

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Separate Financial Statements
For the year ended 31 December 2021

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

Management of Kazakhstan Temir Zholy National Company JSC (the "Company") is responsible for the preparation of separate financial statements that present fairly the separate financial position of the Company as at 31 December 2021, 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.

In preparing the separate 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;
- 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 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.

The separate financial statements for the year ended 31 December 2021, were authorised for issue by management on 5 April 2022, pre-approved by the Audit Committee of the Board of Directors of the Company and subject to further approval by the Board of Directors and the Shareholder.

On behalf of the Company's management:


Nurlan Sauranbayev
Chairman of the Management Board

5 April 2022


Dair Kusherov
Finance Director

5 April 2022


Yelena Stankova
Chief Accountant

5 April 2022



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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the separate financial statements of Kazakhstan Temir Zholy National Company JSC (the "Company"), which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for 2021, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for 2021 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

We were not provided with the 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 in the amount of 177,640,985 thousand tenge as at 31 December 2021 and 2020. 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 Separate 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 separate 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.

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Emphasis of Matter

We draw your attention to:

- Note 2 to the separate financial statements, which describes that the Company also prepares consolidated financial statements of the Company and its subsidiaries (hereinafter referred as the “Group”). These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by the management on 15 March 2022.
- Note 30 to the separate financial statements, which discloses significant transactions of the Company with related parties.

Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Why the matter was determined to be a key audit matter?

How the matter was addressed during the audit?

Assessment of impairment indicators of non-current assets

The Company’s property, plant and equipment, intangible assets and investments in subsidiaries comprise 67% of the Company’s total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement.

As of 31 December 2021, the management of the Company performed the analysis of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Company did not identify any events or circumstances occurring in 2021 that should be considered as impairment indicators of the Group’s single cash-generating unit as of 31 December 2021.

Due to the material amount of non-current assets and the significance of the professional

We performed the following procedures:

- > evaluated appropriateness of the management’s identification of a single cash-generating unit,
- > evaluated whether the Company’s analysis of impairment indicators of non-current assets is accurate and complete and in line with the requirements of IAS 36 *Impairment of Assets*,
- > held meetings with management of the Company, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis,
- > challenged relevance of management’s judgement in relation to transit freight turnover,
- > challenged relevance and completeness of factors used by management when analysing the

Why the matter was determined to be a key audit matter?

judgements described above and their potential impact on the separate financial statements we determined the assessment of impairment indicators of non-current assets to be a key audit matter.

Please refer to Notes 4, 5 and 6.

How the matter was addressed during the audit?

impairment indicators with the assistance of our valuation specialists, where it was necessary, > assessed the completeness and adequacy of disclosures in the separate financial statements.

Liquidity and the going concern principle

As at 31 December 2021, the Company's borrowings in the amount of 132,382,358 thousand tenge are payable within 12 months after the reporting date.

As at 31 December 2021, the Company's current assets are mainly represented by loans issued to subsidiaries and debt securities issued by subsidiaries in the amount of 115,699,968 thousand tenge.

As disclosed in Note 29, the terms of loans received by subsidiaries and other related parties that are guaranteed by the Company for the total amount of 131,974,685 thousand tenge, include covenants, whereby non-compliance may result in the loans becoming payable on demand.

As disclosed in Note 15, the terms of the Credit agreement with VTB Bank PJSC with a total carrying amount of 110,950,843 thousand tenge provide for certain covenants, failure to comply with which entitles creditors to demand early repayment of the debt.

Management of the Company concluded that the Company does not meet certain provisions of the Credit agreement with VTB Bank PJSC, therefore, prior to 31 December 2021, management had received letter from the bank waiving the right to consider as a breach the non-compliance with the given provisions of the Credit agreement. The given matter is disclosed in Note 15.

Due to the above matters, critical judgement is required to assess the sufficiency of the Company's liquid assets and its ability to settle

Our audit procedures in respect of the going concern principle were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following procedures:

> examined the correctness of classification of assets and liabilities as current and non-current,
> analysed management's evaluation of the going concern principle and their plans to settle current liabilities, assessing the Company's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future trading environment,
> assessed any mitigating actions available to management to improve the Company's liquidity and going concern position to the necessary extent, including assessing whether such actions are within the control of management,
> analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Company's ability to continue as a going concern,
> analysed the most recent cash flow forecast and the management downside scenarios affecting the Company's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and revenue amounts,
> examined the documents supporting the availability of financing sources, including credit agreements, negotiations with financial institutions, Board of Directors' minutes and Letter of Support from the Shareholder,

Why the matter was determined to be a key audit matter?	How the matter was addressed during the audit?
<p>the current obligations in a due course. Management's plans in respect of this matter are discussed in Notes 2 and 31.</p> <p>Given the pervasiveness of the effect of the going concern conclusion to the separate financial statements, this is considered to be a key audit matter.</p>	<ul style="list-style-type: none"> > analysed the terms of the loan agreements and related financial and non-financial covenants, > recalculated financial covenants as at reporting date for mathematical accuracy, > examined a waiver received from a creditor with respect to non-application of certain provisions as at 31 December 2021, > evaluated external factors that could be an indicator of adverse events and conditions, which may impact the Company's operations, and > assessed the completeness and adequacy of information disclosed in the separate financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the separate financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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



Zhangil Zhilyshayev
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

Nur-Sultan, Republic of Kazakhstan
5 April 2022

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(in thousands of tenge)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,802,352,319	1,752,998,723
Intangible assets		12,552,340	5,136,151
Investments in subsidiaries	6	485,088,029	466,985,460
Investments in associates and joint ventures	7	3,261,978	3,261,978
Loans issued	8	784,274,002	858,035,076
Other non-current assets	9	33,121,859	27,328,707
Total non-current assets		3,120,650,527	3,113,746,095
Current assets			
Loans issued	8	115,699,968	23,277,678
Cash and cash equivalents	10	110,549,296	97,400,325
Inventories	11	18,710,018	15,687,592
VAT recoverable		7,483,163	2,464,924
Trade accounts receivable	12	2,146,037	10,914,280
Other current assets	13	47,105,542	47,745,364
		301,694,024	197,490,163
Distribution to the Shareholder		104,188	104,188
Total current assets		301,798,212	197,594,351
Total assets		3,422,448,739	3,311,340,446
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,086,085,094	1,082,299,194
Additional paid-in capital	14	97	-
Hedging reserve		(51,996,628)	(52,819,878)
Foreign currency translation reserve		144,243	116,451
Retained earnings		647,332,249	536,736,794
Total equity		1,681,565,055	1,566,332,561

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

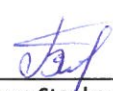
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

	Notes	31 December 2021	31 December 2020
Non-current liabilities			
Borrowings	15	1,215,285,403	1,181,788,302
Deferred tax liabilities	16	201,686,475	191,853,374
Liabilities under financial guarantee contracts	17	41,565,096	37,664,565
Lease liabilities	18	7,225,901	18,276,947
Employee benefit obligations	19	8,468,066	8,551,320
Total non-current liabilities		1,474,230,941	1,438,134,508
Current liabilities			
Borrowings	15	132,382,358	202,124,534
Trade accounts payable	20	52,054,326	32,040,554
Contract liabilities	21	30,519,705	5,048,021
Lease liabilities	18	17,084,968	16,208,558
Other taxes payable		9,739,948	25,060,681
Employee benefit obligations	19	3,466,662	2,227,889
Other current liabilities	22	21,404,776	24,163,140
Total current liabilities		266,652,743	306,873,377
Total liabilities		1,740,883,684	1,745,007,885
Total equity and liabilities		3,422,448,739	3,311,340,446

On behalf of the Company's management:


Nurlan Sauranbayev
Chairman of the Management Board


Dair Kuserov
Finance Director


Yelena Stankova
Chief Accountant

5 April 2022

5 April 2022

5 April 2022


The notes below are an integral part of these separate financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

	Notes	2021	2020
Revenue and other revenue	23	588,838,137	473,149,041
Cost of sales	24	(414,988,998)	(364,198,245)
Gross profit		173,849,139	108,950,796
General and administrative expenses	25	(42,086,822)	(37,579,457)
Finance income	26	79,183,380	108,420,526
Finance costs	27	(110,306,020)	(149,553,862)
Foreign exchange (loss)/gain	31	(2,693,527)	21,692,932
Dividend income	30	20,696,667	7,993,159
Income on disposal of investments in subsidiaries		-	6,219,467
Asset impairment		(784,145)	(175,628)
Other profit or losses		3,870,341	5,907,808
Profit before tax		121,729,013	71,875,741
Corporate income tax expense	16	(11,187,041)	(7,904,802)
Profit for the year		110,541,972	63,970,939
Other comprehensive income/(loss) net of income tax:			
<i>Items that will not be subsequently reclassified to profit and loss:</i>			
Remeasurement of employee benefit obligations	19	53,483	(425,324)
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Net gain/(loss) on cash flow hedging instruments	14	823,250	(15,219,553)
Foreign exchange difference on the translation of foreign operations		27,792	(146,286)
Other comprehensive income/(loss) for the year		904,525	(15,791,163)
Total comprehensive income for the year		111,446,497	48,179,776
Profit per share, in tenge	28	223	129

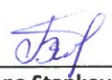
On behalf of the Company's management:


Nurlan Sauranbayev
Chairman of the Management Board

5 April 2022


Dair Kusherov
Finance Director

5 April 2022


Yelena Stankova
Chief Accountant

5 April 2022

The notes below are an integral part of these separate financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)


	Notes	2021	2020
Cash flows from operating activities:			
Profit for the year		110,541,972	63,970,939
Income tax expense recognised in profit or loss	16	11,187,041	7,904,802
Adjustments for:			
Depreciation and amortisation	24, 25	79,120,078	80,243,305
Finance costs	27	110,306,020	149,553,862
Finance income	26	(79,183,380)	(108,420,526)
Allowance for asset impairment		784,145	175,628
Employee benefit and other long-term employee benefits costs	24, 25	1,993,501	944,818
Accrual/(recovery) of allowance for expected credit losses on financial assets and impairment	25	510,373	(187,230)
Foreign exchange loss/(gain)	31	2,693,527	(21,692,932)
Dividend income	30	(20,696,667)	(7,993,159)
Reversal of provisions		(3,215,662)	(5,161,190)
Accrual of allowances for unused vacation and other remunerations		1,753,578	1,558,023
Income on disposal of investments in subsidiaries		-	(6,219,467)
Other		(50,512)	(583,030)
Operating income before changes in working capital and other balances		215,744,014	154,093,843
Change in trade accounts receivable		8,602,807	(4,546,498)
Change in inventories		1,531,435	4,169,141
Change in other current and non-current assets		(3,533,954)	(4,696,417)
Change in trade accounts payable		4,919,077	(6,863,652)
Change in other taxes payable		(16,658,536)	13,416,305
Changes in contract liabilities with customers and other current liabilities		24,346,398	6,993,983
Change in employee benefit obligations		(784,499)	(643,906)
Net cash generated from operations before interest and corporate income tax		234,166,742	161,922,799
Interest paid	15	(100,763,518)	(107,567,564)
Interest received		62,166,980	53,827,983
Net cash flows generated from operating activities		195,570,204	108,183,218
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(128,466,673)	(92,442,766)
Sale of other non-current assets		1,720,946	8,898,945
Investments in subsidiaries	6	(12,661,512)	(30,668,760)
Proceeds from the sale of investments in subsidiaries		-	8,980,000
Loans issued		(3,899,613)	(24,712,900)
Repayment of loans issued		3,914,742	60,898,695
Dividends received		19,933,417	8,610,321
Other		35,413	189,469
Net cash flows used in investing activities		(119,423,280)	(60,246,996)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC


SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

	Notes	2021	2020
Cash flows from financing activities:			
Proceeds from borrowings	15	137,014,000	146,306,149
Repayment of borrowings	15	(187,969,133)	(126,036,901)
Repayment of lease liabilities	15	(10,429,283)	(10,339,771)
Bonds early extinguishment premium and fees paid	27	-	(24,220,784)
Dividends and distributions paid		-	(1,065,090)
Other		(1,408,925)	(1,152,086)
Net cash flows used in financing activities		(62,793,341)	(16,508,483)
Net increase in cash and cash equivalents		13,353,583	31,427,739
Cash and cash equivalents at the beginning of the year	10	97,400,325	60,384,027
Effect of changes in foreign exchange rates on cash and cash equivalents		(195,315)	5,595,411
balances held in foreign currency		(9,297)	(6,852)
Effect of changes in allowance for expected credit losses			
Cash and cash equivalents at the end of the year	10	110,549,296	97,400,325
Non-cash transactions:			
Contribution to share capital by intangible assets	14	3,785,997	-

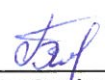
On behalf of the Company's management:


Nurlan Sauranbayev
Chairman of the Management Board

5 April 2022


Dair Kusherov
Finance Director

5 April 2022


Yelena Stankova
Chief Accountant

5 April 2022


The notes below are an integral part of these separate financial statements.

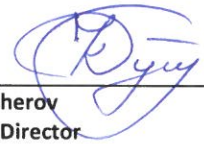
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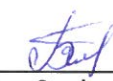
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total equity
As at 1 January 2020	1,082,299,194	-	262,737	(37,600,325)	473,196,269	1,518,157,875
Profit for the year	-	-	-	-	63,970,939	63,970,939
Other comprehensive loss for the year	-	-	(146,286)	(15,219,553)	(425,324)	(15,791,163)
Total comprehensive (loss)/income for the year	-	-	(146,286)	(15,219,553)	63,545,615	48,179,776
Other distributions (Note 14)	-	-	-	-	(5,090)	(5,090)
As at 31 December 2020	1,082,299,194	-	116,451	(52,819,878)	536,736,794	1,566,332,561
As at 1 January 2021	1,082,299,194	-	116,451	(52,819,878)	536,736,794	1,566,332,561
Profit for the year	-	-	-	-	110,541,972	110,541,972
Other comprehensive income for the year	-	-	27,792	823,250	53,483	904,525
Total comprehensive income for the year	-	-	27,792	823,250	110,595,455	111,446,497
Share issue (Note 14)	3,785,900	-	-	-	-	3,785,900
Other contributions (Note 14)	-	97	-	-	-	97
As at 31 December 2021	1,086,085,094	97	144,243	(51,996,628)	647,332,249	1,681,565,055

On behalf of the Company's management:


Nurlan Sauranbayev
Chairman of the Management Board


Dair Kusherov
Finance Director


Yelena Stankova
Chief Accountant

5 April 2022

5 April 2022

5 April 2022

The notes below are an integral part of these separate financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (the “Company”) was created in the Republic of 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., Nur-Sultan, 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 the Republic of Kazakhstan (hereinafter – “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 state 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%. 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. Taking into account differentiation, the increase in the level of tariffs for the year ended 31 December 2021 averaged 35.8%.

Operating environment

Markets in emerging countries, including Kazakhstan, are subject to economic, political, social, judicial and legislative risks that are different from those of more developed markets. Laws and regulations affecting businesses in Kazakhstan can 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.

Kazakhstan produces and exports large volumes of oil and gas, therefore, its economy is particularly sensitive to the price of oil and gas on the world market.

Changes in the economic situation may have a significant impact on the Company’s future operating results and financial position (Note 32).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

A new coronavirus disease (COVID-19) spread rapidly across the world at the start of 2020 resulting in the World Health Organization's announcement of a pandemic in March 2020. The measures taken by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have a significant impact on global financial markets. Therefore, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the spread of the pandemic on the global and Kazakhstani economies.

Management of the Company continues to follow the development of COVID-19. Many regions of Kazakhstan and other countries introduce restrictions from time to time to contain the spread of the virus, many of which affect, suspend or close down operations.

At the same time, restrictive measures have not had a significant impact on freight traffic in Kazakhstan and other countries, as freight rail traffic has not been suspended.

In the second half of 2020, the People's Republic of China (hereinafter – “China”) introduced a number of quarantine measures in Kazakhstan transit and border areas. Additional quarantine checks and measures have impacted rolling stock capacity on import, export and transit routes. In 2021, the Company introduced a number of temporary freight receipt and transportation bans, except for freight in containers, to China through the Dostyk pass, to reduce the volume of idle freight. The Company and state representatives continue to take measures to restore capacity and continuity on the border of two states.

Despite the situation described above, during 2021 there was an increase in the volume of transit freight transportation compared to the same prior period.

The Company's management does not expect the pandemic to have a significant impact on the Company's operations going forward.

The State controls the Company and determines long-term railway operating strategy. The 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.

Under the Development Strategy of group of companies of Kazakhstan Temir Zholy National Company JSC (hereinafter the “Group”) until 2029, work was continued in 2021 to improve efficiency, develop transit traffic and streamline corporate portfolio structure in accordance with the state privatisation programme, ensuring financial sustainability of the Group, improving the clients' satisfaction, guaranteeing train safety and ensuring sustained Group development.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

These separate financial statements are the financial statements of the parent Kazakhstan Temir Zholy National Company JSC. The Company's subsidiaries were not consolidated in these separate financial statements. Investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment. These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorised for issue by the management of the Company on 15 March 2022.

The consolidated 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 separate 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 2021, the Company's current assets exceeded its current liabilities by 35,145,469 thousand tenge (31 December 2020: the Company's current liabilities exceeded its current assets by 109,279,026 thousand tenge). As at 31 December 2021, the Company's borrowings of 132,382,358 thousand tenge are payable within twelve months after the reporting date. In addition, in early 2020, a new strain of coronavirus (COVID-19) began to spread very rapidly around the world. The impact of these events on the Company's operations is described in Note 1. However, profit for the year ended 31 December 2021 amounted to 110,541,972 thousand tenge (2020: 63,970,939 thousand tenge), and cash inflows from operating activities amounted to 195,570,204 thousand tenge (2020: 108,183,218 thousand tenge).

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 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, taking into account the events described in Note 32 and the mitigating actions available to the management for improvement of the Company's liquidity position, the management concluded that the Company has adequate resources to continue operating activities and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these separate financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

Basis for measurement

The separate 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 separate 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 in accordance with quotations received from Reuters.

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 date recognised in profit or loss. 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. Foreign exchange loss/gain related to profit or loss are presented separately in the separate statement of profit or loss and other comprehensive income.

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

	31 December 2021	31 December 2020	The weighted average rate for 2021	The weighted average rate for 2020
US Dollar	431.80	420.91	426.03	412.95
Euro	489.10	516.79	503.88	471.44
Swiss Franc	473.15	477.60	466.13	440.52
Russian Rouble	5.76	5.62	5.79	5.73

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of tenge)

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of revised standards and amendments to existing IFRSs effective from 1 January 2021

The following amendments to Standards became effective from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Reform of Basic Interest Rates (Phase 2)*. The adopted amendments provide a number of temporary exemptions related to the transition to the risk-free interest rate for those preparing financial statements.

The amendment to IFRS 16 *Exemption from assessing whether a COVID-19-related rent concessions is a lease modification* became effective from 1 April 2021 and extends the practical expedient for the lessee for one year, allowing it not to assess the rent concession directly related to COVID-19 as a lease modification. The practical expedient provided by the amendments to IFRS 16, and which became effective from 1 June 2020, was applicable for a decrease in lease payments and affected only payments initially due on or before 30 June 2021. The amendment extends this period until 30 June 2022.

These amendments have not impacted the separate financial statements of the Company.

New and revised IFRSs in issue, but not yet effective

A number of new standards, clarifications and changes to standards become effective for annual periods beginning on or after 1 January 2022. In particular, the Company did not apply the following standards, clarifications and amendments to standards early:

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date not yet set);
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current* (effective, inclusive of draft additional amendments issued in November 2021, for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 3 *References to the Conceptual Framework* (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 *Property, Plant and Equipment - Proceeds before Intended Use* (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract* (effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle effective for annual periods beginning on or after 1 January 2022 - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments - Accounting for commission in the "10% test" to derecognise financial liabilities*, IFRS 16 *Leases - Removal of the illustration of the reimbursement of leasehold improvements*, and IAS 41 - *Accounting treatment of tax payments when measuring fair value*);
- Amendments to IAS 1 *Disclosure of Accounting Policies* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 *Definition of Accounting Estimates* effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

The above standards and amendments are not expected to have a significant effect on the separate financial statements of the Company after they become effective.

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.

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 million 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 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of tenge)

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 in the separate statement of financial position as a separate line (Note 18), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (Note 5) and intangible assets.

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 capitalization 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of tenge)

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 recognized 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.

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).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

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 recognized 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.

The Company recognizes 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.

Equity

Share 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 share capital are assessed by an independent appraiser at fair value as at the date of the contribution.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

Consideration received for common shares yet to be legally registered is recognised as additional paid-in capital until they are registered, when any proceeds are transferred to share capital.

Other contributions

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 equity interest in the Company. The Company recognises such transactions through equity in retained earnings.

Other distributions

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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

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.

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 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 separate 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 separate 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of tenge)

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 separate financial statements.

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 the Republic of Kazakhstan, as the Company's Ultimate Shareholder, has approved a privatisation plan for certain Group entities, which, if implemented, would result in a new interaction mechanism among its various business units. As the Company'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, intangible assets and investments in subsidiaries

When assessing impairment indicators of property, plant and equipment, 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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(in thousands of tenge)

As of 31 December 2021, the Company performed the analysis of the above external and internal impairment indicators of property, plant and equipment, 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 assessment of whether each of the external and internal factors is an indicator of impairment requires significant management's judgment. Management's key judgment is that the market demonstrates a favorable environment for growth of transit freight turnover.

The management of the Company did not identify any events that occurred in 2021 that could be considered as an indicator of the impairment of the single CGU as of 31 December 2021.

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, intangible assets and investments in subsidiaries

The Company performs impairment indicators analysis of property, plant and equipment, 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 impairment indicators or simultaneous adverse impact of several factors, the analysis of external or internal indicators may result in the need to recognise impairment in the future.

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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of tenge)

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

Buildings and structures	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 12.19% 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 2021. 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 recognizes 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 recognizes 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of tenge)

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 2021 and 2020 the internal credit rating of the subsidiaries-borrowers was determined based on the external credit rating of the Shareholder. As at 31 December 2021 and 2020 allowance for impairment of loans given amounted to 7,458,686 thousand tenge and 9,470,584 thousand tenge, respectively (Note 8).

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

5. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and structures	Machinery and equipment	Vehicles	Land	Other	Construction in- progress	Total
Carrying value as at 1 January 2020	1,161,420,265	195,906,068	239,254,176	23,420,283	937,917	4,427,299	151,492,260	1,776,858,268
Additions	575	-	3,566,181	-	-	94,093	63,767,229	67,428,078
Lease additions	-	1,391	-	3,662,447	-	-	-	3,663,838
Disposals	(133,796)	(221,320)	(641,418)	(286,294)	(3,511)	(436,713)	(60,068)	(1,783,120)
Depreciation charge	(36,660,552)	(4,504,805)	(32,226,489)	(4,762,340)	-	(1,304,218)	-	(79,458,404)
Depreciation on disposal	99,966	77,700	641,054	258,954	-	436,093	-	1,513,767
Impairment reversal/(impairment)	26,291	(574,571)	222,243	30,448	-	65,174	(22,140)	(252,555)
Transfer to assets held for sale	-	(7,680,086)	(201,145)	-	(8,166)	(3,970)	-	(7,893,367)
Other movements and transfers ¹	60,679,439	18,160,346	32,753,792	928,776	-	742,713	(120,342,848)	(7,077,782)
Carrying value as at 31 December 2020	1,185,432,188	201,164,723	243,368,394	23,252,274	926,240	4,020,471	94,834,433	1,752,998,723
Cost	1,471,434,651	239,756,691	451,441,105	61,878,329	926,240	13,987,481	104,228,218	2,343,652,715
Accumulated depreciation and impairment	(286,002,463)	(38,591,968)	(208,072,711)	(38,626,055)	-	(9,967,010)	(9,393,785)	(590,653,992)
Carrying value as at 31 December 2020	1,185,432,188	201,164,723	243,368,394	23,252,274	926,240	4,020,471	94,834,433	1,752,998,723
Including:								
Rights-of-use assets:								
Cost	-	411,768	40,195,297	8,043,469	-	-	-	48,650,534
Accumulated depreciation and impairment	-	(233,776)	(16,901,352)	(3,072,711)	-	-	-	(20,207,839)
Carrying value	-	177,992	23,293,945	4,970,758	-	-	-	28,442,695
Carrying amount as at 1 January 2021	1,185,432,188	201,164,723	243,368,394	23,252,274	926,240	4,020,471	94,834,433	1,752,998,723
Additions	55,002	625,317	5,835,446	278	33	82,671	132,941,907	139,540,654
Lease additions	-	121,876	-	-	-	-	-	121,876
Disposals	(4,295,637)	(233,499)	(1,498,042)	(223,083)	(3,686)	(285,635)	-	(6,539,582)
Depreciation charge	(37,144,411)	(4,735,720)	(31,543,664)	(4,916,779)	-	(1,008,395)	-	(79,348,969)
Depreciation on disposal	4,076,257	233,499	1,454,420	220,288	-	285,493	-	6,269,957
(Impairment)/impairment reversal	(618,375)	13,543	(130,833)	37,991	-	3,294	(41,366)	(735,746)
Other movements and transfers ¹	86,303,483	(8,904,766)	13,660,446	3,676,323	-	(25,401)	(104,664,679)	(9,954,594)
Carrying amount as at 31 December 2021	1,233,808,507	188,284,973	231,146,167	22,047,292	922,587	3,072,498	123,070,295	1,802,352,319
Cost	1,540,873,755	231,487,627	469,305,147	65,333,794	922,587	13,704,902	132,336,774	2,453,964,586
Accumulated depreciation and impairment	(307,065,248)	(43,202,654)	(238,158,980)	(43,286,502)	-	(10,632,404)	(9,266,479)	(651,612,267)
Carrying amount as at 31 December 2021	1,233,808,507	188,284,973	231,146,167	22,047,292	922,587	3,072,498	123,070,295	1,802,352,319
Including:								
Rights-of-use assets:								
Cost	-	482,806	40,195,297	8,029,639	-	-	-	48,707,742
Accumulated depreciation and impairment	-	(264,212)	(25,373,212)	(5,545,958)	-	-	-	(31,183,382)
Carrying value	-	218,594	14,822,085	2,483,681	-	-	-	17,524,360

¹ Other movements and transfers include transfers from/to inventories.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) *(in thousands of tenge)*

As at 31 December 2021, 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.

As of 31 December 2021 and 2020 the Company has no property, plant and equipment used as collateral for loans.

For the year ended 31 December 2021 the Company recognised depreciation expenses on right-of-use assets under lease agreements in the amount of 11,075,226 thousand tenge (2020: 10,872,840 thousand tenge).

As at 31 December 2021 and 2020, the cost of the Company's fully depreciated property, plant and equipment in use is 317,142,678 thousand tenge and 296,480,330 thousand tenge, respectively.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

6. INVESTMENTS IN SUBSIDIARIES

Name	Core activity	Country	31 December 2021		31 December 2020	
			Carrying amount	Participation interest	Carrying amount	Participation interest
Passenger Transportation JSC	Passenger Transportation	Kazakhstan	125,658,653	100%	123,759,681	100%
Kaztemirtrans JSC	Freight wagon operation	Kazakhstan	99,132,048	100%	62,213,761	100%
KTZ-Passenger Locomotives LLP	Provision of haulage rolling stock services	Kazakhstan	83,609,861	100%	-	-
KTZ Express JSC	Freight forwarding services, multi-modal transportation	Kazakhstan	57,751,193	100%	51,352,849	100%
Kedentransservice JSC	Freight forwarding services, rolling stock operation, terminal services	Kazakhstan	34,336,647	100%	34,336,647	100%
KTZ-Freight Transportation LLP	Freight Transportation and locomotive haulage	Kazakhstan	31,110,027	100%	112,700,297	100%
Aktau Sea Commercial Port National Company JSC ²	Loading and unloading operations, ship maintenance	Kazakhstan	26,233,840	100%	26,233,840	100%
Temirzholsu JSC	Utilities	Kazakhstan	13,649,045	100%	13,598,843	100%
Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	12,994,741	100%	12,994,741	100%
KTZ Finance LLC	Bond issues to finance projects and the operations of the Group	Russian Federation	435,030	62.16%	435,030	62.16%
Militarised Railway Security LLP	Security service	Kazakhstan	176,944	100%	176,944	100%
Remlocomotive JSC	Rolling stock production	Kazakhstan	-	-	17,936,504	100%
Kamkor Repair Corporation LLP	Machinery production	Kazakhstan	-	-	11,246,323	100%
			485,088,029		466,985,460	

² 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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

During 2021 the Company contributed to the charter capital of:

- Remlocomotive JSC by cash in the amount of 7,487,000 thousand tenge;
- KTZ Express JSC by cash in the amount of 5,124,310 thousand tenge;
- Temirzholsu JSC by cash in the amount of 50,202 thousand tenge.

In June 2021 Kaztemirtrans JSC was reorganised by merging the Remlocomotive JSC and Repair Corporation Kamkor LLP to it.

The subsidiary KTZ-Passenger Locomotives LLP was established in 2021 through a spin off from KTZ-Freight Transportation LLP.

In May 2020, the Company purchased 50% of shares in joint venture Logistic System Management B.V. from the second partner (third party) and made payment by transferring cash for the purchased shares in the amount of 73,000,000 US Dollars (30,668,760 thousand tenge). As a result, the Company obtained a control over Logistic System Management B.V., the sole shareholder of the Kazakhstani company Kedentransservice JSC. In November 2020, Logistic System Management B.V transferred 100% of shares in Kedentransservice JSC to the direct ownership of the Company. In May 2021 Logistic System Management B.V. company was liquidated.

During 2021, the Company provided an interest-free repayable financial aid to some subsidiaries and recognised fair value adjustment of 92,026 thousand tenge (2020: 2,493,252 thousand tenge) less deferred tax of 18,405 thousand tenge (2020: 498,649 thousand tenge) as an increase in investments (Note 8).

During 2021, the Company received an interest-free repayable financial aid from its subsidiary Kaztemirtrans JSC in the amount of 24,300,000 thousand tenge and recognised a fair value adjustment of 2,368,304 thousand tenge less deferred tax of 473,660 thousand tenge as a decrease of investments.

During 2021, in connection with insubstantial modification, the Company recognised the adjustment of the financial aid given to Kaztemirtrans JSC to fair value in the amount of 224,869 thousand tenge less deferred tax of 44,973 thousand tenge as increase of investments.

During 2021, in connection with insubstantial modification (by changing the calculation base), the Company recognised the adjustment of the carrying value of bonds, purchased from subsidiaries in the amount of 2,108,621 thousand tenge less deferred tax of 416,665 thousand tenge as an increase of investments.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

7. INVESTMENTS IN ASSOCIATES

Name of associates and joint ventures	Core activity	31 December 2021		31 December 2020	
		Cost	Ownership interest	Cost	Ownership interest
Doszhan Temir Zholy JSC	Construction and exploitation of railway line Shar-Ust-Kamenogorsk	5,458,000	46.02%	5,458,000	46.02%
Transtelecom JSC	Telecommunication services	3,106,283	25%	3,106,283	25%
United Transport and Logistics Company - Eurasian Rail Alliance JSC ("UTLC ERA JSC")	Domestic and international rail transportation and freight forwarding	155,695	33.33%	155,695	33.33%
		8,719,978		8,719,978	
Allowance for impairment of investments		(5,458,000)		(5,458,000)	
		3,261,978		3,261,978	

8. LOANS ISSUED

	31 December 2021	31 December 2020
Current loans:		
Kaztemirtrans JSC	19,072,941	-
Remlocomotive JSC	-	11,993,188
Vostokmashzavod JSC	-	7,668,706
Kamkor Repair Corporation LLP	-	3,344,869
Others	124,313	124,313
Less: allowance for impairment	(2,295,355)	(7,156,211)
Total current loans	16,901,899	15,974,865
Non-current loans:		
Passenger Transportation JSC	29,911,381	30,614,248
Vostokmashzavod JSC	6,146,328	-
Less: allowance for impairment	(2,435,565)	(89,507)
Total non-current loans	33,622,144	30,524,741
Debt securities issued by subsidiaries:		
Kaztemirtrans JSC	530,678,742	538,954,428
KTZ-Freight Transportation LLP	193,018,805	190,987,217
KTZ Express JSC	106,098,507	107,096,369
Kedentransservice JSC	22,381,639	-
Less: allowance for impairment	(2,727,766)	(2,224,866)
Total debt securities	849,449,927	834,813,148
Total loans issued and debt securities issued by subsidiaries	899,973,970	881,312,754
Current portion of loans	115,699,968	23,277,678
Non-current portion of loans	784,274,002	858,035,076
	899,973,970	881,312,754

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

Financial aid

During 2021, the Company provided an interest-free repayable financial aid to its subsidiary Kamkor Repair Corporation LLP to finance working capital due within one year and totalling 921,091 thousand tenge without collateral (2020: to subsidiaries Kamkor Repair Corporation LLP and Remlocomotive JSC in the total amount of 24,712,900 thousand tenge). The fair value adjustment in the amount of 92,026 thousand tenge (2020: 2,493,252 thousand tenge) less a deferred tax of 18,405 thousand tenge (2020: 498,649 thousand tenge) for the interest-free financial aid was recognised by the Company in investments in subsidiaries (Note 6). For the purpose of the financial aid fair value calculation, the Company applied the effective interest rate of 11.1% (2020: ranging from 11.5% to 11.7%) using market rates on loans with similar terms.

During 2021, due to the reorganization of the subsidiary Kaztemirtrans JSC (Note 6), the right to claim for interest-free repayable financial aid previously issued to Remlocomotive JSC and Kamkor Repair Corporation LLP was transferred to Kaztemirtrans JSC.

Loans

In January 2021, the Company derecognised a short-term loan provided to Vostokmashzavod JSC following its disposal and recognized a non-current loan because of significant changes in the terms of agreement. According to new agreement terms, interest of 14% will be accrued from 1 January 2024. The principal and interest will be paid quarterly, starting from January and April 2024, respectively, until full repayment in October 2025.

Debt securities issued by subsidiaries

During 2021, the Company entered into a trilateral Agreement with its subsidiaries Kedentransservice JSC and Kaztemirtrans JSC to replace Kaztemirtrans with Kedentransservice JSC as an issuer of bonds in the amount of 21,848,328 thousand tenge maturing on 15 November 2024 with a coupon rate of 9.25% per annum.

9. OTHER NON-CURRENT ASSETS

	31 December 2021	31 December 2020
Advances paid for property, plant and equipment	24,966,970	18,614,941
Non-current assets intended for subsequent transfer to the charter capital of subsidiaries	6,286,098	6,286,098
Others	60,927	44,997
Less: allowance for advances given and other non-current non-financial assets	(335,927)	(335,927)
Total other non-financial assets	30,978,068	24,610,109
Loans to employees	1,405,019	2,154,459
Others	1,105,458	639,159
Less: allowance for expected credit losses on other non-current financial assets	(366,686)	(75,020)
Total other financial assets	2,143,791	2,718,598
	33,121,859	27,328,707

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

As at 31 December 2021, advances to suppliers for property, plant and equipment mostly included advances paid for the purchase of long rails in the amount of 21,355,920 thousand tenge (31 December 2020: 9,500,800 thousand tenge) and construction of a ferry complex in sea port Kuryk of 2,244,104 thousand tenge (31 December 2020: 7,261,140 thousand tenge).

10. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Short-term bank deposits, in tenge	101,601,973	81,387,033
Cash in bank current accounts, in tenge	7,449,321	12,420,797
Cash in bank current accounts, in Euro	1,517,923	3,037,965
Cash in bank current accounts, in Russian Roubles	1,303	397,182
Cash in bank accounts, in other currencies	-	169,275
	110,570,520	97,412,252
Less: allowance for expected credit losses on cash and cash equivalents	(21,224)	(11,927)
	110,549,296	97,400,325

Short-term bank deposits in tenge and foreign currency are opened for three months or less, depending on the Company's cash needs. As at 31 December 2021, the weighted average interest rate on short-term bank deposits was 9.19% in tenge. (31 December 2020: 8.48%).

The Company places the most part of its cash and cash equivalents in banks and other financial institutions rated between "A" and "B". Based on this, the Company believes that the cash and cash equivalents credit risk as at 31 December 2021 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.

11. INVENTORIES

	31 December 2021	31 December 2020
Railway materials	10,997,649	7,760,801
Materials and supplies	4,966,672	5,614,345
Fuel and lubricants	904,500	851,715
Spare parts	470,157	582,767
Construction materials	310,127	254,736
Others	1,062,256	632,209
	18,711,361	15,696,573
Less: allowance for inventories	(1,343)	(8,981)
	18,710,018	15,687,592

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

12. TRADE ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Trade accounts receivable from related parties	1,717,239	11,046,823
Trade accounts receivable from third parties	454,650	376,802
	2,171,889	11,423,625
Less: allowance for expected credit losses on accounts receivable	(25,852)	(509,345)
	2,146,037	10,914,280

As at 31 December 2021 and 2020, trade accounts receivable were mainly expressed in tenge.

As at 31 December 2021, trade accounts receivable arising from the contracts with customers amounted to 2,150,513 thousand tenge (31 December 2020: 11,406,676 thousand tenge), and expected credit losses on those trade accounts receivable were 18,906 thousand tenge (31 December 2020: 503,152 thousand tenge).

13. OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Other taxes prepaid	38,370,410	38,602,331
Advances paid	1,307,503	1,250,934
Prepaid expenses	787,370	700,040
Income tax prepaid	265,623	265,623
Others	2,115,513	1,974,853
Less: allowance for advances paid and other current non-financial assets	(2,460,494)	(2,365,483)
Total other non-financial assets	40,385,925	40,428,298
Restricted cash (Note 22)	5,201,144	5,245,166
Loans to employees	853,980	802,741
Claims, penalties and fines	148,818	17,681
Others	1,006,201	1,252,636
Less: allowance for expected credit losses on other current financial assets	(490,526)	(1,158)
Total other financial assets	6,719,617	7,317,066
	47,105,542	47,745,364

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

14. EQUITY

	No. of shares authorised for issue	No. of shares issued	Share capital, thousand tenge	Additional paid-in capital, thousand tenge
As at 1 January 2020	502,040,458	496,654,806	1,082,299,194	-
As at 31 December 2020	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

The Company's share capital was established through a series of share issuances in exchange for either cash or property, plant and equipment or 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.

Contributions

Shares issue

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 recognized the difference of 97 thousand tenge as additional paid-in capital.

Hedging reserve

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.

For the year ended 31 December 2021, the effective portion of 823,250 thousand tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument profit (2020: 15,219,553 thousand tenge as a net loss).

Other distributions

In December 2018, the Kazakhstan Government and Shareholder charged the Company with financing the construction of a Children's Centre in Turkestan. As a consequence, the Company accepted the irrevocable commitment to build it and, as a result, recognised the distribution to the Shareholder of estimated construction costs of 5,300,000 thousand tenge. In June 2020, in connection with the increase in the cost of construction of a Children's Centre in Turkestan, the Company additionally recognized a liability in the amount of 5,090 thousand tenge.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

15. BORROWINGS

Borrowings, including accrual interest, being accounted for at amortised cost consisted of the following:

	31 December 2021		31 December 2020	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	111,243,936		159,378,499	
- in tenge	111,243,936	6.94	158,917,694	7.02
- in US\$	-	-	460,805	2.88
Debt securities issued	1,072,097,426		1,063,412,623	
- in tenge	468,569,500	10.81	467,713,304	10.81
- in US\$	396,207,057	6.95	386,652,364	6.95
- in Swiss Francs	207,320,869	3.42	209,046,955	3.42
<i>Variable interest rate borrowings</i>				
Loans received	110,950,843		108,358,658	
- in Russian Roubles	110,950,843	11.00	108,358,658	7.49
Debt securities issued	53,375,556		52,763,056	
- in tenge	53,375,556	9.92	52,763,056	8.12
	1,347,667,761		1,383,912,836	
Current portion of borrowings	132,382,358		202,124,534	
Non-current portion of borrowings	1,215,285,403		1,181,788,302	
	1,347,667,761		1,383,912,836	

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

	31 December 2021	31 December 2020
During the year	27,148,700	184,904,431
1-2 years	1,174,923	1,174,923
2-3 years	135,181,317	1,174,923
3-4 years	1,174,923	21,793,042
4-5 years	1,436,827	1,174,923
Over 5 years	56,078,089	57,514,915
	222,194,779	267,737,157

Loans received

Halyk Bank Kazakhstan JSC

In January 2021, the Company within the framework of the credit line agreement with Halyk Bank Kazakhstan JSC from 26 February 2015, made an early repayment of the loan in the amount of 25,000,000 thousand tenge.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

Bank VTB PJSC

In December 2021, the Company, within the framework of the credit agreement with Bank VTB PJSC, borrowed 19,400,000,000 Russian Roubles (112,714,000 thousand tenge) to repay a loan from Moscow Credit Bank PJSC. Loan interest is repaid quarterly at the “key rate of the Russian Central Bank + 2.75%”. Principal is due to be repaid in a lump sum in December 2024 (Note 32).

Debt securities issued

As at 31 December, debt securities issued included:

	Repayment date	Exchanges	31 December 2021	31 December 2020
Bonds issued, by price³				
6.95% Eurobonds (105.521%) in US Dollars	10 July 2042	LSE/KASE	396,207,057	386,652,364
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433,333	308,433,333
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	89,207,997	90,035,750
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	79,713,118	80,015,596
	15 November 2024			
9.25% Bonds (100%) in tenge		KASE	76,830,729	76,830,729
Inflation rate +2.52% (9.92%) Bonds (100%) in tenge	25 April 2026	KASE	53,375,556	52,763,056
	12 September 2034			
11.5% Bonds (100%) in tenge		KASE	41,379,999	41,379,999
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	38,399,754	38,995,609
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184,028	26,184,028
	20 August 2034			
2% Bonds (100%) in tenge		KASE	15,741,411	14,885,215
Total debt securities issued			1,125,472,982	1,116,175,679
Current portion of debt securities issued			105,233,658	17,220,103
Non-current portion of debt securities issued			1,020,239,324	1,098,955,576
			1,125,472,982	1,116,175,679

The fair value of borrowings is presented in Note 31.

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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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.

Within the framework of the credit agreement with Bank VTB PJSC, which stipulates compliance with specific financial covenants, such as net debt to EBITDA, interest coverage ratios and coverage ratios (including (a) ratio of total debtors' EBITDA to the Group EBITDA; (b) ratio of total debtors' revenue to the Group revenue; (c) the ratio of the total carrying amount of debtors' assets to the carrying amount of the Group assets) calculated on the basis of consolidated Group data, starting from 31 December 2021 and quarterly thereafter. As at 31 December 2021, these financial covenants had been met. At the same time, on 30 December 2021, the Company received a waiver from Bank VTB PJSC waiving the right to consider as a breach the non-compliance with cross-default and insolvency terms of the loan agreement, if the value of the assets of any Group entity is less than its liabilities (taking into account contingent and prospective liabilities).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

Reconciliation of changes in liabilities and cash flows from financing activity

	2021			2020		
	Borrowings and debt securities issued	Lease liabilities (Note 18)	Total	Borrowings and debt securities issued	Finance lease liabilities (Note 18)	Total
As at 1 January	1,383,912,836	34,485,505	1,418,398,341	1,295,334,267	42,705,375	1,338,039,642
Changes due to cash flows from financing activities						
Repayment of borrowings	(187,969,133)	-	(187,969,133)	(126,036,901)	-	(126,036,901)
Proceeds from borrowings	137,014,000	-	137,014,000	146,306,149	-	146,306,149
Repayment of lease liabilities	-	(10,429,283)	(10,429,283)	-	(10,339,771)	(10,339,771)
Total changes due to cash flows from financing activities	(50,955,133)	(10,429,283)	(61,384,416)	20,269,248	(10,339,771)	9,929,477
Other changes:						
Effect of changes in foreign exchange rates	11,800,193	-	11,800,193	56,494,657	-	56,494,657
Cash flow hedging (Note 14)	(823,250)	-	(823,250)	15,251,400	-	15,251,400
New lease agreements	-	121,876	121,876	-	3,663,838	3,663,838
Fair value adjustment of the loans received at below market rate from the Shareholder and of the interest-free loans from the subsidiaries (Note 6)	(2,368,304)	-	(2,368,304)	(3,087,805)	-	(3,087,805)
Interest and discount amortisation	106,391,981	3,763,077	110,155,058	107,727,839	5,079,203	112,807,042
Interest paid	(97,098,725)	(3,664,793)	(100,763,518)	(101,103,599)	(6,463,965)	(107,567,564)
Other changes	(3,191,837)	34,487	(3,157,350)	(6,973,171)	(159,175)	(7,132,346)
Total other changes attributable to liabilities	14,710,058	254,647	14,964,705	68,309,321	2,119,901	70,429,222
As at 31 December	1,347,667,761	24,310,869	1,371,978,630	1,383,912,836	34,485,505	1,418,398,341

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16. CORPORATE INCOME TAX

	2021	2020
Deferred income tax expense	11,482,376	8,120,598
Change in unrecognised deferred tax assets	(295,335)	(215,796)
	11,187,041	7,904,802

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:

	2021	2020
Profit before tax from continuing operations	121,729,013	71,875,741
Official tax rate	20%	20%
Theoretical tax expense at the official rate	24,345,803	14,375,148
Tax effect of non-taxable income for tax calculation purposes, and other effect:		
Non-taxable income	(12,863,427)	(6,254,550)
Change in unrecognised deferred tax assets	(295,335)	(215,796)
Income tax expense recognised in profit or loss	11,187,041	7,904,802

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 separated financial statements as at 31 December are as follows:

	31 December 2021	31 December 2020
Deferred tax assets		
Tax losses carried forward	69,134,504	69,289,258
Liabilities under financial guarantee contracts	8,313,019	7,532,913
Lease liabilities	4,919,671	6,919,748
Fair value adjustment to loans issued	4,604,440	4,911,020
Others	4,854,257	5,212,930
	91,825,891	93,865,869
Deferred tax liabilities		
Property, plant and equipment and other non-current assets	(246,954,905)	(238,388,482)
Fair value adjustment to borrowings received from the Shareholder at the rates below market and interest free loans from subsidiaries	(46,550,677)	(47,322,371)
Others	(6,784)	(8,390)
	(293,512,366)	(285,719,243)
Total net deferred tax liabilities	(201,686,475)	(191,853,374)

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

	2021	2020
Net deferred tax liabilities as at the beginning of the year	(191,853,374)	(182,852,468)
Recognised in profit or loss	(11,187,041)	(7,904,802)
Recognised in investments in subsidiaries	1,353,940	(1,096,104)
Net deferred tax liabilities as at the end of the year	(201,686,475)	(191,853,374)

17. LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS

As disclosed in Note 29, the Company has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport, Aktoobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC. As at 31 December 2021, liabilities under financial guarantee agreements amounted to 15,476,376 thousand tenge for Nursultan Nazarbayev International Airport JSC, 13,952,849 thousand tenge for Aktoobe Rail and Section Mill Plant LLP and 523,834 thousand tenge for an associate Transtelecom JSC (31 December 2020: 15,634,307 thousand tenge for Nursultan Nazarbayev International Airport JSC, 14,828,953 thousand tenge for Aktoobe Rail and Section Mill Plant LLP and 1,668,281 thousand tenge for Transtelecom JSC).

In addition, the Company recognised liabilities under financial guarantee contracts on the borrowings of subsidiaries. As at 31 December 2021, the liability under these financial guarantees was 11,612,037 thousand tenge (31 December 2020: 5,533,024 thousand tenge) (Note 29).

As at 31 December 2021, liabilities under financial guarantee contracts were represented in the following currencies:

	31 December 2021	31 December 2020
Tenge	37,450,575	34,654,274
Euro	2,566,438	1,326,084
US Dollar	1,548,083	1,684,207
	41,565,096	37,664,565

18. LEASE LIABILITIES

	31 December 2021		31 December 2020	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
During one year	18,090,124	17,084,968	17,218,292	16,208,558
Between two and five years inclusive	10,444,453	7,225,901	25,232,691	18,276,947
Total	28,534,577	24,310,869	42,450,983	34,485,505
Less future finance costs	(4,223,708)	-	(7,965,478)	-
Present value of lease payments	24,310,869	24,310,869	34,485,505	34,485,505
Less amounts due within 12 months		(17,084,968)		(16,208,558)
Amount to be repaid after 12 months		7,225,901		18,276,947

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As at 31 December 2021, interest is calculated based on effective interest rates varying from 11.2% to 15% (31 December 2020: from 11.7% to 15%).

All lease liabilities are denominated in tenge.

19. EMPLOYEE BENEFIT OBLIGATIONS

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

Under law of the Republic 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 (the “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 (“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.

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;
- reimbursement for denture treatment costs to pensioners;
- the reimbursement of railway ticket costs to pensioners.

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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
- reimbursement of railway ticket expense to employees.

The programmes are unfunded. The Company's policy in relation to these programmes does not assume the accumulation of assets to cover the obligations; the programmes do not require contributions from employees.

	31 December 2021	31 December 2020
Non-current portion of employee benefit obligations	8,468,066	8,551,320
Current portion of employee benefit obligations	3,466,662	2,227,889
Total liabilities as at the end of the year	11,934,728	10,779,209

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

	2021	2020
Total liabilities at the beginning of the year	10,779,209	10,052,973
Current service cost	305,915	559,604
Past service cost	274,354	-
Interest cost	1,110,259	914,820
Actuarial gain/(loss) on other long-term employee benefits	302,973	(529,606)
Total expenses recognized in profit or loss	1,993,501	944,818
Actuarial revaluation recognized in other comprehensive (income)/loss:	(53,483)	425,324
- change in financial assumptions	72,871	(202,617)
- experience-based adjustments	(72,981)	626,035
- change in demographic assumptions	(53,373)	1,906
Payments made for the year	(784,499)	(643,906)
Total liabilities as at the end of the year	11,934,728	10,779,209

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

	2021	2020
Cost of sales (Note 24)	1,757,238	1,039,336
General and administrative expenses (Note 25)	236,263	(94,518)
Total recognised in profit or loss for the year	1,993,501	944,818

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.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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

	2021	2020
Discount rate	10.4%	10.3%
Expected annual growth in material aid in the future	4.2% (average)	4.2% (average)
Expected annual minimum salary growth in the future	5.3% (average)	4.6% (average)
Expected annual future growth in rail ticket cost	5.6% (average)	7.1% (average)

According to an actuarial sensitivity analysis, the maximum increase in the employee benefit obligations is 4.6% 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).

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.

20. TRADE ACCOUNTS PAYABLE

	31 December 2021	31 December 2020
Trade accounts payable to third parties	39,323,232	22,486,739
Trade accounts payable to related parties	12,731,094	9,553,815
	52,054,326	32,040,554

As at 31 December, trade accounts payable were expressed in the following currencies:

	31 December 2021	31 December 2020
Tenge	51,804,622	31,836,819
Russian Rouble	249,704	194,913
In other currencies	-	8,822
	52,054,326	32,040,554

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

21. CONTRACT LIABILITIES

	31 December 2021	31 December 2020
Advances received on contracts with customers - related parties	26,449,908	1,287,470
Advances received on contracts with customers - third parties	3,877,305	3,760,551
Deferred income	192,492	-
	30,519,705	5,048,021

The revenue recognised in the reporting period, which was included in the balance of advances received at the beginning of the year amounted to 5,043,453 thousand tenge (2020: 27,298,683 thousand tenge).

Contract liabilities as at 31 December 2021 will be recognized in revenue during 12 months after the reporting date.

22. OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Allowances for unused vacation and other employee remunerations	8,898,179	9,375,647
Advances received	80,812	108,441
Provisions	-	4,496,537
Others	1,251,456	555,351
Total other non-financial liabilities	10,230,447	14,535,976
Liability under agency agreement	5,201,144	5,245,166
Obligatory pension contributions, social insurance and obligatory medical insurance contributions	3,977,580	2,537,276
Salaries payable	1,061	32,953
Others	1,994,544	1,811,769
Total other financial liabilities	11,174,329	9,627,164
	21,404,776	24,163,140

As at 31 December 2021 and 2020 the obligation under the agency agreement is the obligation of the Company under the agency agreements to perform actions on behalf and at the expense of the funds of Tulpar Carriage Building Plant LLP in order to fulfill the agreements for the assembly and purchase of passenger car wagon sets (Note 13).

As at 31 December 2021 and 2020, other liabilities were mainly denominated in tenge.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

23. REVENUE AND OTHER REVENUE

	2021	2020
Revenue from services rendered	579,696,982	462,730,139
Revenue from fines	6,605,817	6,852,552
Other revenue from the sale of goods to third parties	2,535,338	3,566,350
	588,838,137	473,149,041

Revenue and other revenue in the amount of 579,626,258 thousand tenge were recognised over time (2020: 462,657,253 thousand tenge); revenue in the amount of 9,211,879 thousand tenge was recognised at a point in time (2020: 10,491,788 thousand tenge).

Revenue of 562,346,847 thousand tenge was received from related parties (Note 30) (2020: 445,578,879 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 232,861,407 thousand tenge was recognized based on coefficients set by the Company of 0.604 applied to tariffs for freight transportation on international transit routes (2020: 210,730,472 thousand tenge based on coefficients set by the Company ranging from 0.5 to 0.981).

24. COST OF SALES

	2021	2020
Staff costs, including taxes, contributions and provision for unused vacations	128,528,299	109,419,231
Work and services of a production nature	101,620,438	74,776,686
Depreciation and amortisation	76,445,755	77,479,272
Materials and supplies	26,010,834	24,842,870
Property tax and other taxes, excluding social tax and social contributions	22,541,013	22,536,830
Repairs and maintenance	16,545,837	14,965,937
Electricity	8,548,376	7,586,965
Fuel and lubricants	5,797,555	6,220,955
Utilities and building maintenance	4,754,923	4,076,410
Security services	3,676,156	3,325,083
Lease expenses	2,277,016	600,661
Communication services	2,156,428	2,329,879
Employee benefit expenses and other long-term employee benefits (Note 19)	1,757,238	1,039,336
Insurance	1,602,507	1,418,515
Business trip expenses	739,723	564,238
Other expenses	11,986,900	13,015,377
	414,988,998	364,198,245

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Staff costs, including taxes, contributions and provision for unused vacations	24,966,205	22,881,347
Property tax and other taxes, excluding social tax and social contributions	2,732,239	3,442,069
Depreciation and amortisation	2,674,323	2,764,033
Other third party services	2,509,612	973,972
Expenses to maintain social sphere facilities	881,179	1,611,212
Expenses for holding festive and cultural events	841,734	472,322
Consulting, audit and legal services	696,946	447,079
Utilities and building maintenance	634,307	544,255
Accrual/(recovery) of allowance for expected credit losses on accounts receivable and impairment of current advances paid	510,373	(187,230)
Business trip expenses	484,734	337,981
Communication services	282,283	295,646
Accrual/(recovery) of employee benefit expenses and other long-term employee benefits (Note 19)	236,263	(94,518)
Security services	166,679	214,573
Materials	141,588	393,528
Other expenses	4,328,357	3,483,188
	42,086,822	37,579,457

26. FINANCE INCOME

	2021	2020
Interest income and discount amortisation on loans	68,966,879	66,236,161
Interest income on cash and cash equivalents	5,859,506	2,979,747
Income from issued guarantees	2,914,030	4,066,717
Income from subsidizing the interest rate on financial liabilities	-	29,183,000
Other finance income	1,442,965	5,954,901
	79,183,380	108,420,526

27. FINANCE COSTS

	2021	2020
Interest expense and discount amortisation on loans	106,392,519	107,631,713
Interest expenses on lease	3,763,077	5,079,203
Expected credit losses on issued guarantees	101,453	12,168,150
Premium and fee for early bond extinguishment	-	24,220,784
Other finance costs	48,971	454,012
	110,306,020	149,553,862

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

28. EARNINGS PER SHARE

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 2021 and 2020, there were no antidilutive instruments outstanding.

	2021	2020
Weighted average quantity of common shares	496,674,099	496,654,806
Profit for the year (thousand tenge)	110,541,972	63,970,939
Profit per common share (tenge)	223	129
	31 December 2021	31 December 2020
Net assets excluding intangible assets	1,669,012,715	1,561,196,410
Quantity of common shares in circulation (registered)	496,692,665	496,654,806
Carrying amount of one share (tenge)⁴	3,360	3,143

29. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 31 December 2021, the Company had capital commitments for the construction of Zhezkazgan – Beineu and Siding 19-Dostyk railway lines, 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 170,944,618 thousand tenge (31 December 2020: 176,826,568 thousand tenge).

Other contractual liabilities

As at 31 December 2021, 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 with Aktau Sea North Terminal LLP, SB Sberbank JSC and Inter Port Development PTE LTD dated 28 December 2015 (hereinafter – “Agreement”).

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 the 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 2021, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

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

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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 2021 and 2020. 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.

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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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	3,066,285 thousand tenge
SB HSBC Kazakhstan jointly with HSBC Bank plc and HSBC France	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	27 May 2027	71,770,689 Euro (35,103,044 thousand tenge) ⁵
	Execute the obligations of KTZh-Freight Transportation JSC to finance the acquisition of freight electric locomotives	3 September 2028	104,946,016 Euro (51,329,095 thousand tenge) ⁵
Industrial Development Fund JSC	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	20 December 2036	12,861,805 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 Kaztemirtrans JSC under a finance lease agreement	30 November 2035	23,329,774 thousand tenge
	Execute the obligations of KTZ Express JSC under a finance lease agreement	30 November 2035	51,692,480 thousand tenge
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2033	22,500,000 thousand tenge ⁵
	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	5 July 2033	18,007,789 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	7,487,073 thousand tenge
	Execute the obligations of PLVK JSC (a subsidiary of Passenger Transportation JSC) to finance the acquisition of passenger cars	5 March 2035	5,034,757 thousand tenge ⁵

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 131,974,685 thousands tenge.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) *(in thousands of tenge)*

Note 17 discloses the carrying value of these guarantees.

As of 31 December 2021 and 2020 there were no cases of using the financial guarantees listed above.

In order to avoid non-compliance with respect to obligations to its creditors, prior to year-end, the Company received waivers related to the non-application of financial covenant as at 31 December 2021 under the financial guarantee contract with Development Bank of Kazakhstan JSC. In accordance with arrangements with HSBC France 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 86,432,139 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 2021, this covenant was met.

30. RELATED PARTY TRANSACTIONS

For the purpose of these separate 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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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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.

		<u>Shareholder</u>	<u>Associates of the Company</u>	<u>Joint ventures where the Company is a participant</u>	<u>Companies making up the Shareholder group</u>	<u>Subsidiaries of the Company</u>
Amounts due from related parties for goods and services, including advances paid	2021	-	276,489	-	138,983	1,779,282
	2020	-	203,995	-	1,591,205	10,663,935
<i>including allowances for expected credit losses and impairment of advances paid</i>	2021	-	(11)	-	(10,488)	-
	2020	-	(24,380)	-	(10,452)	(490,687)
Amounts due to related parties for goods, services and non-current assets, including advances received	2021	-	5,128,054	-	2,027,327	32,349,878
	2020	-	4,919,902	-	1,015,465	5,143,178
Restricted cash	2021	-	-	-	-	5,200,855
	2020	-	-	-	-	5,244,713
	2021	-	-	-	-	896,176,983
Loans issued	2020	-	-	-	-	881,312,754
<i>including allowances for expected credit losses</i>	2021	-	-	-	-	(4,985,032)
	2020	-	-	-	-	(9,346,271)
Borrowings received	2021	128,769,489	-	-	-	24,399,886
	2020	126,093,431	-	-	-	48,766,266
Lease liabilities	2021	24,963	24,089,607	-	-	8,073
	2020	117,530	34,217,777	-	-	13,902

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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

		Shareholder	Associates	Joint ventures where the Company is a participant	Companies making up the Shareholder Group	Subsidiaries of the Company	Other related parties ⁶
Sale of goods and services	2021	-	240,700	-	70,474	562,035,673	-
	2020	-	253,636	7,094	58,024	445,260,125	-
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2021	-	24,369	-	(36)	-	-
	2020	-	(24,377)	130	(20)	159,762	-
Purchase of goods, services and non-current assets	2021	-	12,876,964	-	6,846,764	120,260,994	-
	2020	-	32,205,029	-	3,196,016	93,192,636	-
Loans issue	2021	-	-	-	-	3,899,613	-
	2020	-	-	-	-	24,712,900	-
Loan repayment	2021	-	-	-	-	3,914,742	-
	2020	-	-	-	-	60,898,695	-
Proceeds from borrowing	2021	-	-	-	-	24,300,000	-
	2020	-	-	-	-	22,010,095	-
Repayment of borrowings	2021	1,174,923	-	-	-	48,613,720	-
	2020	1,174,923	-	-	-	-	-
Finance income	2021	-	1,144,447	-	-	69,163,335	157,931
	2020	-	3,293,387	-	-	66,631,018	-
Finance costs	2021	9,567,010	3,726,439	-	-	2,593,025	-
	2020	9,383,199	10,815,189	-	-	3,509,829	5,501,628
Dividend income	2021	-	6,460,779	-	-	14,235,888	-
	2020	-	4,363,859	2,733,669	-	895,631	-
Investment in subsidiaries	2021	-	-	-	-	-	-
	2020	-	-	-	-	12,661,512	-
						30,668,760	-
Share capital contribution	2021	3,785,900	-	-	-	-	-
	2020	-	-	-	-	-	-
New lease agreements (Company as a lessee)	2021	-	25,180	-	-	-	-
	2020	-	3,662,447	-	-	-	-
Lease payments	2021	102,946	13,881,061	-	-	5,671	-
	2020	180,155	11,289,267	-	-	5,208,528	-

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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

	2021	2020
KTZ – Freight Transportation LLP	7,392,246	-
UTLC ERA JSC	6,460,779	4,363,859
Kedentransservice JSC	3,768,713	-
Militarised Railway Security LLP	2,382,041	-
NC Aktau Sea Commercial Port JSC	397,107	890,930
Port Kuryk LLP	295,781	3,416
Logistic System Management B.V.	-	2,733,669
Temirzholsu JSC	-	1,285
	20,696,667	7,993,159

As at 31 December 2021 the Company's borrowings from Shareholder were mainly received at rates below market from 0.075 % to 2% with maturity from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 11.5%.

As at 31 December 2021, 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 17 and 29).

As at 31 December 2021, certain debt securities issued by subsidiaries were indexed to reflect changes in foreign currency exchange rates. In 2021, due to changes in exchange rates, the Company recognised a foreign exchange gain in the amount of 9,359,208 thousand tenge (2020: 73,193,845 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), 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 15 persons for the year ended 31 December 2021 (2020: 15 persons). Total compensation to key management personnel included in personnel costs in the separate statement of profit or loss and other comprehensive income comprised 806,877 thousand tenge for the year ended 31 December 2021 (2020: 601,820 thousand tenge). Compensation to key management personnel mainly consists of contractual salary costs and bonuses based on operational results.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)
(in thousands of tenge)

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

The Company's principal financial instruments consist of loans, debt securities issued (bonds), lease liabilities, cash and short-term deposits as well as trade accounts receivable and trade accounts payable. 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 2020.

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 share capital and additional paid in capital, foreign currency translation, hedge reserves and retained earnings.

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 variable 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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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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 2021		31 December 2020	
	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	125/(25)	(625,000)/125,000	100/(25)	(500,000)/125,000
Russian Rouble	125/(25)	(1,379,825)/275,965	100/(25)	(1,083,587)/270,897

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, Swiss Francs and Russian Roubles. 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 loss for the year ended 31 December 2021 amounted to 2,693,527 thousand tenge, which is primarily attributed to loans received and loans issued (2020: loss of 21,692,932 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, Russian Roubles and Swiss Francs, provided all other parameters remaining constant.

	31 December 2021			31 December 2020		
	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	13%/ (10%)	4,330,608/ (3,331,237)	-	14%/ (11%)	4,423,138/ (3,475,323)	-
Russian Roubles	13%/ (13%)	(14,455,338)/ 14,455,338	-	15%/ (15%)	(16,223,458)/ 16,233,458	-
Swiss Francs	13%/ (10%)	24,211,951/ (18,624,578)	(29,951,713)/ 20,732,087	14%/ (11%)	26,322,003/ (20,681,574)	(29,266,574)/ 22,995,165

On 7 August 2015, the Company began cash flow hedging to decrease the risk of a change in the revenue denominated in Swiss Franc in tenge equivalent. 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 2021, an effect of 823,250 thousand tenge was recognised in other comprehensive income as net gain (2020: 15,219,553 thousand tenge as net loss).

⁷ 1 basis point – 0.01%

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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 2021, cash and cash equivalents are mainly placed in Halyk Bank JSC with a credit rating of BB+ 'stable' (79% 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 29.

The Company does not guarantee the obligations of third parties, other than those disclosed in Note 29.

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 centralized 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 2021, the Company entered into agreements with some subsidiaries to provide interest-free financial assistance to the Company in the amount of 110,485,000 thousand tenge (2020: 49,461,000 thousand tenge) for a period of up to one year. As at 31 December 2021 the carrying value of the received financial aid under the "cash pooling" mechanism amounted to 696,375 thousand tenge (31 December 2020: 22,286,183 thousand tenge). As at 31 December 2021 the carrying value of the financial aid given under the "cash pooling" mechanism amounted to 2,974,172 thousand tenge.

As at 31 December 2021, the Company has a credit line available at Halyk Bank JSC with unused residual in the amount of 60,000,000 thousand tenge (31 December 2020: 35,000,000 thousand tenge).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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

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
2021						
<i>Interest-free</i>						
Accounts payable	37,922,534	1,400,698	12,731,094	-	-	52,054,326
Other current liabilities	1,061	3,982,866	7,190,402	-	-	11,174,329
<i>Interest-bearing</i>						
Borrowings	15,616,501	7,167,525	167,616,227	732,449,065	1,816,711,662	2,739,560,980
Lease	2,045,890	5,756,466	10,287,768	10,444,453	-	28,534,577
Financial guarantees	-	1,901,701	25,255,962	124,820,653	246,463,132	398,441,448
	55,585,986	20,209,256	223,081,453	867,714,171	2,063,174,794	3,229,765,660
2020						
<i>Interest-free</i>						
Accounts payable	20,975,653	1,491,760	9,573,141	-	-	32,040,554
Other current liabilities	32,953	2,541,025	7,053,186	-	-	9,627,164
<i>Interest-bearing</i>						
Borrowings	2,614,941	19,301,557	211,732,291	645,301,490	1,908,894,352	2,787,844,631
Finance lease	4,322,375	2,567,868	10,328,049	25,232,691	-	42,450,983
Financial guarantees	-	5,982,506	21,110,199	112,037,868	177,359,536	316,490,109
	27,945,922	31,884,716	259,796,866	782,572,049	2,086,253,888	3,188,453,441

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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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of tenge)

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
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	424,921	1,713,611	7,505	-	-	25,852	2,171,889
Loans issued	-	-	16,901,899	-	-	2,295,355	19,197,254
	116,740,238	3,038,336	157,203,066	350,188,663	1,314,771,589	7,506,051	1,949,447,943
2020							
<i>Interest-bearing</i>							
Short-term deposits	81,375,948	-	-	-	-	11,085	81,387,033
Interest on short-term deposits	126,952	-	-	-	-	-	126,952
Cash and cash equivalents	1,432	-	-	-	-	-	1,432
Loans issued	14,058,394	1,333,537	39,368,234	407,347,120	1,270,150,734	2,314,373	1,734,572,392
<i>Interest-free</i>							
Cash and cash equivalents	16,022,945	-	-	-	-	842	16,023,787
Restricted cash	5,244,713	-	-	-	-	453	5,245,166
Trade accounts receivable from third parties	365,035	10,549,245	-	-	-	509,345	11,423,625
Loans issued	-	-	15,974,865	-	-	7,156,211	23,131,076
	117,195,419	11,882,782	55,343,099	407,347,120	1,270,150,734	9,992,309	1,871,911,463

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED) (in thousands of Tenge)

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 12 months, the fair value represents the present value of estimated future cash flows discounted at period-end market rates.

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.

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 2021 and 2020, 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 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Loans issued	899,973,970	901,476,473	881,312,754	881,312,754
Other financial assets	5,293,677	5,293,677	5,334,333	5,334,333
Borrowings	222,194,779	196,804,972	267,737,157	267,737,157
Debt securities	1,125,472,982	1,241,827,793	1,116,175,679	1,317,411,052

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(in thousands of Tenge)

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 difference between instruments.

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 table below provides an analysis of financial instruments as at 31 December 2020, 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	-	881,312,754	-	881,312,754
Other financial assets at amortised cost	-	5,334,333	-	5,334,333
Total	-	886,647,087	-	886,647,087
<i>Financial liabilities recognised at amortised cost:</i>				
- debt securities	1,278,744,008	-	-	1,278,744,008
- debt securities from related parties	38,667,044	-	-	38,667,044
- bank loans	-	182,252,164	460,805	182,712,969
- loans from related parties	-	85,024,188	-	85,024,188
Total	1,317,411,052	267,276,352	460,805	1,585,148,209

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(in thousands of Tenge)

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.

During 2021 and 2020, there were no transfers between the fair value hierarchy levels.

32. EVENTS AFTER THE REPORTING DATE

Operating environment

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. From 5 to 19 January 2022, a state of emergency was declared across the country. During the protests internet access was restricted across Kazakhstan, bank operations and transactions were suspended, the stock and commodity exchanges were closed and flights were cancelled. From 5 January 2022 due to closure of railway lines, the movement of trains at some stations had been suspended. From 11 January 2022 the stability of freight and passenger traffic has been fully ensured. The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January 2022. The government is focusing on stabilising the political and socio-economic situation.

These events have not had a significant effect on the Company's trading and operations and its internal controls.

On 24 January 2022 the Shareholder approved an action plan (the "Plan"), which was developed in pursuance of the assignment by the President of Kazakhstan on the subject of reforming all areas of activity of the Shareholder and its portfolio companies, including the Company. The Plan reflects the implementation of systematic measures to change the personnel policy, the procurement system, initiatives to increase the corporate social responsibility by the Shareholder and its portfolio companies, support business, improve the processes of the compliance service, new approaches to dividend and investment policy, privatization of assets and development of human capital. The Company has started to implement the Plan.

In February 2022, the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. In order to reduce the negative impact of external factors on the Kazakhstani economy, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p., and interventions with respect to the currency market were performed to support the tenge exchange rate against foreign currencies. However, there is uncertainty related to the future development of the geopolitical risks and their impact on the overall economy of the Republic of Kazakhstan.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(in thousands of Tenge)

The Company's management is monitoring the current economic and political situation in Kazakhstan and the world and is taking measures it believes are required to maintain stability and develop the Company's business in the near future. Thus far, the current changes resulting from the situation have not had and are not expected to have a significant negative impact on the Company's trading and operations, as freight rail traffic including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries.

However, the consequences of the occurred events and any future related changes could potentially have a significant impact on the Company's operations.

Early repayment of non-current loans

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. In March 2022, the Company made full early repayment of the principal debt and accrued interest.

Borrowings received

On 29 March 2022 the Company, within the framework of the credit line agreement with Halyk Bank Kazakhstan JSC from 26 February 2015, borrowed 20,000,000 thousand tenge at 14.5% interest rate with a maturity of up to 6 months.