and fair presentation of the forms of separate annual financial statements in accordance with Order No.404, and for such internal control as management determines is necessary to enable the preparation of forms of separate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process of the forms of separate annual financial statements.

Auditor's responsibilities for the audit of the forms of separate annual financial statements

Our objectives are to obtain reasonable assurance about whether the forms of separate annual 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 forms of separate annual financial statements.

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

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

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, related safeguards.



Olga Belonogova
Engagement Partner
Qualified Auditor
of the Republic of Kazakhstan
Qualification Certificate
No. MF – 0000865
dated 13 August 2019



Zhangir Zhilyshbayev
General Director
Deloitte LLP

State Audit License of the
Republic of Kazakhstan No. 0000015,
type MFU-2, issued by the Ministry of Finance
of the Republic of Kazakhstan
dated 13 September 2006

24 March 2023
Almaty, Republic of Kazakhstan

SEPARATE BALANCE SHEET

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.1 - B (balance sheet)

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

as at 31 December 2022

in thousands of tenge

ASSETS	Line	At the end of the reporting period	At the beginning of the reporting period
I. Current assets			
Cash and cash equivalents	010	201,293,539	110,549,296
Current financial assets at amortised cost	011	163,734,906	115,700,017
Current financial assets at fair value through other comprehensive income	012	-	-
Current financial assets at fair value through profit or loss	013	-	-
Current derivative financial instruments	014	-	-
Other current financial assets	015	6,049,763	5,201,892
Current trade and other accounts receivable	016	48,048,187	3,708,276
Current lease receivables	017	37,540	14,430
Current contract assets	018	-	-
Current income tax	019	265,623	265,623
Inventories	020	23,075,286	18,710,018
Biological assets	021	-	-
Other current assets	022	46,039,775	47,648,660
Total current assets (sum of lines from 010 to 022)	100	488,544,619	301,798,212
Assets (or disposal groups) held for sale	101	-	-
II. Non-current assets			
Non-current financial assets at amortised cost	110	832,934,309	784,365,738
Non-current financial assets at fair value through other comprehensive income	111	-	-
Non-current financial assets at fair value through profit or loss	112	-	-
Non-current derivative financial instruments	113	27,154	-
Investments at cost	114	518,064,555	488,350,007
Equity method investments	115	-	-
Other non-current financial assets	116	224,048	-
Non-current trade and other accounts receivable	117	1,174,246	2,052,055
Non-current lease receivables	118	-	-
Non-current contract assets	119	-	-
Investment property	120	-	-
Property, plant and equipment	121	1,734,317,823	1,661,757,664
Right-of-use assets	122	6,500,482	17,524,360
Biological assets	123	-	-
Exploration and evaluation assets	124	-	-
Intangible assets	125	9,929,863	10,858,324
Deferred tax assets	126	-	-
Other non-current assets	127	146,940,346	155,742,379
Total non-current assets (sum of lines from 110 to 127)	200	3,250,112,826	3,120,650,527
Balance (line 100 + line 101 + line 200)		3,738,657,445	3,422,448,739

SEPARATE BALANCE SHEET (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.1 - B (balance sheet)

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC
as at 31 December 2022

in thousands of tenge

LIABILITIES AND EQUITY	Line	At the end of the reporting period	At the beginning of the reporting period
III. Current liabilities			
Current financial liabilities at amortised cost	210	238,376,825	132,382,358
Current financial liabilities at fair value through profit or loss	211	-	-
Current derivative financial instruments	212	-	-
Other current financial liabilities	213	1,436,099	-
Current trade and other accounts payable	214	47,100,711	60,349,305
Current provisions	215	-	-
Current income tax liabilities	216	-	-
Employee benefits	217	12,663,532	12,365,902
Current lease liabilities	218	6,797,592	17,132,945
Current contract liabilities	219	2,438,657	30,519,705
Government subsidies	220	-	-
Dividends payable	221	-	-
Other current liabilities	222	19,408,604	13,902,528
Total current liabilities (sum of lines from 210 to 222)	300	328,222,020	266,652,743
Disposal group liabilities held for sale	301	-	-
IV. Non-current liabilities			
Non-current financial liabilities at amortised cost	310	1,167,691,102	1,215,285,403
Non-current financial liabilities at fair value through profit or loss	311	-	-
Non-current derivative financial instruments	312	564,449	-
Other non-current financial liabilities	313	45,378,312	41,565,096
Non-current trade and other accounts payable	314	-	-
Non-current provisions	315	-	-
Deferred tax liabilities	316	231,832,086	201,686,475
Employee benefits	317	7,839,012	8,468,066
Non-current lease liabilities	318	5,177,683	7,225,901
Non-current contract liabilities	319	-	-
Government subsidies	320	-	-
Other non-current liabilities	321	-	-
Total non-current liabilities (sum of lines from 310 to 321)	400	1,458,482,644	1,474,230,941

SEPARATE BALANCE SHEET (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.1 - B (balance sheet)

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

as at 31 December 2022

in thousands of tenge

LIABILITIES AND EQUITY	Line	At the end of the reporting period	At the beginning of the reporting period
V. Equity			
Charter (shareholder's) capital	410	1,086,324,360	1,086,085,094
Share premium	411	-	-
Redeemed equity instruments	412	-	-
Components of other comprehensive income	413	325,521	(51,852,385)
Retained earnings (accumulated deficit)	414	865,302,803	647,332,249
Other capital	415	97	97
Total equity, attributable to the owners (sum of lines from 410 to 415)	420	1,951,952,781	1,681,565,055
Non-controlling interests	421	-	-
Total equity (line 420 + line 421)	500	1,951,952,781	1,681,565,055
Balance (line 300 + line 301 + line 400 + line 500)		3,738,657,445	3,422,448,739

On behalf of the Company's management:

Dair Kusherov
Finance Director

24 March 2023



Yelena Stankova
Chief Accountant

24 March 2023

Yelena Stankova

SEPARATE STATEMENT OF PROFIT OR LOSS

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.2 - SPL

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
Revenue from sale of goods, operations and services	010	620,056,994	588,838,137
Cost of goods, operations and services sold	011	(489,703,555)	(414,988,998)
Gross profit (loss) (line 010 – line 011)	012	130,353,439	173,849,139
Selling expenses	013	-	-
Administrative expenses	014	(45,816,045)	(41,572,331)
Total operating profit (loss) (+/- lines from 012 to 014)	020	84,537,394	132,276,808
Finance income	021	152,483,541	99,880,047
Finance costs	022	(122,889,056)	(110,352,335)
Share of the profit (loss) of associates and joint ventures accounted by equity method	023	-	-
Other income	024	20,297,321	861,261
Other expenses	025	(3,358,484)	(936,768)
Profit (loss) before tax (+/- lines from 020 to 025)	100	131,070,716	121,729,013
Expenses (-) (income (+)) of corporate income tax	101	(12,662,176)	(11,187,041)
Profit (loss) after tax from continuing operations (line 100 + line 101)	200	118,408,540	110,541,972
Profit (loss) after tax from continued operations	201	-	-
Profit for the year (line 200 + line 201), attributable to:	300	118,408,540	110,541,972
owners of the parent company		118,408,540	110,541,972
non-controlling interests		-	-
Other comprehensive income, total (sum of 420 and 440):	400	56,136,660	904,525
including:			
revaluation of debt financial instruments designated as at fair value through other comprehensive income	410	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	411	-	-
effect of a change in income tax rate on deferred tax	412	-	-
cash flow hedging	413	(3,485,692)	823,250
foreign exchange difference on investments in foreign entities	414	181,278	27,792
hedging of net investments in foreign operations	415	-	-
other components of other comprehensive income	416	-	-
reclassification adjustment to profit (loss)	417	55,482,320	-
tax effect of components of other comprehensive income	418	-	-
Total other comprehensive income that may be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 410 to 418)	420	52,177,906	851,042
revaluation of property, plant and equipment and intangible assets	431	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	432	-	-
actuarial gain (loss) on pension obligations	433	3,958,754	53,483
tax effect of components of other comprehensive income	434	-	-
revaluation of debt financial instruments designated as at fair value through other comprehensive income	435	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss (net of income tax) (sum of lines from 431 to 435)	440	3,958,754	53,483

SEPARATE STATEMENT OF PROFIT OR LOSS (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.2 - SPL

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
Total comprehensive income (line 300 + line 400)	500	174,545,200	111,446,497
Total comprehensive income, attributable to:			
owners of the parent company		174,545,200	111,446,497
non-controlling interests		-	-
Earnings per share:	600	0.238	0.223
including:			
Basic:			
from continuing operations		0.238	0.223
from discontinued operations		-	-
Diluted:			
from continuing operations		-	-
from discontinued operations		-	-

On behalf of the Company's management:

Dair Kusherov
Finance Director

24 March 2023

Yelena Stankova
Chief Accountant

24 March 2023

SEPARATE STATEMENT OF CASH FLOWS (DIRECT METHOD)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.3 – SCF-P

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
I. Cash flows from operating activities:			
1. Total cash inflows (sum of lines from 011 to 016)	010	776,456,206	728,099,305
including:			
sale of goods and services	011	679,142,381	661,311,972
other revenue	012	-	-
advances received from customers, clients	013	2,519,256	4,151,205
receipts under insurance contracts	014	-	-
interest received	015	65,017,083	62,166,980
other receipts	016	29,777,486	469,148
2. Total cash outflows (sum of lines from 021 to 027)	020	(632,944,508)	(532,529,101)
including:			
payments to suppliers for goods and services	021	(246,904,997)	(188,557,457)
advances paid to suppliers for goods and services	022	(1,962,922)	(1,308,305)
salaries paid	023	(150,195,244)	(114,879,684)
interest paid	024	(101,287,628)	(100,763,518)
payments under insurance contracts	025	-	-
income tax and other payments to budget	026	(75,046,250)	(91,398,655)
other payments	027	(57,547,467)	(35,621,482)
3. Net cash from operating activities (line 010 – line 020)	030	143,511,698	195,570,204

**SEPARATE STATEMENT OF CASH FLOWS (DIRECT METHOD)
(CONTINUED)**

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.3 – SCF-P

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
II. Cash flows from investing activities:			
1. Total cash inflows (sum of lines from 041 to 052)	040	54,734,543	25,607,623
including:			
sale of property, plant and equipment	041	16,217	36,434
sale of intangible assets	042	-	-
sale of other non-current assets	043	1,077,915	1,720,946
sale of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	044	-	-
sale of debt instruments	045	-	-
compensation for loss of control over subsidiaries	046	-	-
cash deposits withdrawal	047	2,050	2,084
sale of other financial assets	048	-	-
futures and forward contracts, options and swaps	049	-	-
dividends received	050	11,197,264	19,933,417
interest received	051	-	-
other receipts	052	42,441,097	3,914,742
2. Total cash outflows (sum of lines from 061 to 073)	060	(251,211,305)	(145,030,903)
including:			
acquisition of property, plant and equipment	061	(144,454,280)	(128,466,673)
acquisition of intangible assets	062	(1,477,841)	-
acquisition of other non-current assets	063	-	-
purchase of equity instruments of other entities (other than subsidiaries) and interest share in joint ventures	064	-	-
purchase of debt instruments	065	-	-
acquisition of control over subsidiaries	066	-	-
placement of cash deposits	067	(1,100)	(3,105)
interest paid	068	-	-
acquisition of other financial assets	069	-	-
loans issued	070	(105,240,284)	(3,899,613)
futures and forward contracts, options and swaps	071	-	-
investments in associates and subsidiaries	072	(37,800)	(12,661,512)
other payments	073	-	-
3. Net cash from investing activities (line 040 – line 060)	080	(196,476,762)	(119,423,280)

SEPARATE STATEMENT OF CASH FLOWS (DIRECT METHOD)
(CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.3 – SCF-P

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	At the end of the reporting period	At the beginning of the reporting period
III. Cash flows from financing activities:			
1. Total cash inflows (sum of lines from 091 to 094)	090	986,878,354	137,014,000
including:			
issue of shares and other financial instruments	091	692,706,165	-
proceeds from borrowings	092	294,172,189	137,014,000
interest received	093	-	-
other receipts	094	-	-
2. Total cash outflows (sum of lines from 101 to 105)	100	(838,961,263)	(199,807,341)
including:			
repayment of borrowings	101	(838,400,298)	(198,398,416)
interest paid	102	-	-
dividends paid	103	-	-
payments to owners on the shares of the entity	104	-	-
other payments	105	(560,965)	(1,408,925)
3. Net cash from financing activities (line 090 – line 100)	110	147,917,091	(62,793,341)
4. Effect of foreign currency exchange rates to tenge	120	(4,203,601)	(195,315)
5. Effect of changes in cash and cash equivalents	130	(4,183)	(9,297)
6. Increase +/- decrease in cash and cash equivalents (line 030 +/- line 080 +/- line 110 +/- line 120 +/- line 130)	140	90,744,243	13,148,971
7. Cash and cash equivalents at the beginning of the reporting period	150	110,549,296	97,400,325
8. Cash and cash equivalents at the end of the year	160	201,293,539	110,549,296

On behalf of the Company's management:



Dair Kusherov
Finance Director

24 March 2023

Yelena Stankova
Chief Accountant

24 March 2023

SEPARATE STATEMENT OF CHANGES IN EQUITY

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.5 – CE

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings		
Balance as at 1 January of the previous year	010	1,082,299,194	-	-	(52,703,427)	536,736,794	-	1,566,332,561
Change in accounting policy	011	-	-	-	-	-	-	-
Restated balance (line 010 +/- line 011)	100	1,082,299,194	-	-	(52,703,427)	536,736,794	-	1,566,332,561
Total comprehensive income (line 210 + line 220):	200	-	-	-	851,042	110,595,455	-	111,446,497
Profit (loss) for the year	210	-	-	-	-	110,541,972	-	110,541,972
Total other comprehensive income (sum of lines from 221 to 229):	220	-	-	-	851,042	53,483	-	904,525
including:								
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	221	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	222	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	223	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	224	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	225	-	-	-	-	53,483	-	53,483
effect of a change in income tax rate on deferred tax	226	-	-	-	-	-	-	-
cash flow hedging (net of tax effect)	227	-	-	-	823,250	-	-	823,250
hedging of net investments in foreign operations	228	-	-	-	-	-	-	-
foreign exchange difference on investments in foreign entities	229	-	-	-	27,792	-	-	27,792

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.5 – CE

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Total operations with owners (sum of lines from 310 to 318):	300	3,785,900	-	-	-	-	97	3,785,997
including:								
Share-based remuneration to employees:	310	-	-	-	-	-	-	-
including:								
cost of employee services		-	-	-	-	-	-	-
issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	311	3,785,900	-	-	-	-	-	3,785,900
Issue of own equity instruments (shares)	312	-	-	-	-	-	-	-
Issuance of equity instruments related to a business combination	313	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	314	-	-	-	-	-	-	-
Dividends payment	315	-	-	-	-	-	-	-
Other distributions to owners	316	-	-	-	-	-	-	-
Other operations with owners	317	-	-	-	-	-	97	97
Changes in interest in subsidiaries that do not result in a loss of control	318	-	-	-	-	-	-	-
Other operations	319	-	-	-	-	-	-	-

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.5 – CE

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Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Balance as at 1 January of the reporting year (line 100 + line 200 + line 300 + line 319)	400	1,086,085,094	-	-	(51,852,385)	647,332,249	97	1,681,565,055
Change in accounting policy	401	-	-	-	-	-	-	-
Restated balance (line 400 +/- line 401)	500	1,086,085,094	-	-	(51,852,385)	647,332,249	97	1,681,565,055
Total comprehensive income (line 610 + line 620):	600	-	-	-	52,177,906	122,367,294	-	174,545,200
Profit (loss) for the year	610	-	-	-	-	118,408,540	-	118,408,540
Total other comprehensive income (sum of lines from 621 to 629):	620	-	-	-	52,177,906	3,958,754	-	56,136,660
including:								
revaluation of debt financial instruments designated as at fair value through other comprehensive income (net of tax effect)	621	-	-	-	-	-	-	-
revaluation of equity financial instruments designated as at fair value through other comprehensive income (net of tax effect)	622	-	-	-	-	-	-	-
revaluation of property, plant and equipment and intangible assets (net of tax effect)	623	-	-	-	-	-	-	-
share of other comprehensive income (loss) of associates and joint ventures accounted by equity method	624	-	-	-	-	-	-	-
actuarial gain (loss) on pension obligations	625	-	-	-	-	3,958,754	-	3,958,754
effect of a change in income tax rate on deferred tax cash flow hedging (net of tax effect)	626	-	-	-	-	-	-	-
hedging of net investments in foreign operations	627	-	-	-	51,996,628	-	-	51,996,628
foreign exchange difference on investments in foreign entities	628	-	-	-	-	-	-	-
	629	-	-	-	181,278	-	-	181,278

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

reporting period 2022

Submitted: to the depository of financial statements in electronic format via software

The administrative data form is available on the Internet resource: www.minfin.gov.kz

Administrative data form index: No.5 – CE

Periodicity: annual

Range of persons providing information: public interest entities based on the results of the financial year

Deadline for submission of the administrative data form: annually not later than 31 August of the year following the reporting year

Name of the entity: Kazakhstan Temir Zholy National Company JSC

for the year ending 31 December 2022

in thousands of tenge

DESCRIPTION	Line	Equity, attributable to owners					Non-controlling interests	Total equity
		Charter (shareholder's) capital	Share premium	Redeemed equity instruments	Components of other comprehensive income	Retained earnings	Other capital	
Total operations with owners (sum of lines from 710 to 718):	700	239,266	-	-	-	94,703,684	-	94,942,950
Including:								
Share-based remuneration to employees:	710	-	-	-	-	-	-	-
Including:								
cost of employee services		-	-	-	-	-	-	-
issuance of shares under an employee share scheme		-	-	-	-	-	-	-
tax benefit in relation to the employee share scheme		-	-	-	-	-	-	-
Owners contributions	711	239,266	-	-	-	-	-	239,266
Issue of own equity instruments (shares)	712	-	-	-	-	-	-	-
Issuance of equity instruments related to a business combination	713	-	-	-	-	-	-	-
Equity component of convertible instruments (net of tax effect)	714	-	-	-	-	-	-	-
Dividends payment	715	-	-	-	-	-	-	-
Other distributions to owners	716	-	-	-	-	-	-	-
Other operations with owners	717	-	-	-	-	94,703,684	-	94,703,684
Changes in interest in subsidiaries that do not result in a loss of control	718	-	-	-	-	-	-	-
Other operations	719	-	-	-	-	899,576	-	899,576
Balance as at 31 December of the reporting year (line 500 + line 600 + line 700 + line 719)	800	1,086,324,360	-	-	325,521	865,302,803	97	1,951,952,781

On behalf of the Company's management:



Dair Kusherov
Finance Director

Yelena Stankova
Chief Accountant

24 March 2023

24 March 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in thousands of tenge, unless stated otherwise)*

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (“the Company”) was created in the Republic of Kazakhstan (hereinafter – “Kazakhstan”) in accordance with Resolutions of the Kazakhstan Government (“the Ultimate Shareholder”) to establish a holding company for government railway industry assets. The Company was registered on 15 May 2002. The address of the Company’s registered office is 6 D. Kunayev St., Astana, 010000, Republic of Kazakhstan.

Samruk-Kazyna Sovereign Welfare Fund JSC (“the Shareholder”) is the Company’s sole shareholder.

The Company operates a nationwide railway system providing railway network services, maintains and upgrades railway infrastructure in Kazakhstan.

For the purpose of allocating resources and evaluating the performance of segments, the management of the Company considers, in accordance with the type of services provided, the Company as one reportable segment. The management of the Company monitors multiple indicators of the reporting segment of the main railway network services, such as profit before tax, profit for the year and gross profit. At the same time, profit for the year is the main indicator used by the Company’s management for the purpose of allocating resources and for assessing the segment’s performance.

As part of the regulation of the railway industry in Kazakhstan, the government sets the tariffs railway network services on intra republican, international export and international import routes. These regulated tariffs differ based on the type of freight transported. At the same time, tariffs for freight transportation on international transit routes, and, consequently, tariffs for provision railway network services on international transit routes are not regulated by the government.

In November 2020, the Committee for the Regulation of Natural Monopolies of the Ministry of the National Economy of the Republic of Kazakhstan (hereinafter - “CRNM”) approved tariffs for railway network services for 2021 -2025 with annual increase for 2022-2024 by 5% on average and in 2025 - by 4%. Moreover, tariffs for provision of mainline railway network services have been differentiated since 1 January 2021: for diesel locomotives on non-electrified track sections and for electric locomotives on electrified track sections.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the government’s fiscal and monetary policies, together with developments in the legal, regulatory and political environment in country and the world.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country’s economy.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January 2022. These events have not had a significant effect on the Company's operations.

The conflict between Russian Federation (hereinafter – “Russia”) and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and block major financial institutions and many state enterprises.

In 2022, the average price for Brent crude oil was 101.8 USD per barrel (2021: 68.63 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product (“GDP”) grew by 3.1% in 2022. The inflation in Kazakhstan accelerated in 2022 to 20.3% per annum (2021: 8.4%).

In 2022, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 16.75% per annum with a corridor of +/- 1.0 percentage points to reduce the negative impact of the external factors on the Kazakhstan's economy, and also, in the first half of 2022, the interventions were made in the foreign exchange market in order to support the tenge exchange rate against foreign currencies.

However, uncertainty exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Company is monitoring developments in the economic and political situation in Kazakhstan and the world and taking measures it considers necessary to support the sustainability and development of the Company's business for the foreseeable future. In general, the Company does not expect a significant negative impact from the current changes on the Company's business and operations, as freight rail traffic, including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries. During 2022, the volume of freight transportation in transit and export routes increased compared to the previous year.

However, the consequences of these events and related future changes may have a significant impact on the Company's operations.

The State controls the Company and determines the long-term railway operating strategy in Kazakhstan. The railway industry has been in a state of restructuring since 1997, which has involved changing the regulatory environment and creating conditions for attracting investment to the sector.

At the end of 2022, in accordance with the instructions of the President of Kazakhstan, the Concept for the Development of the Transport and Logistics Potential of Kazakhstan until 2030 (hereinafter – “the Concept”) was developed and approved by the Decree of the Government of the Republic of Kazakhstan, which presumes the transformation of the group of companies Kazakhstan Temir Zholy National Company JSC (hereinafter – “the Group”) into a national transport and logistics entity, increasing logistics competencies, developing infrastructure and strengthening commercial activities abroad, changing the tariff policy taking into account the further liberalisation of the railway services market, introducing digitalisation and attracting private investments in the industry.

**EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**
(in thousands of tenge, unless stated otherwise)

Implementation of the Group's Development Strategy until 2029 will continue in accordance with the Concept. At the same time, the Group will continue to work to improve operating efficiency, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, ensuring financial stability for the Group, improving customer satisfaction, guaranteeing train traffic safety, and ensuring sustained Group development.

2. BASIS FOR THE PREPARATION OF THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS

Statement of compliance

The Company's forms of separate annual financial statements have been prepared in accordance with the format of annual financial statements for publication by public interest entities (other than financial institutions) approved by the Order of the Minister of Finance of the Republic of Kazakhstan dated 28 June 2017 No. 404 (with amendments from 2 March 2022 No. 241) (hereinafter - "Order No.404") based on the separate financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

These forms of separate annual financial statements are the financial statements of the parent Kazakhstan Temir Zholy National Company JSC. The Company's subsidiaries were not consolidated in these forms of separate annual financial statements. Investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment. These forms of separate annual financial statements should be read in conjunction with the forms of consolidated annual financial statements, which were authorised for issue by the management of the Company on 24 March 2023.

Forms of consolidated annual financial statements of Kazakhstan Temir Zholy National Company JSC, prepared in accordance with IFRS, have been produced for public use and are available at the Company's website www.railways.kz.

Going concern

The Company's forms of separate annual financial statements have been prepared on a going concern basis.

Going concern assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2022, the Company's current assets exceeded its current liabilities by 160,322,599 thousand tenge (31 December 2021: 35,145,469 thousand tenge). As at 31 December 2022, the Company's borrowings of 238,376,825 thousand tenge are payable within twelve months after the reporting date. However, profit for the year ended 31 December 2022 amounted to 118,408,540 thousand tenge (2021: 110,541,972 thousand tenge), and cash inflows from operating activities amounted to 143,511,698 thousand tenge (2021: 195,570,204 thousand tenge). At the start of 2022, Kazakhstan witnessed mass protests, in February 2022 the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. The impact of these events on the Company's operations is described in Note 1.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

Company's management has assessed the needs for cash, including scheduled debt repayments and development plans. Historically, the Company financed major investment projects using funds from the Government of Kazakhstan and through external borrowings, in addition to cash from operating activities. Management of the Company has been having discussions with investors to refinance borrowings due to be repaid within twelve months after the reporting date. A positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Company's financial position, expected future performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, expected tariff growth, foreign currency exchange rates and other risks that the Company is facing. Besides that, the Company received a Letter of Support from the Shareholder regarding its intent and ability to render the Company continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Company, the management concluded that the Company has adequate resources to continue in operational existence and settle its liabilities (Note 35) and that the going concern basis is appropriate in preparing these forms of separate annual financial statements.

Basis for measurement

The forms of separate annual financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at their revalued amount or fair value as at the reporting date.

Functional and presentation currency

The Company's forms of separate annual financial statements are presented in Kazakhstan tenge ("tenge"). The assets and liabilities of foreign operations, where the functional currency is different from tenge, are translated into tenge at the exchange rate prevailing on the reporting date, while profit and loss items are translated into tenge at the weighted-average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange rate differences arising on translation are recorded to other comprehensive income. Upon disposal of an overseas enterprise, all accumulated exchange differences related to that specific overseas enterprises are recognised in profit or loss.

Tenge is not a fully convertible currency outside of the Republic of Kazakhstan. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the market rate effective at the transaction date using market rates set by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies not quoted by KASE, exchange rates are set by the National Bank using cross-rates to the US Dollars ("US\$") in accordance with quotations received from Reuters.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Monetary assets and liabilities that are denominated in foreign currencies are translated to an entity's functional currency at the exchange rate effective at the reporting date. All differences arising from a change in exchange rates subsequent to the transaction are recognised in profit or loss, except for exchange differences from translation recognised in other comprehensive income and exchange differences on loans that are directly attributable to the acquisition, construction or production of an asset, meeting certain requirements included in the cost of this asset. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are remeasured at the rates prevailing at the date when fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are not remeasured.

The table below presents tenge exchange rates as at the following dates:

	31 December 2022	31 December 2021	The weighted average rate for 2022	The weighted average rate for 2021
US Dollar	462.65	431.80	460.48	426.03
Euro	492.86	489.10	484.22	503.88
Swiss Franc	501.19	473.15	482.60	466.13
Russian Rouble	6.43	5.76	6.96	5.79

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these forms of separate annual financial statements.

- Amendments to IFRS 3 *References to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these forms of separate annual financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Description of the standard and interpretation	Applicable to annual periods beginning on or after
IFRS 17 (including the June 2020 Amendments to IFRS 17) <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024

Management does not expect that the adoption of standards above will have a significant impact on the forms of separate annual financial statements of the Company in the future periods.

Significant accounting policies

Property, plant and equipment

Property, plant and equipment is stated at historical cost less subsequent accumulated depreciation and impairment losses. Depreciation is charged once the asset becomes available for its intended use.

Subsequent costs

The costs of the day-to-day servicing incurred during an asset's useful life (regular maintenance to ensure the asset remains in a working condition) and repair expenses (technical inspections, maintenance contracts, etc.) are recorded in profit or loss when incurred.

Costs are capitalised only if those costs qualify for recognition as assets in accordance with provisions of IAS 16 *Property, Plant and Equipment*.

Construction-in-progress

Construction-in-progress comprises costs directly related to the acquisition and construction of property, plant and equipment, including the appropriate allocation of directly attributable variable overheads incurred during construction. The carrying value of construction-in-progress items is regularly reviewed for its fair presentation and impairment.

**EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**
(in thousands of tenge, unless stated otherwise)

Lease contracts

For the lease contracts (or separate components of the contracts), under which the Company is granted the right to control the use of an identified asset (as defined by IFRS 16 *Leases*) for a certain period of time in exchange for consideration, the Company recognises a right-of-use asset and a corresponding lease liability at the inception of the lease. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Company applies practical expedient for not recognising the lease for the lease contracts with lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets (less than 2,000 thousand tenge). The Company recognises short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted by using the Company incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

The Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

At the commencement date, the Company measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortisation and impairment measurement.

The recognised right-of-use asset is depreciated on a straight-line basis over the shorter period of expected useful life of the underlying asset or lease term. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Company's intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Company presents lease liabilities and right-of-use assets in the separate balance sheet as a separate lines (Note 13 and 19).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

Borrowing costs

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

The Company capitalises borrowing costs on general-purpose borrowings to the extent they are used to obtain a qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the period and used to construct and produce a qualifying asset, other than borrowings received specifically for the purpose of obtaining a qualifying asset. At the same time, if the loan remains outstanding after the relevant qualifying asset is ready for the intended use, then in calculating the capitalisation rate, such a loan is included in general borrowing pool.

Investment income generated on a temporary investment of specific borrowings pending their use on qualifying assets is deducted from borrowing costs eligible for capitalisation.

Borrowing costs also include exchange differences arising from loans in foreign currency to the extent they are considered to be an interest expense adjustment. As a result, the capitalised borrowing costs denominated in foreign currencies, adjusted for exchange differences, cannot exceed the borrowing costs that would have been capitalised if the borrowing had been denominated in the functional currency. Any excess over exchange difference is recognised in profit or loss.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are valued at the lower of cost or net realisable value. Costs comprise of charges incurred to bring the inventory to its present location and condition for its intended use. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Inventory, being used in production, for sale or other disposal, is valued on a weighted-average cost basis.

Financial instruments

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Fair value adjustments on interest free loans (including financial aid), loans with below market interest rates issued to subsidiaries or received from subsidiaries are treated by the Company as actual investment costs and are recognised as part of investments in subsidiaries.

All recognised financial assets are measured subsequently either at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

Wherein:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are further evaluated for impairment (Note 4).

The Company derecognises financial assets only when the contractual rights to the cash flows on them are terminated or when the financial asset and the related risks and rewards are transferred to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the consideration received/receivable is recognised in profit or loss.

An exchange of debt instruments with materially different terms between the borrower and the lender shall be accounted for as the extinguishment of the original financial asset and the recognition of a new financial asset. Accordingly, the Company accounts for a significant modification of the terms of an existing asset or part of it as the extinguishment of the original financial asset and the recognition of a new asset. Terms are considered materially different if the present value of the cash flows under the new terms, including commission payments less commission received, discounted at the original effective interest rate, differs by at least 10 percent from the discounted present value of the remaining cash flows on the original financial asset. If the change is not material, the difference between (1) the carrying amount of the asset before the change in the terms and (2) the present value of the cash flows after the change in the terms is recorded in profit or loss as a profit or loss on the change in the contractual terms as part of finance income.

In cases when the Company makes the sole decision to change the terms of agreements on loans with below market interest rates and issued to subsidiaries, the effect of derecognition or minor modification is reflected in investments in subsidiaries.

All financial liabilities, except for financial guarantees, are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial guarantees after initial recognition are measured at the higher of two amounts:

- in the amount of allowance for expected credit losses in accordance with IFRS 9; and
- in the amount of initial recognition, reduced, if necessary, by the amount of accumulated income recognised in accordance with IFRS 15.

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The Company recognises financial guarantees issued to subsidiaries and associates at fair value as part of investments in subsidiaries and associates and the corresponding financial liability for guarantees.

After the initial recognition of the financial guarantees aiming at guaranteeing the execution of obligations of subsidiary to banks, the carrying value of investment in subsidiary is not subject to amendment (even after the commencement of maturity date of the financial guarantee) until the disposal of corresponding subsidiary. Increase of the carrying value of the investment in subsidiary is considered to be a factual expense on investment.

Derivative financial instruments

The Company uses the currency swap derivative financial instrument to manage its currency risk.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Equity

Charter (shareholder's) capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from equity proceeds. All non-cash contributions to charter (shareholder's) capital are assessed by an independent appraiser at fair value as at the date of the contribution.

Consideration received for common shares yet to be legally registered is recognised as other capital until they are registered, when any proceeds are transferred to charter (shareholder's) capital.

Other operations with owner

The Company enters into equity transactions with the Shareholder, such as asset transfers, adjustments for below market interest loans and others that would not relate to the acquisition of additional charter (shareholder's) capital in the Company. The Company recognises such transactions through equity in retained earnings.

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Other distributions to owners

Distributions are recognised in equity when the Company has irrevocably committed to transfer cash or non-monetary assets to its Shareholder/Ultimate Shareholder and the amount of the commitment can be reliably measured. Distributions are recognised in equity net of any related deferred tax effects, where appropriate.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of a hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, in accordance with its strategy for risk management and hedging. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The ineffective portion of changes in the fair value of cash flow hedge instruments is recognised immediately in profit or loss for the reporting period, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- a) the Company revokes the hedging relationship,
- b) the hedging instrument expires or is sold, terminated, or exercised, or
- c) it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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Government grants

Government grants are recognised when there is reasonable assurance that the subsidy will be received, and all corresponding conditions will be met.

Government grants are recognised in profit or loss on a systematic basis as expenses due to be compensated by the subsidies are recognised simultaneously in profit or loss.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Revenue

The Company recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised less Value Added Tax (hereinafter – “VAT”) and rebates.

Revenue from mainline railway services

Revenue from provision of railway network services on intra republican, international export and international import routes is recognised over time and calculated as per car-kilometre based on the tariffs approved by CRNM. Revenue is recognised in the reporting period based on the actual data on the volumes of services rendered.

Revenue from provision of railway network services on international transit routes is recognised over time and calculated based on coefficient set by the Company of not less than 0.5 applied to the revenue from freight transportation on international transit routes.

The Company provides services on a 100% prepayment basis of a monthly volume, as stipulated in contracts with carriers. Prepayments received from customers for transportation services not yet rendered are recognised within contract liabilities as advances received at the date of their receipt.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the forms of separate annual financial statements in compliance with IFRSs requires the Company’s management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date of the forms of separate annual financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in the forms of separate annual financial statements.

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Loans at a rate below the market interest rate

The Company receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate for similar loans. These loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The Company calculates the fair value (amortised cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities, given the Company's status as a monopolist in the Kazakhstan railway industry and 100% state ownership, and recognises an adjustment to the loan value (less the related deferred tax) within equity. When no comparable maturities exist, the Company extrapolates the most comparable market rates to the life of the loan received by the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Cash-generating unit identification

The Company considers all the Group's segments as a single cash-generating unit (hereinafter – "CGU") because under the Group's current operating model, cash flows for each segment are not considered sufficiently independent. Railway infrastructure is holistic and is not differentiated into freight and passenger transportation lines. Accordingly, there is no objective allocation of infrastructure assets for cash flows from freight and passenger transportation. Due to the specifics of freight transportation tariff regulation and the need to cross-subsidise passenger transportation, railway infrastructure cannot generate independent cash flows. Accordingly, the Group is treated as one CGU.

The Government of Kazakhstan, as the Company's Ultimate Shareholder, has approved a privatisation plan for certain Group entities and the Concept, which, if implemented, would result in a new interaction mechanism among its various business units of the Group. As the Group's restructuring processes have not been completed, these possible developments were not taken into account in the identification of CGU for current year. Subsequent changes in the identification of CGU may affect the carrying values of the Group's assets.

Assessment of impairment indicators of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries

When assessing impairment indicators of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries, the Company considers external and internal impairment indicators. The management of the Company considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of assets is not recoverable.

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

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As at 31 December 2022, the Company performed the analysis of the above external and internal impairment indicators of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries, in particular, changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss franc, as the transit tariff is set in Swiss franc.

The measurement of whether each external and internal factor is an indication of impairment requires significant management judgement. Management's key judgement is based on the fact that amid the current geopolitical situation and disruption of traditional transportation and logistics chains, the country's transit potential is a key factor in the promotion of transcontinental trade. In 2022, transit freight transportation traffic and revenue exceeded targets, while the Concept stipulating further development of the rail sector in Kazakhstan was also approved in December 2022.

The management of the Company did not identify any events that occurred in 2022 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2022.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period for which there is a significant risk they may cause a material adjustment to the carrying amounts of assets and liabilities during the next financial year.

Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries

The Company performs impairment indicators analysis of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries at each reporting date.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (WACC rate) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

With more significant changes in external or internal indicators or simultaneous adverse impact of several factors, could result in the carrying amount of the Company's non-current assets being higher than their recoverable amount, and the requirement to recognise impairment in the future.

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Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment and intangible assets are depreciated and amortised using the straight-line method over estimated useful lives. The estimates of useful lives, residual values and depreciation methods are reviewed at each reporting date, and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimates. Estimates of the useful lives and residual value of these assets are based on expected economic use, repair and maintenance programmes, and activity levels, technological advancements and other business conditions. A change in these assumptions could result in significantly different depreciation amounts than those previously recognised.

The estimated useful lives applied by the Company are as follows (in years):

Buildings and constructions	10-140
Railway track infrastructure	5-100
Machinery and equipment	3-35
Vehicles	4-40
Other	2-50
Intangible assets	1-10

Taxation

Various Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, penalties and interest applied are significant; penalties are generally assessed at 80% of the additional taxes accrued, and interest is assessed at 20.94% of additional accruals or overdue taxes. As a result, penalties and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, penalties and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2022. Any difference between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

Significant increase in credit risk

The Company recognises allowance for expected credit losses for financial instruments in the amount equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

The Company also recognises expected credit losses allowance under financial guarantee agreements for 12 months or lifetime, depending on the change in credit risk since initial recognition. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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For the purposes of internal credit risk management, the Company considers the following to be a default, as past experience has shown that a financial asset that meets one of the following criteria is generally non-recoverable:

- overdue: more than 90 days overdue on the counterparty's obligations (except when the Company has reasonable and substantiated information demonstrating that it is more appropriate to use the default criterion with a long delay in payment);
- downgrade of the external credit rating of the counterparty to the default "D";
- inability to fulfil obligations as a result of financial difficulties of the counterparty (suspension of interest accrual or decrease in the interest rate on the financial asset, write-off of the principal amount, extension of maturity of the financial asset, restructuring, leading to a decrease or write-off of the loan amount or debt forgiveness, etc.); or
- information generated internally or obtained from external sources indicates that the debtor is unlikely to make full payments to creditors, including the Company (not taking into account the collateral held by the Company).

Impairment of loans given

To assess the probability of default on loans given, the Company uses an internal rating model. At the same time, when assessing the probability of default on loans issued by the Company's subsidiaries, it is assumed that the probability of default calculated on the basis of the Shareholder's external credit rating is used, since the Shareholder's external rating actually covers the consolidated risks of the group of companies, including such significant factors as probable state support. Since the Shareholder has historically supported its subsidiaries either by issuing non-current loans with low interest rates, or by direct financing through equity, including financing of investment projects, the Company believes that the Group's subsidiaries have the same probability of default as the Shareholder. As at 31 December 2022 and 2021 the internal credit rating of the subsidiaries-borrowers was determined based on the external credit rating of the Shareholder. As at 31 December 2022 and 2021 allowance for impairment of loans given amounted to 5,206,567 thousand tenge and 7,458,686 thousand tenge, respectively (Note 6).

5. CASH AND CASH EQUIVALENTS (line 010 of Separate balance sheet)

	31 December 2022	31 December 2021
Short-term bank deposits, in tenge	27,776,031	101,601,973
Cash in current accounts, in tenge	173,199,762	7,449,321
Cash in bank accounts, in other currencies	343,153	1,519,226
	201,318,946	110,570,520
Less: allowance for expected credit losses on cash and cash equivalents	(25,407)	(21,224)
TOTAL	201,293,539	110,549,296

Short-term bank deposits are opened for three months or less, depending on the Company's cash needs. As at 31 December 2022, the weighted average interest rate on short-term bank deposits was 16.17% (31 December 2021: 9.19%).

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As at 31 December 2022, cash placed by the Company on current accounts in Kazpost JSC, a related party of the Company, amounted to 162,850,383 thousand tenge (31 December 2021: nil tenge) (Note 35). In addition, the Company places cash and cash equivalents in banks and other financial institutions rated from A+ to B. Based on this, the Company believes that its cash and cash equivalents credit risk as at 31 December 2022 is low.

The allowance for expected credit losses on cash and cash equivalents is based on 12-month expected credit losses, which matches their maturity date.

6. FINANCIAL ASSETS AT AMORTISED COST (lines 011 and 110 of Separate balance sheet)

	31 December 2022	31 December 2021
Debt securities issued by subsidiaries	919,661,312	852,177,693
Loans issued	82,121,201	55,254,963
Debt securities issued by third parties	168,336	155,734
Less: allowance for expected credit losses on loans issued	(3,327,982)	(4,730,920)
Less: allowance for expected credit losses on debt securities issued by subsidiaries	(1,878,585)	(2,727,766)
Less: allowance for expected credit losses on debt securities issued by third parties	(75,067)	(63,949)
Total financial assets at amortised cost	996,669,215	900,065,755
Current financial assets at amortised cost	163,734,906	115,700,017
Non-current financial assets at amortised cost	832,934,309	784,365,738
TOTAL	996,669,215	900,065,755

Debt securities issued by subsidiaries and loans issued are presented as follows:

	31 December 2022	31 December 2021
Current loans:		
Passenger Transportation JSC	36,791,819	-
Kaztemirtrans JSC	8,412,324	19,072,941
KTZ-Passenger Locomotives LLP	754,402	-
Others	124,313	124,313
Less: allowance for expected credit losses	(166,571)	(2,295,355)
Total current loans	45,916,287	16,901,899
Non-current loans:		
Passenger Transportation JSC	29,172,894	29,911,381
Vostokmashzavod JSC	6,865,449	6,146,328
Less: allowance for expected credit losses	(3,161,411)	(2,435,565)
Total non-current loans	32,876,932	33,622,144
Debt securities issued by subsidiaries:		
Kaztemirtrans JSC	592,906,274	530,678,742
KTZ-Freight Transportation LLP	193,992,332	193,018,805
KTZ Express JSC	110,381,067	106,098,507
Kedentransservice JSC	22,381,639	22,381,639
Less: allowance for impairment	(1,878,585)	(2,727,766)
Total debt securities issued by subsidiaries	917,782,727	849,449,927
Total loans issued and debt securities	996,575,946	899,973,970
Current portion	163,734,860	115,699,968
Non-current portion	832,841,086	784,274,002
TOTAL	996,575,946	899,973,970

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Financial aid

During 2022, the Company provided interest-free repayable financial aid to its subsidiaries KTZ-Passenger Locomotives LLP, Kaztemirtrans JSC and Passenger Transportation JSC to finance working capital due within one year and totalling 99,132,000 thousand tenge without collateral (2021: to subsidiary Kamkor Repair Corporation LLP in the total amount of 921,091 thousand tenge). The fair value adjustment in the amount of 7,597,959 thousand tenge (2021: 92,026 thousand tenge) less deferred tax of 1,519,592 thousand tenge (2021: 18,405 thousand tenge) for the interest-free financial aid was recognised by the Company in investments in subsidiaries (Note 11). For the purpose of the financial aid fair value calculation, the Company applied the effective interest rates ranging from 14.5% to 18.2% (2021: 11.1%) using market rates on loans with similar terms.

Debt securities issued by subsidiaries

In April 2022, the Company made a decision to reduce the coupon rate from 14.58% to 5.08% per annum for the period from 3 April 2022 to 2 April 2023 on debt securities issued by subsidiaries Kaztemirtrans JSC and KTZ-Freight Transportation LLP. As a result, the Company recognised an adjustment on the carrying value of bonds due to modification for the total amount of 15,335,190 thousand tenge less deferred tax of 3,067,068 thousand tenge as part of investments (Note 11).

Kaztemirtrans JSC

In July 2022, the Company replaced debt securities issued by its subsidiary Kaztemirtrans JSC in the amount of 33,300,000 thousand tenge with a maturity date on 10 July 2024 and a coupon rate of 17% per annum. Coupon payment – twice a year.

KTZ Express JSC

In June 2022, the Company extended the maturity date until 10 July 2025 for debt securities issued by its subsidiary KTZ Express JSC and maturing on 20 June 2022. In addition, the Company converted debt securities indexed to the Swiss Francs in tenge at the rate of 462.55 tenge per 1 Swiss Franc. Due to a significant change in the terms of debt securities, the Company accounted for this transaction as derecognition of the original financial asset and recognition of a new financial asset. As a result, the new financial asset at the date of conversion amounted to 85,571,750 thousand tenge with a coupon rate of “base rate of the National Bank of Kazakhstan + 2% margin”. Coupon payment - twice a year.

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7. OTHER FINANCIAL ASSETS (lines 015 and 116 of Separate balance sheet)

	31 December 2022	31 December 2021
Restricted cash	5,769,700	5,201,144
Funds in credit institutions (short-term financial investments)	539,597	1,037
Less: allowance for expected credit losses on restricted cash	(91)	(289)
Less: allowance for expected credit losses on other financial assets	(35,395)	-
Total other financial assets	6,273,811	5,201,892
Other current financial assets	6,049,763	5,201,892
Other non-current financial assets	224,048	-
TOTAL	6,273,811	5,201,892

8. TRADE AND OTHER ACCOUNTS RECEIVABLE (lines 016 and 117 of Separate balance sheet)

	31 December 2022	31 December 2021
Trade accounts receivable from related parties	45,116,077	1,716,465
Trade accounts receivable from third parties	1,337,272	434,048
Other accounts receivable	3,289,137	6,477,782
Less: allowance for expected credit losses on trade accounts receivable	(12,837)	(18,906)
Less: allowance for impairment of other accounts receivable	(507,216)	(2,849,058)
Total trade and other accounts receivable	49,222,433	5,760,331
Current trade and other accounts receivable	48,048,187	3,708,276
Non-current trade and other accounts receivable	1,174,246	2,052,055
TOTAL	49,222,433	5,760,331

As at 31 December 2022 and 2021, trade and other accounts receivable were mainly expressed in tenge.

9. INVENTORIES (line 020 of Separate balance sheet)

	31 December 2022	31 December 2021
Railway materials	14,596,079	10,997,649
Materials and supplies	5,843,707	4,966,672
Fuel and lubricants	886,287	904,500
Spare parts	464,427	470,157
Construction materials	363,414	310,127
Others	921,449	1,062,256
	23,075,363	18,711,361
Less: allowance for impairment of inventories	(77)	(1,343)
TOTAL	23,075,286	18,710,018

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10. OTHER CURRENT ASSETS (line 022 of Separate balance sheet)

	31 December 2022	31 December 2021
Other taxes prepaid	39,309,379	38,370,410
VAT receivable	3,211,304	7,483,163
Advances paid	1,962,922	1,307,503
Prepaid expenses	1,154,816	787,370
Others	2,728,682	104,624
	48,367,103	48,053,070
Less: allowance for impairment of other current assets	(2,327,328)	(404,410)
TOTAL	46,039,775	47,648,660

11. INVESTMENTS AT COST (line 114 of Separate balance sheet)

Name	Primary activity	Country	Participation interest, %		Carrying amount	
			2022	2021	2022	2021
Investments in subsidiaries						
Passenger Transportation JSC	Passenger Transportation	Kazakhstan	100	100	134,502,681	125,658,653
Kaztemirtrans JSC	Freight wagon operation	Kazakhstan	100	100	107,427,828	99,132,048
KTZ-Passenger Locomotives LLP	Provision of haulage rolling stock services	Kazakhstan	100	100	87,736,940	83,609,861
KTZ Express JSC	Freight forwarding services, multi-modal transportation	Kazakhstan	100	100	58,282,985	57,751,193
KTZ-Freight Transportation LLP	Freight Transportation and locomotive haulage	Kazakhstan	100	100	39,423,126	31,110,027
Kedentransservice JSC	Freight forwarding services, rolling stock operation, terminal services	Kazakhstan	100	100	34,336,647	34,336,647
Aktau Sea Commercial Port National Company JSC ¹	Loading and unloading operations, ship maintenance	Kazakhstan	100	100	26,233,840	26,233,840
Temirzholsu JSC	Utilities	Kazakhstan	100	100	13,686,845	13,649,045
Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	100	100	12,994,741	12,994,741
Militarised Railway Security LLP	Security service	Kazakhstan	100	100	176,944	176,944
KTZ Finance LLC	Bond issues to finance projects and the operations of the Group	Russia	62.16	62.16	84,455	435,030
					514,887,032	485,088,029
Less: allowance for impairment of investments					(84,455)	-
Total investments in subsidiaries					514,802,577	485,088,029
Investments in associates						
Doszhan Temir Zholy JSC	Construction and exploitation of railway line Shar-Ust-Kamenogorsk	Kazakhstan	46.02	46.02	5,458,000	5,458,000
Transtelecom JSC	Telecommunication services	Kazakhstan	25	25	3,106,283	3,106,283
United Transport and Logistics Company - Eurasian Rail Alliance JSC ("UTLC ERA JSC")	Domestic and international rail transportation and freight forwarding	Russia	33.33	33.33	155,695	155,695
					8,719,978	8,719,978
Less: allowance for impairment of investments					(5,458,000)	(5,458,000)
Total investments in associates					3,261,978	3,261,978
TOTAL					518,064,555	488,350,007

¹ In November 2013, the Shareholder transferred 100% of participation interest in Aktau Sea Commercial Port National Company JSC under the trust management of the Company, granting the Company an extensive authority to manage significant activities on its sole discretion and the right to receive dividends. Accordingly, the Company recognizes Aktau Sea Commercial Port National Company JSC as a subsidiary even if it does not legally owns it.

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As at 31 December 2022, the subsidiary KTZ Finance LLC is in the process of liquidation (Note 36).

During 2022 the Company contributed to the charter capital of:

- Passenger Transportation JSC by non-current assets in the amount of 5,341,845 thousand tenge;
- Temirzholsu JSC by cash in the amount of 37,800 thousand tenge (2021: 50,202 thousand tenge).

During 2022, the Company provided an interest-free repayable financial aid to some subsidiaries and recognised fair value adjustment of 7,597,959 thousand tenge (2021: 92,026 thousand tenge) less deferred tax of 1,519,592 thousand tenge (2021: 18,405 thousand tenge) as an increase in investments (Note 6).

During 2022, in connection with non-substantial modification, the Company recognised the adjustment of the financial aid given to Kaztemirtrans JSC to fair value in the amount of 1,369,102 thousand tenge (2021: 224,869 thousand tenge) less deferred tax of 273,821 thousand tenge (2021: 44,973 thousand tenge) as increase of investments.

During 2022, in connection with non-substantial modification, the Company recognised the adjustment of the carrying value of bonds, purchased from certain subsidiaries in the amount of 15,335,190 thousand tenge (2021: 2,108,621 thousand tenge) less deferred tax of 3,067,038 thousand tenge (2021: 416,665 thousand tenge) as an increase of investments (Note 6).

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

12. PROPERTY, PLANT AND EQUIPMENT (LINE 121 of Separate balance sheet)

Movements in property, plant and equipment for the years ended 31 December 2022 and 2021 are as follows:

	Rail track infrastructure	Buildings and structures	Machinery and equipment	Vehicles	Land	Other	Total
Carrying value as at 1 January 2021	1,185,432,188	200,986,731	220,074,449	18,281,516	926,240	4,020,471	1,629,721,595
Additions	55,002	588,743	5,835,446	-	33	82,671	6,561,895
Disposals	(4,295,637)	(146,087)	(1,498,042)	(208,975)	(3,686)	(285,635)	(6,438,062)
Depreciation charge	(37,144,411)	(4,617,872)	(23,071,804)	(2,431,261)	-	(1,008,395)	(68,273,743)
Depreciation on disposal	4,076,257	146,087	1,454,420	208,017	-	285,493	6,170,274
(Impairment)/impairment reversal	(618,375)	13,543	(130,833)	37,991	-	3,294	(694,380)
Other movements and transfers ²	86,303,483	(8,904,766)	13,660,446	3,676,323	-	(25,401)	94,710,085
Carrying value as at 31 December 2021	1,233,808,507	188,066,379	216,324,082	19,563,611	922,587	3,072,498	1,661,757,664
Cost	1,540,873,755	231,004,821	429,109,850	57,304,155	922,587	13,704,902	2,272,920,070
Accumulated depreciation and impairment	(307,065,248)	(42,938,442)	(212,785,768)	(37,740,544)	-	(10,632,404)	(611,162,406)
Carrying value as at 1 January 2022	1,233,808,507	188,066,379	216,324,082	19,563,611	922,587	3,072,498	1,661,757,664
Additions	323,657	557,562	5,141,960	3,425,570	801	1,348,292	10,797,842
Disposals	(178,209)	(306,557)	(1,537,396)	(285,284)	(10,524)	(412,754)	(2,730,724)
Depreciation charge	(39,503,918)	(4,085,541)	(21,717,148)	(2,509,915)	-	(820,434)	(68,636,956)
Depreciation on disposal	166,014	200,269	1,529,848	283,480	-	410,318	2,589,929
(Impairment)/impairment reversal	(92,369)	4,875	13,896	(75,317)	-	(3,907)	(152,822)
Contribution to the share capital of subsidiaries	(565,181)	(3,213,949)	(385,942)	(33,376)	-	(4,555)	(4,203,003)
Other movements and transfers ²	125,491,198	(861,288)	8,500,690	1,760,108	-	5,185	134,895,893
Carrying value as at 31 December 2022	1,319,449,699	180,361,750	207,869,990	22,128,877	912,864	3,594,643	1,734,317,823
Cost	1,657,480,520	226,646,158	440,511,848	62,089,959	912,864	14,651,358	2,402,292,707
Accumulated depreciation and impairment	(338,030,821)	(46,284,408)	(232,641,858)	(39,961,082)	-	(11,056,715)	(667,974,884)

² Other movements and transfers include transfers from/to inventories.

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As at 31 December 2022 and 2021, the Company has no property, plant and equipment used as collateral for loans.

As at 31 December 2022 and 2021, the cost of the Company's fully depreciated property, plant and equipment in use is 335,051,053 thousand tenge and 317,142,678 thousand tenge, respectively.

13. RIGHT-OF-USE ASSETS (line 122 of Separate balance sheet)

	Buildings and structures	Machinery and equipment	Vehicles	Intangible assets	Total
Carrying value as at 1 January 2021	177,992	23,293,945	4,970,758	81,621	28,524,316
Lease additions	158,450	-	278	-	158,728
Disposals	(87,412)	-	(14,108)	-	(101,520)
Depreciation charge	(117,848)	(8,471,860)	(2,485,518)	(81,621)	(11,156,847)
Depreciation on disposal	87,412	-	12,271	-	99,683
Carrying value as at 31 December 2021	218,594	14,822,085	2,483,681	-	17,524,360
Cost	482,806	40,195,297	8,029,639	244,861	48,952,603
Accumulated depreciation	(264,212)	(25,373,212)	(5,545,958)	(244,861)	(31,428,243)
Carrying value as at 1 January 2022	218,594	14,822,085	2,483,681	-	17,524,360
Lease additions	103,559	-	-	-	103,559
Disposals	(245,911)	-	-	(244,861)	(490,772)
Depreciation charge	(114,011)	(8,471,860)	(2,483,681)	-	(11,069,552)
Depreciation on disposal	188,026	-	-	244,861	432,887
Carrying value as at 31 December 2022	150,257	6,350,225	-	-	6,500,482
Cost	340,454	40,195,297	8,029,639	-	48,565,390
Accumulated depreciation	(190,197)	(33,845,072)	(8,029,639)	-	(42,064,908)

14. OTHER NON-CURRENT ASSETS (line 127 of Separate balance sheet)

	31 December 2022	31 December 2021
Construction in-progress	132,932,562	134,178,863
Advances paid for property, plant and equipment	17,377,077	24,966,970
Non-current assets intended for subsequent contribution to the share capital of subsidiaries	6,286,098	6,286,098
Others	62,103	60,927
Total non-current assets	156,657,840	165,492,858
Less: allowance for impairment of construction in-progress	(9,383,678)	(9,414,552)
Less: allowance for advances paid for property, plant and equipment	(333,816)	(335,927)
TOTAL	146,940,346	155,742,379

Construction in-progress

As at 31 December 2022, construction-in-progress mainly consists of project costs to build the Zhezkazgan-Beineu and Siding 19-Dostyk railways, a ferry complex at the Kuryk port and other railway infrastructure reconstruction.

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Advances paid for property, plant and equipment

As at 31 December 2022, advances to suppliers for property, plant and equipment mostly included advances paid for the purchase of long rails in the amount of 9,958,688 thousand tenge (31 December 2021: 21,355,920 thousand tenge), purchase of railroad switches in the amount of 5,239,551 thousand tenge (31 December 2021: nil tenge) and construction of a ferry complex in sea port Kuryk of 648,703 thousand tenge (31 December 2021: 2,244,104 thousand tenge).

15. FINANCIAL LIABILITIES AT AMORTISED COST (lines 210 and 310 of Separate balance sheet)

	31 December 2022		31 December 2021	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
Fixed interest rate loans	171,911,579		111,243,936	
- in tenge	171,911,579	9.99	111,243,936	6.94
Floating interest rate loans	-		110,950,843	
- in Russian Roubles	-	-	110,950,843	11.00
Fixed interest rate debt securities issued	1,052,190,760		1,072,097,426	
- in tenge	563,621,237	10.20	468,569,500	10.81
- in US\$	363,220,904	2.00	396,207,057	6.95
- in Swiss Francs	125,348,619	3.25	207,320,869	3.42
Floating interest rate debt securities issued	181,965,588		53,375,556	
- in tenge	181,965,588	16.64	53,375,556	9.92
TOTAL	1,406,067,927		1,347,667,761	
Current part of loans and debt securities issued	238,376,825		132,382,358	
Non-current part of loans and debt securities issued	1,167,691,102		1,215,285,403	
TOTAL	1,406,067,927		1,347,667,761	

The following borrowings, presented at discounted base, excluding debt securities, should be repaid as follows:

	31 December 2022	31 December 2021
During the year	85,301,767	27,148,700
1-2 years	29,429,476	1,174,923
2-3 years	522,498	135,181,317
3-4 years	614,276	1,174,923
4-5 years	648,945	1,436,827
Over 5 years	55,394,617	56,078,089
TOTAL	171,911,579	222,194,779

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

Loans received

Halyk Bank of Kazakhstan JSC

In 2022, the Company, under the credit line Agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, received 88,000,000 thousand tenge with an interest rate of 14.5% to 16% and a maturity of up to 6 months. As at 31 December 2022, the Company has made full repayment of loans received.

Forte Bank JSC

In 2022, the Company, under the credit line Agreement with Forte Bank JSC, concluded on 13 June 2022, received 130,000,000 thousand tenge with an interest rate of 15.5% to 18.25 % and maturity from 3 to 6 months. As at 31 December 2022, the Company made full/partial early repayment of loans received in the total amount of 80,000,000 thousand tenge.

Citibank Europe plc

In July 2022, the Company, under the credit line Agreement with Citibank Europe plc, concluded on 16 June 2022, received 29,999,995 US Dollars (13,945,500 thousand tenge) with an interest rate of 4.61% and maturity of up to 3 months. The Company made a full early repayment of borrowings received.

The Shareholder

The Company, under a loan agreement with the Shareholder concluded on 25 May 2022, received 30,000,000 thousand tenge with an interest rate of 14.5% and maturity of up to 2 months. The Company repaid the loan in July 2022 (Note 34).

Early repayment of non-current borrowings

In March 2022, the Company's management made a decision to early repay the principal debt of loans from VTB Bank PJSC in the amount of 19,400,000,000 Russian Roubles (93,680,950 thousand tenge). In March 2022, the Company made an early repayment of principal and accrued interest on this loan.

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Debt securities issued

As at 31 December, debt securities issued included:

	Repayment date	Exchanges	31 December 2022	31 December 2021
Bonds issued, by price ³				
2% Eurobonds (100%) in US\$	28 October 2025	KASE	363,220,904	-
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433,333	308,433,333
TONIA Compounded 6M + 3% margin (19%) Bonds (100%) in tenge	22 July 2024	KASE	128,215,725	-
7.37% Bonds (100%) in tenge	30 December 2042	KASE	94,097,080	-
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	84,924,565	79,713,118
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,830,729	76,830,729
Inflation rate + 2.52% (11.02%) Bonds (100%) in tenge	25 April 2026	KASE	53,749,863	53,375,556
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,379,997	41,379,999
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	40,424,054	38,399,754
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184,030	26,184,028
2% Bonds (100%) in tenge	20 August 2034	KASE	16,696,068	15,741,411
6.95% Eurobonds (105.521%) in US\$	10 July 2042	LSE/KASE	-	396,207,057
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	-	89,207,997
Total debt securities issued			1,234,156,348	1,125,472,982
Current portion of debt securities issued			153,075,058	105,233,658
Non-current portion of debt securities issued			1,081,081,290	1,020,239,324
TOTAL			1,234,156,348	1,125,472,982

Debt securities issued

On 22 July 2022, the Company replenished working capital by issuing bonds on Kazakhstan Stock Exchange in the amount of 118,944,719 thousand tenge with coupon rate TONIA Compounded 6M+3% margin and maturity date of 22 July 2024. The coupon is paid twice a year.

In 2022, the Company, for the purpose of early repayment of 2012 Eurobonds with a total nominal value of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020), issued Eurobonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 882,978,000 US Dollars (410,902,642 thousand tenge) with a preferential coupon rate of 2% per annum and a maturity date on 28 October 2025 (Note 34). Coupon payment – twice a year. Bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 6.6%. The Company recognised an adjustment to the fair value of the bonds as other contributions in the amount of 106,622,574 US Dollars (49,617,881 thousand tenge), net of deferred tax in the amount of 21,324,515 US Dollars (9,923,576 thousand tenge) through equity in retained earnings as other contributions (Note 23).

³ The percentage in brackets represents the cost of placing bonds/Eurobonds from par value (with a premium/discount or at par value).

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

In December 2022, the Company, to implement the project “Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Ilets (construction of second tracks of the Dostyk-Moiynty railway section)”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 162,858,804 thousand tenge with a coupon rate of 7.37% per annum and a maturity date on 30 December 2042 (Note 34). Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 13.99%. The Company recognised an adjustment to fair value of the bonds as other contributions in the amount of 68,761,724 million tenge, net of deferred tax in the amount of 13,752,345 thousand tenge through equity in retained earnings as other contributions (Note 23).

Repayment of debt securities

In October-November 2022, the Company made an early repayment of 2012 Eurobonds with a total nominal value of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020). The total repayment amount was 901,899,483 US Dollars (419,998,388 thousand tenge), including interest accrued of 18,921,483 US Dollars (8,838,818 thousand tenge). As a result of the repayment of the Eurobonds, the Company recognised the non-amortised portion of the transaction costs in the amount of 440,332 thousand tenge and the premium in the amount of 16,889,980 million tenge in finance costs and finance income, respectively.

State subsidy of the interest rate

In May 2020, the Company entered into an agreement with the Transport Committee of the Ministry of Industry and Infrastructure Development of Kazakhstan to subsidise a part of the coupon rate in the amount of 307,194,406 thousand tenge for bonds issued in 2019 at a coupon rate of 11.5% per annum and used for the early repayment of 2017 Eurobonds in the amount of 780,000,000 US Dollars, which in turn were attracted and utilised for infrastructure modernisation, updating locomotives and freight cars. The agreement stipulates that the amount of subsidy should be provided for under the Republican budget program "Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport" (hereinafter – “the Program”). Since the Program is available to all transportation companies that have the status of a “carrier” in accordance with the Law on Railway Transport, the Company’s management accounts for the financing under this Program as a government grant recognised within finance income.

During 2022, the Company recognised income from government subsidies under the Program in the amount of 29,183,000 thousand tenge as a part of finance income (Note 27).

The fair value of borrowings is presented in Note 35.

Credit agreements and breaches of credit agreements

Debt securities contain covenants that place certain limitations on the Company including, but not limited to, business changes and assets disposal, limitations on mergers and consolidations with other legal entities. In the event of default, as defined by the debt securities’ indenture, investors are entitled to require repayment of the debt securities.

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Reconciliation of changes in liabilities and cash flows from financing activity

	2022			2021		
	Borrowings and debt securities issued	Lease liabilities (Note 19)	Total	Borrowings and debt securities issued	Lease liabilities (Note 19)	Total
As at 1 January	1,347,667,761	24,310,869	1,371,978,630	1,383,912,836	34,485,505	1,418,398,341
Changes due to cash flows from financing activities						
Repayment of borrowings	(826,134,892)	-	(826,134,892)	(187,969,133)	-	(187,969,133)
Proceeds from borrowings	986,878,354	-	986,878,354	137,014,000	-	137,014,000
Repayment of lease liabilities	-	(12,265,406)	(12,265,406)	-	(10,429,283)	(10,429,283)
Total changes due to cash flows from financing activities	160,743,462	(12,265,406)	148,478,056	(50,955,133)	(10,429,283)	(61,384,416)
Other changes						
Effect of changes in foreign exchange rates	10,983,054	-	10,983,054	11,800,193	-	11,800,193
Cash flow hedging (Note 23)	3,485,692	-	3,485,692	(823,250)	-	(823,250)
New lease agreements	-	98,479	98,479	-	121,876	121,876
Fair value adjustment of the loans received at below market rate from the Shareholder and of the interest-free loans from the subsidiaries	(118,379,605)	-	(118,379,605)	(2,368,304)	-	(2,368,304)
Interest and discount amortisation	118,370,462	2,169,754	120,540,216	106,391,981	3,763,077	110,155,058
Interest paid	(98,956,318)	(2,331,310)	(101,287,628)	(97,098,725)	(3,664,793)	(100,763,518)
Other changes	(17,846,581)	(66,010)	(17,912,591)	(3,191,837)	34,487	(3,157,350)
Total other changes attributable to liabilities	(102,343,296)	(129,087)	(102,472,383)	14,710,058	254,647	14,964,705
As at 31 December	1,406,067,927	11,916,376	1,417,984,303	1,347,667,761	24,310,869	1,371,978,630

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

16. OTHER FINANCIAL LIABILITIES (lines 213 and 313 of Separate balance sheet)

As at 31 December other financial liabilities included the following:

	31 December 2022	31 December 2021
Current portion of liabilities under financial guarantee contracts	1,436,099	-
Non-current portion of liabilities under financial guarantee contracts	45,378,312	41,565,096
TOTAL	46,814,411	41,565,096

As disclosed in Note 33, the Company has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport, Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC. As at 31 December 2022, liabilities under financial guarantee agreements amounted to 15,548,800 thousand tenge for Nursultan Nazarbayev International Airport JSC, 14,066,973 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 381,013 thousand tenge for an associate Transtelecom JSC (31 December 2021: 15,476,376 thousand tenge for Nursultan Nazarbayev International Airport JSC, 13,952,849 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 523,834 thousand tenge for Transtelecom JSC).

In addition, the Company recognised liabilities under financial guarantee contracts on the borrowings of subsidiaries. As at 31 December 2022, the liability under these financial guarantees was 16,817,625 thousand tenge (31 December 2021: 11,612,037 thousand tenge) (Note 33).

As at 31 December, other financial liabilities were represented in the following currencies:

	31 December 2022	31 December 2021
Tenge	42,769,902	37,450,575
Euro	2,129,991	2,566,438
US Dollars	1,914,518	1,548,083
TOTAL	46,814,411	41,565,096

17. CURRENT TRADE AND OTHER ACCOUNTS PAYABLE (line 214 of Separate balance sheet)

	31 December 2022	31 December 2021
Trade accounts payable to third parties	37,253,743	39,275,733
Trade accounts payable to related parties	7,906,275	12,730,616
Other accounts payable	1,940,693	8,342,956
TOTAL	47,100,711	60,349,305

As at 31 December 2022 and 2021, trade accounts payable were mainly expressed in tenge.

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of tenge, unless stated otherwise)*

18. EMPLOYEE BENEFITS (lines 217 and 317 of Separate balance sheet)

As at 31 December employee benefits included the following:

	31 December 2022	31 December 2021
Allowances for unused vacation and other employee remunerations	11,062,830	8,898,179
Post-employment defined employee benefits and other long-term employee benefits	9,437,067	11,934,728
Salary payable	2,647	1,061
Total employee benefits	20,502,544	20,833,968
Current portion of employee benefits	12,663,532	12,365,902
Non-current portion of employee benefits	7,839,012	8,468,066
TOTAL	20,502,544	20,833,968

Post-employment defined employee benefits and other long-term employee benefits

Under the legislation of Kazakhstan, pension contributions are the responsibility of employees, and the Company has no current or future obligations to make payments to employees following their retirement, apart from those stipulated in a collective agreement.

During 2019, the Company introduced certain Rules related to early retirement (hereinafter “Rules No. 1”) in order to meet the plan of reducing the number of employees employed in the next 5 years. The Rules No. 1 are effective for employees who reach a minimum age of five years before the retirement age that has been established by the legislation.

During 2021, the Company approved Rules for the payment of compensation to employees of the Company and its subsidiaries (hereinafter “Rules No. 2”) to meet a plan to reduce headcount. Rules No. 2 determine the procedure for paying compensation to employees whose positions are affected by reductions and with whom employment agreements have been terminated by agreement of the parties.

Employee benefit obligations and other non-current employee benefits are payable in accordance with the Rules No. 1 and Rules No. 2 and Collective Agreement for 2021-2023 between the Company and its employees.

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Pursuant to these documents, the Company provides the following benefits under an unfunded scheme:

Employee benefit obligations:

- a one-time retirement payment;
- a one-time payment for the early employment agreement termination that depends on work experience in the industry, in accordance with Rules No. 1;
- a retirement age payment of between 70 thousand tenge and 200 thousand tenge per month payable either as a one-time payment for the whole period until the retirement age or on a monthly basis in accordance with Rules No. 1;
- a benefit payment over six months from the date of the termination of an employment agreement of between 70 thousand tenge and 200 thousand tenge per month, in accordance with Rules No. 2;
- financial support to pensioners for the holidays;
- vouchers for sanatorium-resort treatment to pensioners;
- funeral aid of pensioners;
- a one-time payment to pensioners on special anniversaries;
- the reimbursement for denture treatment costs to pensioners;
- the reimbursement of railway ticket costs to pensioners.

Other non-current employee benefits:

- financial support for sanatorium-resort treatment to employees;
- financial assistance on denture treatment to employees;
- a one-time payment to employees on jubilee dates; and
- the reimbursement of railway ticket expense to employees.

The programs are unfunded. The Company's policy towards these programs does not assume the accumulation of assets to cover obligations. The programs do not require employee contributions.

	31 December 2022	31 December 2021
Non-current portion of employee benefit obligations	7,839,012	8,468,066
Current portion of employee benefit obligations	1,598,055	3,466,662
Total liabilities as at the end of the year	9,437,067	11,934,728

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Movement in the present value of obligations for the years ended 31 December are as follows:

	2022	2021
Total liabilities at the beginning of the year	11,934,728	10,779,209
Current service cost	217,663	305,915
Past service cost	51,203	274,354
Interest costs	1,241,211	1,110,259
Actuarial loss on other long-term employee benefits	1,223,348	302,973
Total expenses recognised in profit or loss	2,733,425	1,993,501
Actuarial revaluation recognised in other comprehensive income:	(3,958,754)	(53,483)
- change in financial assumptions	(21,928)	72,871
- experience-based adjustments	(3,875,762)	(72,981)
- change in demographic assumptions	(61,064)	(53,373)
Payments made for the year	(1,272,332)	(784,499)
Total liabilities as at the end of the year	9,437,067	11,934,728

Post-employment defined benefits and other long-term employee benefits recognised in profit or loss during the years ended 31 December are as follows:

	2022	2021
Cost of goods, operations and services sold (Note 25)	2,575,067	1,757,238
Administrative expenses (Note 26)	158,358	236,263
TOTAL	2,733,425	1,993,501

The Company's obligations were estimated based on published statistical data regarding mortality and actual Company data related to employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise it when they would reach the minimum age, i.e. 5 years before the official retirement age. Average length of life after the retirement age for acting and former retired employees is 14.3 years for men and 18.4 years for women.

Other significant actuarial assumptions as at the reporting date for the separate statement of financial position are as follows:

	2022	2021
Discount rate	10.6%	10.4%
Expected annual growth in material aid in the future	4.1% (average)	4.2% (average)
Expected annual minimum salary growth in the future	4.9% (average)	5.3% (average)
Expected annual future growth in rail ticket cost	5.5% (average)	5.6% (average)

According to an actuarial sensitivity analysis, the maximum increase in the employee benefit obligations is 6.9% caused by a 1% reduction in the discount rate.

The given above analysis may not reflect actual changes in post-employment defined employee benefit obligations, as changes in assumptions separate from each other are unlikely (some assumptions are interrelated).

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In addition, for the sensitivity analysis, the present value of post-employment defined employee benefit obligations was calculated using the projected unit credit method as at the reporting date. The same method was applied when calculating post-employment defined employee benefit obligations reflected in the separate statement of financial position.

The methods and assumptions used in sensitivity analysis do not differ from those used in prior years.

19. LEASE LIABILITIES (lines 218 and 318 of Separate balance sheet)

	31 December 2022	31 December 2021
Short-term leases	58,899	47,977
Lease liabilities	11,916,376	24,310,869
Total lease liabilities	11,975,275	24,358,846
Current lease liabilities	6,797,592	17,132,945
Non-current lease liabilities	5,177,683	7,225,901
TOTAL	11,975,275	24,358,846

As at 31 December, the Company lease liabilities included the following:

	31 December 2022		31 December 2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
During one year	7,007,210	6,738,693	18,090,124	17,084,968
Between two and five years inclusive	6,990,525	5,177,683	10,444,453	7,225,901
Total	13,997,735	11,916,376	28,534,577	24,310,869
Less future finance costs	(2,081,359)	-	(4,223,708)	-
Present value of lease payments	11,916,376	11,916,376	24,310,869	24,310,869
Less amounts due within 12 months	-	(6,738,693)	-	(17,084,968)
Amount to be repaid after 12 months	-	5,177,683	-	7,225,901

As at 31 December 2022, interest is calculated based on effective interest rates varying from 11.2% to 17.3% (31 December 2021: from 11.2% to 15%).

All lease liabilities are denominated in tenge.

20. CURRENT CONTRACT LIABILITIES (line 219 of Separate balance sheet)

	31 December 2022	31 December 2021
Advances received on contracts with customers - third parties	2,215,851	3,877,305
Deferred income	210,332	192,492
Advances received on contracts with customers - related parties	12,474	26,449,908
TOTAL	2,438,657	30,519,705

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The revenue recognised in the reporting period, which was included in the balance of advances received at the beginning of the year amounted to 30,513,573 thousand tenge (2021: 5,043,453 thousand tenge).

Contract liabilities as at 31 December 2022 will be recognised in revenue during 12 months after the reporting date.

21. OTHER CURRENT LIABILITIES (line 222 of Separate balance sheet)

	31 December 2022	31 December 2021
Taxes and other obligatory payments to the budget, including:		
VAT	11,919,836	6,922,491
Personal income tax	1,879,832	1,745,732
Social tax	819,060	821,366
Property tax	62,597	37,533
Others	205,392	212,826
Obligatory pension contributions, social insurance and obligatory medical insurance contributions	4,259,757	3,977,580
Liability attributable to the Shareholder	104,188	104,188
Advances received	80,599	80,812
Others	77,343	-
TOTAL	19,408,604	13,902,528

As at 31 December 2022 and 2021, other current liabilities were mainly denominated in tenge.

22. DEFERRED TAX LIABILITIES (line 316 of Separate balance sheet)

Deferred tax balances calculated by applying the statutory tax rate in effect at the respective reporting dates to temporary differences between the tax basis for assets and liabilities and amounts reported in separate financial statements as at 31 December are as follows:

	31 December 2022	31 December 2021
Deferred tax assets		
Tax losses carried forward	74,082,120	69,134,504
Liabilities under financial guarantee contracts	9,362,882	8,313,019
Fair value adjustment to loans issued	4,686,192	4,604,440
Lease liabilities	2,447,801	4,919,671
Other	4,772,081	4,854,257
	95,351,076	91,825,891
Deferred tax liabilities		
Property, plant and equipment and other non-current assets	(258,341,327)	(246,954,905)
Fair value adjustment to borrowings received from the Shareholder at the rates below market and interest free loans from subsidiaries	(68,830,887)	(46,550,677)
Other	(10,948)	(6,784)
	(327,183,162)	(293,512,366)
Total net deferred tax liabilities	(231,832,086)	(201,686,475)

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Movement in deferred tax liabilities for the years ended 31 December is presented as follows:

	2022	2021
Net deferred tax liabilities as at the beginning of the year	(201,686,475)	(191,853,374)
Recognised in profit or loss	(12,662,176)	(11,187,041)
Recognised in equity (Note 23)	(23,675,921)	-
Recognised in investments in subsidiaries	6,192,486	1,353,940
Net deferred tax liabilities as at the end of the year	(231,832,086)	(201,686,475)

23. CHARTER (SHAREHOLDER'S) CAPITAL (line 410 of Separate balance sheet), COMPONENTS OF OTHER COMPREHENSIVE INCOME (line 413 of Separate balance sheet), RETAINED EARNINGS (ACCUMULATED DEFICIT) (line 414 of Separate balance sheet) AND OTHER CAPITAL (line 415 of Separate balance sheet)

Owners contributions (lines 311 and 711 of Separate statement of changes in equity), reflected in the charter (shareholder's) capital:

	No. of shares authorised for issue	No. of shares issued	Charter capital, thousand tenge	Other capital, thousand tenge
As at 1 January 2021	502,040,458	496,654,806	1,082,299,194	-
Shares issued	-	37,859	3,785,900	97
As at 31 December 2021	502,040,458	496,692,665	1,086,085,094	97
Shares issued	-	1	239,266	-
As at 31 December 2022	502,040,458	496,692,666	1,086,324,360	97

The Company's charter (shareholder's) capital was established through a series of share issuances in exchange for either cash or property, plant and equipment, intangible assets or shares. The Shareholder is entitled to dividends, a part of the Company's assets in the event of liquidation, and preference in purchasing the Company's shares or other securities convertible into Company shares.

During 2022, the Company issued 1 share that was paid by 607 units of wheel sets of total market value of 239,266 thousand tenge by the Shareholder.

During 2021, the Company issued 37,859 shares at price of 100,000 tenge per share that were paid by intangible assets in the amount of 3,785,997 thousand tenge by the Shareholder. The Company recognised the difference of 97 thousand tenge as other capital in line 317 "Other transactions with owners".

Other transactions with owners (lines 317 and 717 of Separate statement of changes in equity)

In 2022, the Company recognised an adjustment to loans received at rates lower than market to fair value of 118,379,605 thousand tenge less the deferred tax effect of 23,675,921 thousand tenge (Notes 15 and 22).

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Other operations (lines 319 and 719 of Separate statement of changes in equity)

During 2022, the Company made a contribution to subsidiaries with assets and recognised the difference between the estimated and carrying value in the amount of 899,576 thousand tenge within retained earnings.

These operations have been reflected in the Company's retained earnings.

Components of other comprehensive income (line 413 of Separate balance sheet)

Foreign exchange difference on investments in foreign entities (lines 229 and 629 of Separate statement of changes in equity)

The foreign currency translation reserve is used to account for exchange rate differences resulting from the translation of the financial statements of the Company's business units whose functional currency is not tenge.

Cash flow hedging (net of tax effect) (lines 227 and 627 of Separate statement of changes in equity)

On 7 August 2015, the Company hedged cash flows to reduce the risk of changes in tenge equivalent revenue denominated in Swiss Francs. The principal from Eurobonds issued on 20 June 2014 on the Swiss stock exchange and maturing on 20 June 2022 is used as hedging instrument, which is separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit transportation in Swiss Francs, in particular, first sales received in the period from 1 January to 20 June 2022, is the hedged item in this hedging relationship.

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue, which is the hedge item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from the components of other comprehensive income to revenue from services rendered in the amount of 55,482,320 thousand tenge (Note 24).

For the year ended 31 December 2022, the effective portion of 3,485,692 thousand tenge was recorded in the components of other comprehensive income as net hedging instrument loss (2021: 823,250 thousand tenge as a net profit).

24. REVENUE FROM SALE OF GOODS, OPERATIONS AND SERVICES (line 010 of Separate statement of profit or loss)

	2022	2021
Revenue from services rendered	601,804,000	579,696,982
Revenue from fines	15,485,830	6,605,817
Other revenue from the sale of goods to third parties	2,767,164	2,535,338
TOTAL	620,056,994	588,838,137

During 2022, the revenue, which was the cash flow hedging item, was received and the cumulative loss of 55,482,320 thousand tenge attributable to the hedging instrument had been reclassified from the components of other comprehensive to revenue from services rendered (Note 23).

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

Revenue and other revenue in the amount of 601,452,339 thousand tenge were recognised over time (2021: 579,626,258 thousand tenge); revenue in the amount of 18,604,655 thousand tenge was recognised at a point in time (2021: 9,211,879 thousand tenge).

Revenue of 577,484,026 thousand tenge was received from related parties (Note 34) (2021: 562,346,847 thousand tenge). Revenue from services rendered is mainly represented by revenue from provision of railway network services to KTZ-Freight Transportation LLP. Revenue from provision of railway network services on international transit route to a subsidiary KTZ-Freight Transportation LLP in the amount of 221,317,316 thousand tenge was recognised based on coefficients set by the Company of 0.6 applied to tariffs for freight transportation on international transit routes (2021: 232,861,407 thousand tenge based on coefficients set by the Company of 0.604).

25. COST OF GOODS, OPERATIONS AND SERVICES SOLD (line 011 of Separate statement of profit or loss)

	2022	2021
Staff costs, including taxes, contributions and provision for unused vacations	178,077,429	128,528,299
Work and services of a production nature	120,821,197	101,620,438
Depreciation and amortisation	76,789,382	76,445,755
Materials and supplies	25,923,211	26,010,834
Property tax and other taxes, excluding social tax and social contributions	23,390,928	22,541,013
Repairs and maintenance	18,209,357	16,545,837
Electricity	8,705,822	8,548,376
Fuel and lubricants	6,661,278	5,797,555
Utilities and building maintenance	4,958,677	4,754,923
Security services	3,836,226	3,676,156
Employee benefit expenses and other long-term employee benefits (Note 18)	2,575,067	1,757,238
Communication services	2,293,726	2,156,428
Insurance	1,921,828	1,602,507
Business trip expenses	1,450,110	739,723
Lease expenses	1,408,066	2,277,016
Other expenses	12,681,251	11,986,900
TOTAL	489,703,555	414,988,998

26. ADMINISTRATIVE EXPENSES (line 014 of Separate statement of profit or loss)

	2022	2021
Staff costs, including taxes, contributions and provision for unused vacations	29,329,604	24,966,205
Other third party services	3,031,186	2,509,612
Property tax and other taxes, excluding social tax and social contributions	2,444,669	2,732,239
Depreciation and amortisation	2,344,151	2,674,323
Expenses for holding festive and cultural events	1,666,592	841,734
Expenses to maintain social sphere facilities	821,136	881,179
Utilities and building maintenance	810,128	634,307
Business trip expenses	792,329	484,734
Consulting, audit and legal services	444,098	696,946
Communication services	269,097	282,283
Materials	191,356	141,588
Security services	175,887	166,679
Employee benefit expenses and other long-term employee benefits (Note 18)	158,358	236,263
Other expenses	3,337,454	4,324,239
TOTAL	45,816,045	41,572,331

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

27. FINANCE INCOME (line 021 of Separate statement of profit or loss)

	2022	2021
Interest income on loans issued	83,507,814	68,966,879
Income from subsidising the interest rate on financial liabilities	29,183,000	-
Income from written-off non-amortised portion of the premium on early repayment of bonds (Note 15)	16,889,980	-
Dividends income (Note 34)	12,248,777	20,696,667
Interest income on cash and cash equivalents	5,649,654	5,859,506
Reversal of allowance for expected credit losses on financial instruments	2,237,016	-
Income from issued guarantees	2,113,760	2,914,030
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 35)	27,154	-
Other finance income	626,386	1,442,965
TOTAL	152,483,541	99,880,047

28. FINANCE COSTS (line 022 of Separate statement of profit or loss)

	2022	2021
Interest expense and discount amortisation on loans	118,370,462	106,392,519
Interest expenses on lease	2,169,754	3,763,077
Expected credit losses on issued guarantees	579,679	101,453
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 35)	564,449	-
Accrual of allowance for expected credit losses on financial instruments	-	46,315
Other finance costs	1,204,712	48,971
TOTAL	122,889,056	110,352,335

29. OTHER INCOME (line 024 of Separate statement of profit or loss)

	2022	2021
Foreign exchange gain, net	19,243,671	-
Reversal of allowance for expected credit losses on accounts receivable and allowance on impairment of other current assets	236,524	-
Other	817,126	861,261
TOTAL	20,297,321	861,261

30. OTHER EXPENSES (line 025 of Separate statement of profit or loss)

	2022	2021
Expenses on disposal of property, plant and equipment, intangible assets and other non-current assets	2,914,867	224,587
Impairment of non-financial assets	356,336	735,746
Foreign exchange loss, net	-	2,693,527
Accrual of allowance for expected credit losses on accounts receivable and allowance on impairment of other current assets	-	512,457
Reversal of expenses on provisions	-	(3,215,662)
Other	87,281	(13,887)
TOTAL	3,358,484	936,768

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31. EXPENSES/INCOME OF CORPORATE INCOME TAX (line 101 of Separate statement of profit or loss)

Corporate income tax expense for the years ended 31 December included the following:

	2022	2021
Deferred income tax expense	12,072,056	11,482,376
Change in unrecognised deferred tax assets	590,120	(295,335)
TOTAL	12,662,176	11,187,041

The table below provides a reconciliation of income tax expenses based on accounting profit before tax at the statutory rate against income tax expenses reported for the years ended 31 December:

	2022	2021
Profit before tax	131,070,716	121,729,013
Official tax rate	20%	20%
Calculated corporate income tax expense at the official rate	26,214,143	24,345,803
Tax effect of non-taxable income for tax calculation purposes, and other effect:		
Non-taxable income	(14,142,087)	(12,863,427)
Change in unrecognised deferred tax assets	590,120	(295,335)
Income tax expense recognised in profit or loss	12,662,176	11,187,041

32. EARNINGS PER SHARE (line 600 of Separate statement of profit or loss)

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2022 and 2021, there were no antidilutive instruments outstanding.

	2022	2021
Weighted average quantity of common shares	496,692,666	496,674,099
Profit for the year (thousand tenge)	118,408,540	110,541,972
Profit per common share (tenge)	238	223

In accordance with the requirements of the Kazakhstan Stock Exchange (KASE), the Company has calculated the carrying amount of one share.

	31 December 2022	31 December 2021
Net assets excluding intangible assets	1,940,328,959	1,669,012,715
Quantity of common shares in circulation (registered)	496,692,666	496,692,665
Carrying amount of one share (tenge)⁴	3,906	3,360

⁴ Carrying amount of shares is calculated in accordance with KASE requirements.

33. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 31 December 2022, the Company had capital commitments, including the modernisation of the Dostyk-Moiynty railway transport corridor, purchase of long rails, as well as a commitment related to Construction of ferry complex in sea port Kuryk and operation of multi-purpose freight-passenger ferries, totalling 600,074,053 thousand tenge (31 December 2021: 170,944,618 thousand tenge).

Other contractual liabilities

As at 31 December 2022, the subsidiary KTZ Express JSC, together with the Company, has an agreement for the provision of loading and unloading services and cargo storage services in the future.

In accordance with the terms of this Agreement, KTZ Express JSC is obliged to purchase the minimum volume of services for 10 years and make substantial payments in relation to such volumes.

The Company's management believes that the service period under the Agreement has not yet commenced, because KTZ Express JSC has not been notified about the commencement date of commercial operations and service period, and the parties have not started execution of the obligations under the Agreement. The Company's management believes that as at 31 December 2022, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigations

The Company is subject to various legal proceedings related to its business operations, such as property damage claims. The Company does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Company's financial position, results of operations or cash flows.

Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2022 and 2021. It is not possible to determine the value of any unasserted claims that may be charged, if any, or the likelihood of any unfavourable outcome.

The Company's management believes that its interpretation of the Kazakhstan relevant legislation is appropriate and the Company's tax positions will be sustained. However, tax authorities may take a different position on the interpretation of the effective Kazakhstan tax legislation, which may have a significant impact on the Company's separate financial statements.

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Insurance

The insurance market is still in the early stages of development in Kazakhstan. At the same time, the Company maintains the required statutory insurance coverage related to accident insurance for employees during the performance of their labour (official) duties, vehicle owner liability and environmental damage insurance. In addition, the Company maintains voluntary insurance, including employee insurance against diseases and property insurance against the risk of damage. The Company maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

Environmental protection

Legislation on environmental protection in Kazakhstan is in the process of development and therefore is subject to constant changes. From 1 July 2021, amendments to the Environmental Code of Kazakhstan ("the Code") has become effective. This Code includes set of principles aimed at minimising the consequences of environmental damage to the activities of entities and/or the full restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, assets are classified into four categories, where the asset that have a significant negative impact on the environment are classified to the first category. In accordance with the Code, management has analysed and classified the Company's assets that belongs to rail track infrastructure into the second category. The sea port assets were also classified to the second category. The remaining assets of the Company were classified into the third and fourth categories. The Company's management believes that its interpretation of the relevant legislation of the Republic of Kazakhstan is appropriate.

No provision has been made in these forms of separate annual financial statements as the Company's management assesses that no any potential asset retirement and land reclamation obligations that could have any material effect on separate financial position, results of operations or cash flows of the Company.

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Guarantees

Creditor	Guarantee purpose	Guarantee period	Amount Guarantees
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC to finance the ASU dispatch communication project	21 October 2024	2,190,203 thousand tenge
SB HSBC Kazakhstan jointly with HSBC Bank plc and HSBC Continental Europe	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	31 December 2027	32,452,011 Euro ⁵ (15,994,298 thousand tenge)
	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	30 October 2032	77,543,164 Euro (38,217,924 thousand tenge)
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	31 December 2027	24,651,475 Euro ⁵ (12,149,726 thousand tenge)
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	30 October 2032	24,836,785 Euro ⁵ (12,241,058 thousand tenge)
Industrial Development Fund JSC	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	20 December 2036	12,004,351 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	5 July 2037	18,600,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 June 2039	12,537,182 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	30 July 2039	11,258,978 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	12 December 2039	18,741,022 thousand tenge
	Execute the obligations of Kaztemirtrans JSC under a finance lease agreement	28 August 2032	4,658,780 thousand tenge
	Execute the obligations of KTZ Express JSC under a finance lease agreement	28 August 2032	33,263,983 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	23 April 2040	20,000,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 December 2040	20,000,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	14 September 2041	14,700,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 December 2042	5,300,000 thousand tenge
	Execute the obligations of Kaztemirtrans JSC under a finance lease agreement	30 November 2035	20,413,552 thousand tenge
	Execute the obligations of KTZ Express JSC under a finance lease agreement	30 November 2035	51,692,480 thousand tenge
	Execute the obligations of Nursultan Nazarbayev International JSC to finance its modernisation	28 March 2033	22,500,000 thousand tenge ⁵
Development Bank of Kazakhstan JSC	Execute the obligations of Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	5 July 2033	17,566,209 thousand tenge ⁵
	Execute the obligations of Transtelecom JSC to finance the project for the construction of hardware and software complex communication platform along the railway lines	30 June 2024	4,492,244 thousand tenge
	Execute the obligations of PLVK JSC (a subsidiary of Passenger Transportation JSC) to finance the acquisition of passenger carriages	5 March 2035	5,034,757 thousand tenge ⁵
	Execute the obligations of KTZ-Freight Transportation LLP to replenish working capital	23 May 2023	12,655,974 thousand tenge
Citibank Kazakhstan JSC	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight diesel and electric locomotives	3 November 2032	84,257,526 thousand tenge
Halyk Bank of Kazakhstan JSC	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of passenger electric locomotives	19 October 2029	59,733,881 thousand tenge

⁵ The loans received by subsidiaries and third parties, which are guaranteed by the Company, include certain financial covenants. The total amount of the guarantee for these loans is 123,703,972 thousands tenge.

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Note 16 discloses the carrying value of these guarantees.

As at 31 December 2022 and 2021 there were no cases of using the financial guarantees listed above.

Finance lease agreements with Industrial Development Bank of Kazakhstan JSC provide for the Company's compliance with certain financial covenants, such as debt to EBITDA and interest coverage ratio on an annual basis. As at 31 December 2022, these terms have been met.

In accordance with arrangements with HSBC Continental Europe in relation to financial and non-financial covenants on loans received by subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP in the amount of 78,603,006 thousand tenge, the Company should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2022, this covenant was met.

34. RELATED PARTY TRANSACTIONS

For the purpose of these forms of separate annual financial statements, parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party when making financial or operational decisions. In addition, parties under common control within the Company are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that might not be necessarily available to unrelated parties, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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The nature of related party relationships for those related parties with which the Company entered into significant transactions or had significant balances outstanding as at 31 December that are detailed below.

		Shareholder	Associates of the Company	Companies making up the Shareholder Group	Subsidiaries of the Company
Amounts due from related parties for goods and services, including advances paid	2022	-	287,527	675,741	45,213,841
	2021	-	276,489	138,983	1,779,282
<i>including allowances for expected credit losses and impairment of advances paid</i>	2022	-	(820)	(131)	-
	2021	-	(11)	(10,488)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2022	-	3,532,553	891,566	3,850,363
	2021	-	5,128,054	2,027,327	32,349,878
Cash on current accounts	2022	-	-	162,850,383	-
	2021	-	-	-	-
Restricted cash	2022	-	-	-	-
	2021	-	-	-	5,200,855
Loans issued	2022	-	-	-	992,823,721
	2021	-	-	-	896,176,983
<i>including allowances for expected credit losses</i>	2022	-	-	-	(1,969,030)
	2021	-	-	-	(4,985,032)
Borrowings received	2022	588,984,375	-	-	32,923,064
	2021	128,769,489	-	-	24,399,886
Lease liabilities	2022	-	11,833,694	-	5,867
	2021	24,963	24,089,607	-	8,073

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Transactions with related parties for the years ended 31 December are presented as follows:

		Shareholder	Associates	Companies making up the Shareholder Group	Subsidiaries of the Company	Other related parties ⁶
Sale of goods and services	2022	-	298,657	61,831	577,123,538	-
	2021	-	240,700	70,474	562,035,673	-
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2022	-	(809)	(4)	-	-
	2021	-	24,369	(36)	-	-
Purchase of goods, services and non-current assets	2022	-	10,864,827	4,856,279	139,333,728	-
	2021	-	12,876,964	6,846,764	120,260,994	-
Loans issue	2022	-	-	-	105,240,284	-
	2021	-	-	-	3,899,613	-
Loans repayment	2022	-	-	-	44,657,749	-
	2021	-	-	-	3,914,742	-
Proceeds from borrowings	2022	603,761,446	-	-	32,226,689	-
	2021	-	-	-	24,300,000	-
Repayment of borrowings	2022	31,174,923	-	-	24,300,000	-
	2021	1,174,923	-	-	48,613,720	-
Finance income	2022	-	142,821	-	84,273,734	59,476
	2021	-	1,144,447	-	69,163,335	157,931
Finance costs	2022	14,560,280	2,152,692	-	597,437	131,900
	2021	9,567,010	3,726,439	-	2,593,025	-
Dividend income	2022	-	8,726,221	-	3,522,556	-
	2021	-	6,460,779	-	14,235,888	-
Investments In subsidiaries	2022	-	-	-	5,379,645	-
	2021	-	-	-	12,661,512	-
Charter (shareholder's) capital contribution	2022	239,266	-	-	-	-
	2021	3,785,900	-	-	-	-
New lease agreements (Company as a lessee)	2022	-	95,409	-	778	-
	2021	-	25,180	-	-	-
Lease payments	2022	25,737	14,457,117	-	3,254	-
	2021	102,946	13,881,061	-	5,671	-

⁶ Other related parties include other commercial organisations under joint control of the Shareholder.

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Dividend income from the Company's subsidiaries and associate, where the Company is a participant, for the years ended as at 31 December were as follows:

	2022	2021
UTLC ERA JSC	8,726,221	6,460,779
Kedentransservice JSC	2,723,014	3,768,713
Militarised Railway Security LLP	799,542	2,382,041
KTZ – Freight Transportation LLP	-	7,392,246
NC Aktau Sea Commercial Port JSC	-	397,107
Port Kuryk LLP	-	295,781
TOTAL	12,248,777	20,696,667

In 2022, the Company received a loan from the Shareholder in the amount of 30,000,000 thousand tenge (Note 15).

In 2022, the Company issued Eurobonds and bonds in favour to the Shareholder in the amount of 882,978,000 US Dollars (410,902,642 thousand tenge) and 162,858,804 thousand tenge, respectively (Note 15).

As at 31 December 2022, the Company's borrowings from Shareholder were mainly received at rates below market from 0.075 % to 7.37% with maturity from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 13.99%.

As at 31 December 2022, the Company issued guarantee on certain borrowings of subsidiaries, the associate and other related parties to ensure the execution of obligations to the banks (Notes 16 and 33).

As at 31 December 2022, certain debt securities issued by subsidiaries were indexed to reflect changes in foreign currency exchange rates. In 2022, due to changes in exchange rates, the Company recognised a foreign exchange gain in the amount of 34,806,723 thousand tenge (2021: 9,359,208 thousand tenge).

Transactions with Shareholder group companies, associates and joint ventures and other related parties mainly comprise transactions with KazMunaiGas National Company JSC (fuel), Transtelecom JSC (telecommunication services), Kazakhtelecom JSC (communication services), Kazatomprom National Nuclear Company JSC (electricity), KEGOC JSC (electricity), Kazpost JSC (postal services, cash deposits), Kazakhstan Engineering National Company JSC (engineering production) and Samruk-Energo JSC (electricity).

Compensation to key management personnel of the Company

Key management personnel comprise members of the Company's Management Board and Board of Directors, totalling 16 persons for the year ended 31 December 2022 (2021: 15 persons). Total compensation to key management personnel included in personnel costs in the separate statement of profit or loss comprised 576,509 thousand tenge for the year ended 31 December 2022 (2021: 806,877 thousand tenge). Compensation to key management personnel mainly consists of contractual salary costs and bonuses based on operational results.

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35. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's principal financial instruments consist of loans issued and received, debt securities (bonds) issued and purchased, lease liabilities, derivative financial instruments, cash and short-term deposits as well as trade accounts receivable and trade accounts payable and other financial assets and liabilities. The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Company further monitors the market risk and liquidity risk arising from all financial instruments.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Company's overall strategy remains unchanged from 2021.

There are no mandatory minimum capital requirements for the Company.

The Company's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and the Company's equity, which comprises charter (shareholder's) capital, components of other comprehensive income, retained earnings and other capital.

Financial risk management objectives

Risk management is an essential element of the Company's operations. The Company monitors and manages financial risks relating to the Company's operations through internal risk reports, which analyse risk exposure by the degree and size of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Company's risk management policies in relation to those risks follows.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company manages market risk through periodic estimates of potential losses that could arise from adverse changes in market conditions.

Interest rate risk

The interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on the Company's investments and/or increasing cash outflow on its loans and debt securities. The Company limits its interest rate risk by monitoring changes in interest rates in the currencies in which its financial instruments are held, and by maintaining a balance between its loans with fixed and floating interest rates.

The Company's exposure to the interest rate risk mainly relates to its borrowings and debt securities issued with floating interest rates.

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The following table shows the sensitivity of the Company's profit before tax and equity to possible changes in interest rates on borrowings (through the effect on interest for variable interest rate borrowing) with all other variables remaining constant.

	31 December 2022		31 December 2021	
	Interest rate increase/ (decrease) in base points ⁷	Impact on profit before tax/equity	Interest rate increase/ (decrease) in base points ⁷	Impact on profit before tax/equity
Tenge	245/(245)	(4,139,146)/4,139,146	125/(25)	(625,000)/125,000
Russian Rouble	-	-	125/(25)	(1,379,825)/275,965

Currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposing itself to exchange rate fluctuations.

A significant portion of the Company's current and non-current debt is denominated in US Dollars and Swiss Francs. A change in the value of tenge against other foreign currencies in which debt is denominated will result in a foreign exchange gain or loss. Foreign exchange gain for the year ended 31 December 2022 amounted to 19,243,671 thousand tenge, which is primarily attributed to loans issued and loans received (2021: loss of 2,693,527 thousand tenge). The Company issues loans to subsidiaries being indexed to changes in foreign currency exchange rates.

The following table reflects the sensitivity of the Company's profit before tax and equity to potential changes in the US Dollars, Swiss Francs, Euro and Russian Roubles, provided all other parameters remaining constant.

	31 December 2022			31 December 2021		
	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Direct effect on equity	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Direct effect on equity
US dollar	21%/(21%)	20,034,346/(20,034,346)	-	13%/(10%)	4,330,608/(3,331,237)	-
Swiss Francs	25%/(25%)	(5,564,608)/5,564,608	-	13%/(10%)	24,211,951/(18,624,578)	(26,951,713)/20,732,087
Euro	18%/(18%)	(383,185)/383,185	-	-	-	-
Russian Roubles	22%/(22%)	27,511/(27,511)	-	13%/(13%)	(14,455,338)/14,455,338	-

On 7 August 2015, the Company began cash flow hedging to decrease the risk of a change in the tenge equivalent of revenue denominated in Swiss Francs. Eurobonds issued on 20 June 2014 on the Swiss Stock Exchange are used as hedging instruments. The hedged item is revenue from transit traffic in Swiss Francs. As a result of hedging, in 2022 an effect of 3,485,692 million tenge was recognised in other comprehensive income as net loss (2021: 823,250 million tenge as net profit).

⁷ 1 basis point – 0.01%

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In October-November 2022, the Company entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to partially hedge the exposure to foreign exchange risk of borrowings denominated in US Dollars.

Hedged borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 (Note 15).

The Company pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. The payment of these fixed amounts in Swiss Francs is a natural hedge of the foreign exchange risk of borrowings, as the Company has a share of revenue denominated in Swiss Francs. These derivative financial instruments are not designated into hedging relationships.

As at 31 December 2022, the fair value of derivative financial instruments was recognised under an agreement with J.P. Morgan Securities plc. (UK) within assets in line 113 “Non-current derivative financial instruments” and finance income in the amount of 58,693 US Dollars (27,154 thousand tenge) and under agreements with Societe Generale SA (France) and Citibank London within liabilities in line 312 “Non-current derivative financial instruments” and finance costs in the amount of 1,220,034 US Dollars (564,449 thousand tenge) (Notes 27 and 28).

Credit risk

Credit risk arising from a party’s inability to meet the terms of the Company’s financial instrument contracts is generally limited to the amounts, if any, by which the counterparty’s obligations exceed the Company’s obligations to that party. It is the Company’s policy to enter into financial instruments with a range of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

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

As at 31 December 2022, cash held by the Company on current accounts in Kazpost JSC, a related party of the Company (81% of cash and cash equivalents). In addition, cash and cash equivalents are mainly held in Halyk Bank of Kazakhstan JSC with a credit rating of BB+ ‘stable’ (8% of cash and cash equivalents).

The Company has procedures in place to ensure that sales are only made to customers with the appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Company operates on a prepayment basis with the majority of its customers.

In addition, the Company is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Company in this regard is equal to the maximum amount that the Company will be obliged to pay in the event of claims for guarantees disclosed in Note 33.

The Company does not guarantee the obligations of third parties, other than those disclosed in Note 33.

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Liquidity risk

The Company manages short-term, mid-term and long-term financing liquidity risk in accordance with Shareholder requirements. The Company manages liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constantly monitoring projected and actual cash flows and comparing the maturity of financial assets and liabilities.

The Company with its subsidiaries, uses a highly liquid instrument for the purposes of centralised cash management, namely current loans under the "cash pooling" mechanism with the possibility of early repayment at any time at the decision of the transaction participants. Thus, during 2022, the Company entered into agreements with subsidiaries to provide interest-free financial assistance to the Company in the amount of 109,265,000 thousand tenge (2021: 110,485,000 thousand tenge) for a period of up to one year. As at 31 December 2022, the carrying value of the received financial aid under the "cash pooling" mechanism amounted to 32,923,064 thousand tenge (31 December 2021: 696,375 thousand tenge). As at 31 December 2022, the carrying value of the financial aid given under the "cash pooling" mechanism amounted to 9,075,808 thousand tenge (31 December 2021: 2,974,172 thousand tenge).

As at 31 December 2022, the Company has a credit line available at Halyk Bank of Kazakhstan JSC with undrawn balance of 85,500,000 thousand tenge (31 December 2021: 60,000,000 thousand tenge) and available credit line at Forte Bank JSC with undrawn balance of 10,000,000 thousand tenge (31 December 2021: nil tenge).

The Company controls and monitors compliance with the covenants set by the Shareholder and credit/guarantee agreements on a regular basis.

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

	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
2022						
<i>Interest-free:</i>						
Current trade and other accounts payable	36,494,231	711,550	9,898,209	-	-	47,103,990
<i>Interest-bearing:</i>						
Loans and debt securities issued	23,427,216	5,192,024	253,413,149	1,000,189,866	1,283,794,712	2,566,016,967
Lease liabilities	2,482,566	1,949,279	2,634,264	6,990,525	-	14,056,634
Financial guarantees	191,156	12,710,245	64,788,022	289,995,469	333,169,360	700,854,252
Derivative	-	-	(6,625,673)	8,280,473	-	1,654,800
TOTAL	62,595,169	20,563,098	324,107,971	1,305,456,333	1,616,964,072	3,329,686,643
2021						
<i>Interest-free:</i>						
Current trade and other accounts payable	37,879,730	1,449,849	19,921,496	-	-	59,251,075
<i>Interest-bearing:</i>						
Loans and debt securities issued	15,616,501	7,167,525	167,616,227	732,449,065	1,816,711,662	2,739,560,980
Lease liabilities	2,089,755	5,760,578	10,287,768	10,444,453	-	28,582,554
Financial guarantees	-	1,901,701	25,255,962	124,820,653	246,463,132	398,441,448
TOTAL	55,585,986	16,279,653	223,081,453	867,714,171	2,063,174,794	3,225,836,057

The amounts presented in the table of financial guarantee agreements reflect the maximum amounts that the Company would have to pay in case the counterparty makes a claim under guarantee agreements. As at reporting date, the Company believes that with probability of more than 50% no payments under these agreements will be required. At the same time, the given estimate may change if there is a change in the probability of claims under guarantee agreements. This probability is determined by the probability of default of counterparty's account receivable.

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The following table reflects the expected maturity of the Company's financial assets. It was prepared based on undiscounted contractual cash flows for financial assets, including interest received on these assets, except when the Company expects the cash flow in a different period.

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Unspecified maturity ⁸	Total
2022							
<i>Interest-bearing:</i>							
Short-term deposits	27,748,460	-	-	-	-	16,430	27,764,890
Interest on short-term deposits	270,103	-	-	-	-	-	270,103
Other financial assets	-	-	100	-	-	-	100
Interest on other financial assets	-	-	6	-	-	-	6
Cash and cash equivalents	263	-	-	-	-	-	263
Loans issued	25,200,240	1,315,913	104,587,299	417,597,332	1,254,538,177	5,039,996	1,808,278,957
<i>Interest-free :</i>							
Cash and cash equivalents	173,533,675	-	-	-	-	8,977	173,542,652
Restricted cash	5,769,609	-	-	-	-	91	5,769,700
Trade accounts receivable	1,255,904	45149,724	34,884	-	-	12,837	46,453,349
Loans issued	-	-	45,916,287	-	-	166,571	46,082,858
TOTAL	233,778,254	46,465,637	150,538,576	417,597,332	1,254,538,177	5,244,902	2,108,162,878
2021							
<i>Interest-bearing:</i>							
Short-term deposits	101,580,940	-	-	-	-	21,033	101,601,973
Interest on short-term deposits	564,128	-	-	-	-	-	564,128
Other financial assets	1,037	-	-	-	-	-	1,037
Interest on other financial assets	1	-	-	-	-	-	1
Cash and cash equivalents	466	-	-	-	-	-	466
Loans issued	-	1,324,725	140,293,662	350,188,663	1,314,771,589	5,163,331	1,811,741,970
<i>Interest-free :</i>							
Cash and cash equivalents	8,967,890	-	-	-	-	191	8,968,081
Restricted cash	5,200,855	-	-	-	-	289	5,201,144
Trade accounts receivable	410,491	1,713,611	7,505	-	-	18,906	2,150,513
Loans issued	-	-	16,901,899	-	-	2,295,355	19,197,254
TOTAL	116,725,808	3,038,336	157,203,066	350,188,663	1,314,771,589	7,499,105	1,949,426,567

⁸ Amounts with unspecified maturity are represented by amounts, for which provisions for expected credit losses were accrued.

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Fair value of financial instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market mechanism for fair value identification exists for a large part of the Company's financial instruments, judgement is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

The following methods and assumptions are used by the Company to estimate the fair value of these financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Financial assets and liabilities

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at period-end market rates.

Derivative financial instrument

Fair value of the derivative financial instrument was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Company, as well as Societe Generale (France), Citibank London and J.P. Morgan Securities plc (UK).

Borrowings

The fair value for bank loans was estimated by discounting the scheduled future cash flows of individual loans through estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Company's bank loans are mostly provided by international development institutions and foreign banks. Although interest rates on these borrowings are lower than interest rates of private commercial credit institutions in Kazakhstan, they are treated as the market interest rate for this lender category. The fair value of debt securities issued (bonds) has been determined based on market prices at the reporting date.

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Fair value of financial assets and financial liabilities of the Company not regularly measured at fair value (but fair value is mandatorily disclosed)

As at 31 December 2022 and 2021, the fair value of financial assets and financial liabilities, except for borrowings and debt securities issued was not significantly different from carrying value. The carrying value and fair value of loans issued, borrowings, debt securities issued (bonds) and other financial assets as at 31 December is presented as follows:

	31 December 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Loans issued	996,575,946	995,718,869	899,973,970	901,476,473
Other financial assets	5,862,978	5,924,013	5,293,677	5,293,677
Borrowings	171,911,579	144,361,729	222,194,779	196,804,972
Debt securities	1,234,156,348	1,107,730,921	1,125,472,982	1,241,827,793

Fair value hierarchy

The Company estimates fair value using the following fair value estimate hierarchy, taking into account the materiality of data used to generate the given estimates:

- Level 1: quotes on an active market (uncorrected) in relation to identified financial instruments.
- Level 2: data differing from quotes attributable to level 1, and available directly (i.e. quotes) or indirectly (i.e. data generated from quotes). This category includes instruments estimated using market quotes on active markets for similar instruments, market quotes for similar instruments on market not treated as active, or other estimation methods, all of which data used is directly or indirectly based on observable primary data.
- Level 3: data that is not available. This category includes instruments estimated using information not based on observable primary data. Moreover, any such unobservable data has a significant impact on an instrument's estimation. This category includes instruments estimated based on quotes for similar instruments that require the use of material unobservable quotes or judgements to reflect the different between instruments.

The table below provides an analysis of financial instruments as at 31 December 2022, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
<i>Financial assets recognised at amortised cost</i>				
Loans issued	-	995,718,869	-	995,718,869
Other financial assets	-	5,924,013	-	5,924,013
TOTAL	-	1,001,642,882	-	1,001,642,882
<i>Financial liabilities recognised at amortised cost</i>				
- debt securities	588,642,250	-	-	588,642,250
- debt securities from related parties		519,088,671	-	519,088,671
- bank loans	-	83,125,286	-	83,125,286
- loans from related parties	-	61,236,443	-	61,236,443
TOTAL	588,642,250	663,450,400	-	1,252,092,650

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EXPLANATORY NOTE TO THE FORMS OF SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of tenge, unless stated otherwise)

The table below provides an analysis of financial instruments as at 31 December 2021, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
<i>Financial assets recognised at amortised cost</i>				
Loans issued	-	901,476,473	-	901,476,473
Other financial assets	-	5,293,677	-	5,293,677
TOTAL	-	906,770,150	-	906,770,150
<i>Financial liabilities recognised at amortised cost</i>				
- debt securities	1,199,632,005	-	-	1,199,632,005
- debt securities from related parties	42,195,788	-	-	42,195,788
- bank loans	-	135,350,729	-	135,350,729
- loans from related parties	-	61,454,243	-	61,454,243
TOTAL	1,241,827,793	196,804,972	-	1,438,632,765

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

36. EVENTS AFTER THE REPORTING DATE

Liquidation of a subsidiary

In January 2023, the liquidation process of a subsidiary KTZ Finance LLC has been completed.