KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Consolidated Financial Statements
For the year ended 31 December 2021

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED 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 the consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – the "Group") as at 31 December 2021, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated 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 Group's consolidated financial position and financial performance; and
- making an assessment of the Group'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 Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with local legislation and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved for issue by management on 15 March 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 management of the Group:

Nurlan Sauranbayev **Chairman of the Management Board**	**Dair Kusherov** **Finance Director**	**Yelena Stankova** **Chief Accountant**
15 March 2022	15 March 2022	15 March 2022

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Kazakhstan Temir Zholy National Company JSC (the “Company”) and its subsidiaries (together - the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Assessment of impairment indicators of property, plant and equipment	
The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 84% of the Group'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 Group 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 Group 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 property, plant and equipment and the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the assessment of impairment indicators of property, plant and equipment to be a key audit matter. Please refer to Notes 4 and 6.	We performed the following procedures: > evaluated appropriateness of the management's identification of a single cash-generating unit, > evaluated whether the Group analysis of impairment indicators of property, plant and equipment is accurate and complete and in line with the requirements of IAS 36 *Impairment of Assets,* > held meetings with management of the Group, 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 impairment indicators with the assistance of our valuation specialists, where it was necessary, > assessed the completeness and adequacy of disclosures in the consolidated financial statements.
Liquidity and the going concern principle	
As at 31 December 2021, the Group's current liabilities exceeded its current assets by 194,527 million tenge. Current liabilities include borrowings of 215,809 million tenge payable due within 12 months after the reporting date. As disclosed in Note 15, the terms of the long-term loans received from EBRD, HSBC France, Sberbank SB JSC and VTB Bank PJSC with a total carrying value of 205,343 million tenge, include certain covenants, whereby non-compliance may	Our audit procedures in respect of the going concern were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following: > examined the correctness of classification of assets and liabilities as current and non-current, > analysed management's evaluation of the going concern principles and their plans to settle current liabilities, assessing the Group's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future trading environment,

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
result in the loans becoming payable on demand. Management of the Group concluded that the Group does not meet certain provisions of the Loan Agreement with VTB Bank PJSC, so that, 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 Loan Agreement. The given matter is disclosed in Note 15. Due to the above matters, critical judgement is required by management in respect of the sufficiency of the Group's liquid assets and its ability to settle the current obligations in a due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31. Given the pervasiveness of the effect of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.	> assessed any mitigating actions available to management to improve the Group's liquidity and going concern position to the extent necessary, 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 Group's ability to continue as a going concern, > analysed the most recent cash flow forecast and the management downside scenarios affecting the Group'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, > 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 matters that could be an indicator of adverse events and conditions, which may impact the Group's operations, and > assessed the completeness and adequacy of information disclosed in the consolidated 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 consolidated 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 consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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 Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Zhangir Zhilysbayev
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
15 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in millions of tenge)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,038,289	2,836,417
Goodwill	29	15,520	15,520
Intangible assets		16,481	9,931
Investments in joint ventures	7	895	-
Investments in associates	7	26,793	21,218
Deferred tax assets	18	145	81
Other non-current assets	8	164,572	139,363
Total non-current assets		**3,262,695**	**3,022,530**
Current assets			
Cash and cash equivalents	9	178,000	155,407
Inventories	10	42,401	37,119
VAT recoverable		34,417	69,005
Trade accounts receivable	11	23,248	11,317
Contract assets		6,644	7,158
Prepaid income tax		3,945	3,974
Other current assets	12	52,680	53,927
		341,335	**337,907**
Assets held for sale and for distribution to the Shareholder		104	6,760
Total current assets		**341,439**	**344,667**
Total assets		**3,604,134**	**3,367,197**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,086,085	1,082,299
Hedging reserve		(51,997)	(52,820)
Foreign currency translation reserve		9,925	8,788
Retained earnings		214,574	88,858
Equity attributable to the Shareholder		1,258,587	1,127,125
Non-controlling interests		13,855	11,480
Total equity		**1,272,442**	**1,138,605**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)
(in millions of tenge)

	Notes	31 December 2021	31 December 2020
Non-current liabilities			
Borrowings	15	1,361,403	1,398,515
Deferred tax liabilities	18	308,300	279,954
Employee benefit obligations	17	37,083	36,669
Lease liabilities	16	34,443	30,687
Other non-current liabilities	21	54,497	41,444
Total non-current liabilities		**1,795,726**	**1,787,269**
Current liabilities			
Borrowings	15	215,809	171,664
Trade accounts payable	19	116,531	85,056
Contract liabilities	20	95,310	71,409
Lease liabilities	16	25,355	19,499
Other taxes payable		17,250	30,390
Employee benefit obligations	17	9,100	6,787
Other current liabilities	21	56,611	53,009
		535,966	**437,814**
Liabilities associated with assets classified as held for sale	13	-	3,509
Total current liabilities		**535,966**	**441,323**
Total liabilities		**2,331,692**	**2,228,592**
Total equity and liabilities		**3,604,134**	**3,367,197**

On behalf of management of the Group:

Nurlan Sauranbayev
Chairman of the Management Board

15 March 2022

Dair Kusherov
Finance Director

15 March 2022

Yelena Stankova
Chief Accountant

15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in millions of tenge)

	Notes	2021	2020
Continuing operations			
Revenue and other income			
Revenue from freight transportation	22	1,184,271	1,062,524
Revenue from passenger transportation	22	57,256	38,178
Government grants	5	39,235	25,546
Other revenue	23	47,775	47,086
Total revenue and other income		**1,328,537**	**1,173,334**
Cost of sales	24	(980,898)	(885,388)
Gross profit		**347,639**	**287,946**
General and administrative expenses	25	(90,777)	(85,898)
Finance income	26	17,847	46,897
Finance costs	26	(126,268)	(167,378)
Foreign exchange loss	31	(11,147)	(52,647)
Share of the profit of associates and joint ventures	7	10,826	11,111
Revaluation to fair value of a previously held interest in a joint venture	29	-	9,035
Gain from the disposal of shares in associates		-	10,000
Asset impairment		(2,065)	(20,399)
Other profit or losses, net		8,688	(1,674)
Profit before income tax		**154,743**	**36,993**
Income tax expenses	18	(34,132)	(20,700)
Profit for the year from continuing operations		**120,611**	**16,293**
Discontinued operations			
Loss for the year from discontinued operations		-	(188)
Profit for the year		**120,611**	**16,105**
Other comprehensive income/(loss) net of income tax:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of employee benefit obligations	17	345	2,057
Items that may be reclassified subsequently to profit or loss:			
Net fair value profit (loss) on cash flow hedging instruments	14	823	(15,220)
Foreign exchange difference on the translation of foreign operations		1,137	2,327
Other comprehensive income/(loss) for the year		**2,305**	**(10,836)**
Total comprehensive income for the year		**122,916**	**5,269**
Profit/(loss) for the year attributable to:			
The Shareholder		119,085	16,233
Non-controlling interests		1,526	(128)
		120,611	**16,105**
Total comprehensive income/(loss) attributable to:			
The Shareholder		121,390	5,396
Non-controlling interests		1,526	(127)
		122,916	**5,269**
Earnings per share from continuing and discontinued operations, in tenge	27	240	33
Earnings per share from continuing operations, in tenge	27	240	33

On behalf of management of the Group:

Nurlan Sauranbayev	**Dair Kusherov**	**Yelena Stankova**
Chairman of the Management Board	**Finance Director**	**Chief Accountant**
15 March 2022	15 March 2022	15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

	Notes	2021	2020
Cash flows from operating activities:			
Profit for the year		120,611	16,105
Income tax expenses recognised in profit or loss, including discontinued operations		34,132	20,894
Adjustments for:			
Depreciation and amortisation		140,846	136,508
Finance costs		126,268	167,851
Asset impairment		2,065	20,391
Finance income		(17,847)	(46,910)
Post-employment benefits and other long-term employee benefit expenses	24,25	6,113	4,553
Share of the profit of associates and joint ventures	7	(10,826)	(11,111)
Foreign exchange loss		11,147	52,614
Reversal of provisions		(1,310)	(5,090)
Gain from the disposal of shares in associates		-	(10,000)
Revaluation to fair value of a previously held interest in a joint venture	29	-	(9,035)
Others		2,058	13,106
Operating income before changes in working capital and other balances		**413,257**	**349,876**
Change in trade accounts receivable		(19,372)	(3,092)
Change in inventories		(2,647)	4,677
Change in other current and non-current assets (including long-term VAT recoverable)		10,916	(48,562)
Change in trade accounts payable		20,679	(11,402)
Change in other taxes payable		(12,864)	7,341
Change in other liabilities		25,902	37,907
Change in employee benefit obligations		(3,041)	(3,539)
Cash generated from operations		**432,830**	**333,206**
Interest paid		(119,450)	(121,039)
Interest received		8,893	5,718
Income tax paid		(5,706)	(2,068)
Net cash flows from operating activities		**316,567**	**215,817**
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(256,843)	(203,479)
Proceeds from the sale of property, plant and equipment		3,427	295
Proceeds from the sale of other non-current assets		2,330	4,337
Dividends received from associates and joint ventures		5,743	6,635
Investments acquired in joint ventures		(4,752)	-
Net cash outflow on the acquisition of a subsidiary	29	-	(26,499)
Capital contribution in associates	7	-	(4,120)
Proceeds from the sale of shares in associates		-	10,000
Others		127	813
Net cash flows from investing activities		**(249,968)**	**(212,018)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(millions of tenge)

	Notes	2021	2020
Cash flows from financing activities:			
Proceeds from borrowings		125,839	186,422
Repayment of borrowings		(156,007)	(154,882)
Repayment of lease liabilities		(12,274)	(10,907)
Distributions paid		-	(1,065)
Bonds early extinguishment premium and fees paid		-	(24,221)
Others		(1,619)	(1,493)
Net cash flows from financing activities		**(44,061)**	**(6,146)**
Net increase/(decrease) in cash and cash equivalents		**22,538**	**(2,347)**
Cash and cash equivalents at the beginning of the year	9	155,407	151,867
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		64	5,879
Effect of changes in the allowance for expected credit losses		(9)	8
Cash and cash equivalents at the end of the year	9	**178,000**	**155,407**
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	27,705	5,729

On behalf of management of the Group:

Nurlan Sauranbayev	**Dair Kusherov**	**Yelena Stankova**
Chairman of the Management Board	**Finance Director**	**Chief Accountant**
15 March 2022	15 March 2022	15 March 2022

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(millions of tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2020	**1,082,299**	**(37,600)**	**6,461**	**78,697**	**1,129,857**	**25,647**	**1,155,504**
Profit/(loss) for the year	-	-	-	16,233	16,233	(128)	16,105
Other comprehensive (loss)/income for the year	-	(15,220)	2,327	2,056	(10,837)	1	(10,836)
Total comprehensive (loss)/income for the year	-	(15,220)	2,327	18,289	5,396	(127)	5,269
Other contributions (Note 14)	-	-	-	16,686	16,686	-	16,686
Other distributions (Note 14)	-	-	-	(24,814)	(24,814)	-	(24,814)
Disposal of subsidiary (Note 14)	-	-	-	-	-	(14,040)	(14,040)
As at 31 December 2020	**1,082,299**	**(52,820)**	**8,788**	**88,858**	**1,127,125**	**11,480**	**1,138,605**
As at 1 January 2021	**1,082,299**	**(52,820)**	**8,788**	**88,858**	**1,127,125**	**11,480**	**1,138,605**
Profit for the year	-	-	-	119,085	119,085	1,526	120,611
Other comprehensive income for the year	-	823	1,137	345	2,305	-	2,305
Total comprehensive income for the year	-	823	1,137	119,430	121,390	1,526	122,916
Share issue (Note 14)	3,786	-	-	-	3,786	-	3,786
Other contributions (Note 14)	-	-	-	6,286	6,286	-	6,286
Disposal of subsidiary (Note 14)	-	-	-	-	-	849	849
As at 31 December 2021	**1,086,085**	**(51,997)**	**9,925**	**214,574**	**1,258,587**	**13,855**	**1,272,442**

On behalf of management of the Group:

Nurlan Sauranbayev	**Dair Kusherov**	**Yelena Stankova**
Chairman of the Management Board	**Finance Director**	**Chief Accountant**
15 March 2022	15 March 2022	15 March 2022

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

1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (the "Company") was created in Kazakhstan in accordance with Resolutions of the Kazakhstan Government (the "Ultimate Shareholder") to establish a holding company for state railway industry assets management. The Company was registered on 15 May 2002. The consolidated financial statements include the results of the operations of the Company and its wholly controlled subsidiaries (collectively, the "Group"). The address of the Company's registered office is 6 D. Kunayev Street, Nur-Sultan 010000, Republic of Kazakhstan.

Samruk-Kazyna Sovereign Welfare Fund JSC (the "Shareholder") is the Company's sole shareholder.

The Group operates the nationwide mainline railway network services to freight and passenger transportation; and operates, maintains and upgrades railway infrastructure in the Republic of Kazakhstan (hereinafter – "Kazakhstan"). To regulate the Kazakhstan rail industry, the government sets the tariffs the Group charges for its railway network services, as well as for railway freight transportation services (according to the Kazakhstan Entrepreneurial Code) and passenger transportation on socially important routes, partially subsidising the cost through government grants. The regulated tariffs differ based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

In November 2020, the Kazakhstan Ministry of the National Economy's Committee for the Regulation of Natural Monopolies ("CRNM") approved railway network service tariffs for 2021-2025, introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections from 1 January 2021. Locomotive haulage services were divided into diesel and electric traction. The differentiation led to a 13% freight transportation tariff increase for carriages and containers in 2021.

From 1 March 2021, the authorised body, represented by the Ministry of Industry and Infrastructure Development agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2020: 7%).

Operating environment

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

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

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

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. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Therefore, the Group 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 Group's business largely depends on the duration and the spread of the pandemic on the global and Kazakhstani economies.

Management of the Group 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.

The restrictions 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, 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 Group 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 Group and state representatives continue to take measures to restore capacity and continuity on the border with China.

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 introduction of quarantine in Kazakhstan has had a significant impact on passenger traffic. Depending on the epidemiological situation in the regions passenger and local trains belonging to the subsidiary Passenger Transportation JSC have either been suspended or gradually reintroduced.

Since the start of the pandemic the State has continued to subsidise passenger transportation based on a financing plan despite the suspension of the movement of passenger and local trains.

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

The State controls Group structure 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.

According to the Group's strategy until 2029, work was continued in 2021 to improve performance, develop transit traffic and streamline its corporate portfolio in line with the state privatisation programme, ensuring financial stability for the Group, improving client satisfaction, guaranteeing train safety and ensuring sustained Group development.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2021, current Group liabilities exceeded its current assets by 194,527 million tenge (31 December 2020: 96,656 million tenge). As at 31 December 2021, current liabilities include borrowings of 215,809 million tenge that are payable within 12 months of the reporting date. In addition, in early 2020, a new coronavirus (COVID-19) spread very rapidly around the world. The impact of these events on the Group's operations is described in Note 1. However, profit for the year ended 31 December 2021 amounted to 120,611 million tenge (2020: 16,105 million tenge), and cash inflows from operating activities amounted to 316,567 million tenge (2020: 215,817 million tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within 12 months of the reporting date. A positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Group'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 Group is facing. Besides that, the Group received Letter of Support from the Shareholder regarding its intent and ability to render the Group 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 available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group had adequate resources to continue in operational existence and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these consolidated financial statements.

Basis for measurement

The consolidated 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.

(in millions of Tenge, unless stated otherwise)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it and by the subsidiaries listed in Note 29. The Group's investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealised gains and losses are eliminated on consolidation.

Functional and presentation currency

The Group's consolidated financial statements are presented in Kazakhstan tenge ("tenge"). The assets and liabilities of foreign operations, where the functional currency is different to 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 Kazakhstan. Transactions in currencies other than the Group'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 Dollar ("US$") in accordance with quotations received from Reuters.

Monetary assets and liabilities denominated in foreign currencies are remeasured to the entity's functional currency at the exchange rate effective at the reporting date with all differences arising from a change in exchange rates subsequent to the transaction date recognised in profit or loss. Non-monetary items carried at fair value and denominated in foreign currencies are remeasured at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not remeasured. Foreign exchange gains or losses in profit or loss are presented separately in the consolidated statement of profit or loss and other comprehensive income.

The following table presents foreign currency exchange rates to tenge:

	31 December 2021	31 December 2020	Weighted average rate for 2021	Weighted average rate for 2020
US$	431.80	420.91	426.03	412.95
Euros	489.10	516.79	503.88	471.44
Swiss Francs	473.15	477.60	466.13	440.52
Russian Roubles	5.76	5.62	5.79	5.73

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 consolidated financial statements of the Group.

New and revised IFRS 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. The Group 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)

The above standards and amendments are not expected to have a significant effect on the consolidated financial statements of the Group 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 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 is regularly reviewed for impairment.

Leases

The Group as lessee

For the lease contracts (or separate components of the contracts), under which the Group 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 Group recognises a right-of-use asset and a corresponding lease liability at the inception of the contract. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Group 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 Group 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 Group incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

The Group 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.
- Lease payments change due to index or rate changes or a change in expected payments under a guaranteed residual value, in which cases lease liabilities are remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a floating interest rate change, 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 Group 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 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 Group’s intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (Note 16), 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 6) and intangible assets.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 6 and 23).

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition date is the date on which the Group obtains effective control over the acquiree.

The cost of the acquisition is measured as the sum of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. For each business combination, the Group decides how to measure the non-controlling interest in the acquiree, either at fair value or at a proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are recognised in general and administrative expenses as they are incurred.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Goodwill is initially measured at cost, estimated as the excess of the consideration transferred and non-controlling interest recognised and share previously held by the Group over the fair value of the identifiable net assets acquired by the Group and liabilities assumed. If the aggregate amount of the consideration transferred and the non-controlling interest recognised and share previously held by the Group are less than the fair value of the net identifiable assets and liabilities assumed, the difference is recognised in profit or loss for the period.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purposes of impairment testing of goodwill acquired in a business combination, goodwill, from the date the Group acquires a subsidiary, is allocated to the cash-generating units that are expected to benefit from the business combination, whether or not they are attributed other assets or liabilities of the acquired subsidiary to specified units.

The Group assesses whether it has control over an investee when facts and circumstances indicate a change in one of the three components of control.

Borrowing costs

The Group 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 Group 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 Group'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. Moreover, if the loan remains outstanding after the relevant qualifying asset is ready for its intended use, then in calculating the capitalisation rate, the loan is included in the general borrowing pool.

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

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. As a result, 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 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 is valued on a weighted-average cost basis.

Financial instruments

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

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

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 Group did not designate 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).

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

Gains or losses on insubstantial modification of financial liabilities at amortised cost are recognised in profit or loss. A gain or loss is determined as the difference between the carrying value at the date of modification and the present value of the estimated future cash flows discounted using an initial effective interest rate of the financial instrument.

A substantial modification should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within 12 months since classification date and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

When the non-current asset ceased to be classified as held for sale, the Group includes any required adjustment to the carrying amount of the asset in profit or loss from continuing operations in the period in which the classification criteria are no longer met. If the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate, the Group amends retrospectively the financial statements for the periods since classification as held for sale.

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 at fair value as at the date of the contribution by an independent appraiser.

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 Group 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 Group. The Group recognises such transactions through equity in retained earnings.

Other distributions

Distributions are recognised in equity when the Group has irrevocably committed to transfer cash or non-monetary assets to its Shareholder/Ultimate Shareholder free of charge 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 Group 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, an entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group 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. A gain or loss relating to the ineffective portion 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 and accumulated in equity 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 Group revokes the hedging relationship,
b) the hedging instrument expires or is sold, terminated, or exercised, or
c) it no longer qualifies for hedge accounting.

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

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. In particular, the government allows the Group to receive subsidies in the form of government grants to partially cover the cost of transporting passengers on socially important routes in Kazakhstan. Government grants are recognised on a systematic basis over the periods as the subsidies are used to cover carrier costs to transport passengers on socially important routes.

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

Revenue

The Group recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised less VAT and rebates.

Revenue from freight transportation services

Freight transportation service revenue is recognised over time. The extent of completion of the freight transportation process is calculated as the ratio of transportation provided as at the reporting date to total transportation.

The Group provides services on monthly 100% prepayment terms, as agreed in contracts with customers. Prepayments received from customers for transportation services not yet rendered are typically short-term and recognised as advances received within contract liabilities at the date of receipt.

Advances received from customers for domestic, international import, international export and international transit freight transportation services are recognised as deferred income within contract liabilities once transportation has started. Deferred income is credited to revenue of the reporting period as the services are provided.

There is no significant financing component in contracts with the Group's customers due to the short time elapsed between the transfer of the promised services to the customer and the moment the customer pays for these services.

Pursuant to the CRNM Order *On the Approval Of a Temporary Decreasing Coefficient For Railway Freight Transportation Tariffs*, certain contracts envisage discounts dependent on the volumes of services consumed. Revenue from these services is recognised based on contractual prices less estimated discounts. The Group uses the expected value method to estimate the discount amount.

As at 31 December 2021 and 2020, the Group has no obligations to counterparties associated with provision of discounts.

The Group discloses handling service revenue in freight transportation service revenue and recognises it by the extent of completion of the services at the reporting date, as the performance obligation is satisfied over time and customers receive and use the benefits of the Group's performance simultaneously. The extent of service completion is calculated as the ratio of transportation volume, provided as at the reporting date to total transportation volumes.

Rolling stock handling services are provided, as a rule, based on prepayments, which are recognised as advances received within contract liabilities.

During 2021, the Group concluded that additional charges related to the transportation process and other revenue from freight transportation are recognised over time.

Revenue from passenger transportation services

Revenue from passenger transportation services is recognised over time by the extent of completion of transportation at the reporting date. Proceeds from ticket sales are recognised as deferred income, accounted for as contract liabilities, which is transferred to revenue from the time of departure of a passenger. Prepayments received from customers for transportation services not yet rendered are recorded within advances at the time of their receipt. Upon receipt of applications for passenger transportation and issuing tickets, advances approximating the expected estimated revenue from the services are transferred to deferred income. Deferred income is similarly transferred to revenue as passengers depart.

Passenger transportation services are generally completed within several hours/days. An analysis of past experience has shown that passenger transportation in progress at the reporting date is insignificant.

Other income

Other income includes penalties received, revenues from the sale of goods, materials, scrap metal, loading and unloading services and vehicle servicing.

Other income from the provision of services is recognised over time as the services are provided. When a performance obligation is not satisfied over time (sale of goods, materials and scrap metals and others), the performance obligation is satisfied at a point in time.

The Group when accounting for significant contracts under which the period between the transfer of the promised goods or services to the customer and the respective payment exceeds one year, adjusts the transaction price for the time value of money.

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue from Contracts with Customers*.

Under IFRS 15, if a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not meet the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

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

Control assessment

Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 29).

Under the trust management agreement with the Shareholder, the Company recognised Aktau Sea Commercial Port National Company JSC as a subsidiary because of the extensive authority given to the Company by the Shareholder. The trust management agreement of 100% shares gives it the practical ability to manage the relevant activities of the entity unilaterally. The Company is also entitled to receive residual returns in the entity.

Loans at a rate below the market interest rate

The Group receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate for similar loans in arm's length transactions. These loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortised cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities, given the Group'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 Group extrapolates the most comparable market rates to the life of the loan received by the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The benefit from government loans with an interest rate below the market, where the Group, upon receipt of loans, qualifying under certain criteria established by the State for all market participants, is recognised by the Group as a government grant. In other cases, the Group considers these loans as transactions with the ultimate Shareholder and accounts for the fair value adjustments of the loans received at a rate below market through equity.

Assets classified as held for sale

The Kazakhstan Government approved the "Comprehensive Privatisation Plan for 2016-2020" and "Comprehensive Privatisation Plan for 2021-2025" (the "Plans"), in 2015 and 2020, respectively. Under the Plans, management of the Group approves the subsidiaries, associates and joint ventures of the Group to be disposed of. IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires management judgement regarding the high probability of the sale of an asset. As at 31 December 2021, the management of the Group reviewed the status of implementation of the Plans and concluded that there are no disposal groups held for sale that meet IFRS 5 criteria. As at 31 December 2020, the management of the Group classified certain assets and liabilities as disposal groups held for sale related to the entities that meet IFRS 5 criteria (Note 13).

Cash-generating unit identification

Group management considers all segments as a single cash-generating unit (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 Kazakhstan Government, 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 Group's restructuring processes have not been completed, these possible developments were not taken into account in the identification of CGUs for current year. Subsequent changes in the identification of CGUs may affect the carrying amount of the Group's assets.

Assessment of impairment indicators of property, plant and equipment

When assessing impairment indicators of property, plant and equipment the Group considers external and internal impairment indicators. The management of the Group considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of property, plant and equipment 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.

As of 31 December 2021, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, 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 judgment. Management's key judgment is that the market demonstrates a favorable environment for growth of transit freight turnover.

The management of the Group 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.

Accounting treatment of financing arrangements with Industrial Development Fund JSC

The Group, represented by Passenger Transportation JSC and Tulpar Wagon Construction Plant LLP, entered into a number of trilateral purchase-sale and finance lease agreements with Industrial Development Fund JSC, which is under the common control of the ultimate Shareholder, to renew its passenger carriage fleet. Under the agreements, Industrial Development Fund JSC finances Tulpar Wagon Construction Plant LLP's construction of passenger carriages on a 100% prepayment basis for ownership with a further finance lease to Passenger Transportation JSC.

Management of the Group concluded that the transaction between Tulpar Wagon Construction Plant LLP and Industrial Development Fund JSC does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for the asset sale at the Group level, as control over passenger carriages is not transferred to Industrial Development Fund JSC, but left with the Group.

Industrial Development Fund JSC finances the construction of the carriages, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation to Industrial Development Fund JSC as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

Since financing was provided at preferential interest rates and the terms were provided exclusively to finance the upgrade of the Passenger Transportation JSC passenger carriage fleet based on a Kazakhstan Government Resolution, the Group considers these transactions as transactions with the ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through equity within retained earnings as other contributions (Notes 14 and 15).

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 goodwill

The Group performs impairment indicators analysis of property, plant and equipment and intangible assets 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.

The management assesses the recoverability of goodwill annually as of 31 December or every time when impairment indicators of the single CGU appear.

For the analysis of goodwill impairment, the management has used the detailed calculation of value in use of the single cash-generating unit performed in the prior period as of 31 December 2020, considering the below criteria is met:

- the assets and liabilities making up the Group CGU;
- prior year detailed calculation of value in use resulted in substantial margin and the management ensured that there are no circumstances that result in decrease of the headroom as of 31 December 2021;
- based on the analysis of events occurred since the most recent calculation of value in use and circumstances changed, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

To analyze the above factors, the management ensured that the key operating indicators for 2021 exceed budget and analyzed the impact of the most sensitive assumptions, such as:

- transit freight transportation volume – the market demonstrates a favorable environment for the growth of transit; and
- discount rate (WACC) – there have been no significant changes in the inputs used to calculate discount rate.

Management concluded that the recoverable amount of the goodwill exceeds its carrying amount as of 31 December 2021.

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, the fair value of property, plant and equipment, intangible assets and goodwill will be equal to its carrying value:

- *Transit freight transportation volumes* – A decrease of the volumes by 9.84% compared to calculation;
- *Discount rate (WACC)* – An increase of the discount rate from 11.46% to 12.65%.

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.

Recoverability of VAT

As at each reporting date, the Group assesses the recoverability of VAT on international transportation sales. It cannot charge VAT onwards to these customers, and accordingly can only recover the amount in question from the tax authorities. To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly. As at 31 December 2021, VAT recoverable of 34,417 million tenge was classified as current assets. The Group expects that the given amount will be reimbursed by the tax authorities during 2022.

(in millions of Tenge, unless stated otherwise)

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, which along with residual values and depreciation methods are reviewed at each reporting date, and adjusted if appropriate. 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, activity levels, technological advancements and other business conditions. A change in these assumptions could result in significantly different depreciation amounts than those previously recognised.

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

Buildings and structures	10-140
Rail track infrastructure	5-100
Machinery and equipment	3-35
Vehicles	4-40
Others	2-50
Intangible assets	1-10

Taxation

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, fines and interest applied are significant; fines are generally assessed at 80% of additional taxes accrued, and interest is assessed at 12.19% of additional accruals or overdue taxes. As a result, fines and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, fine 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 Group recognises an 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 Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group also recognises an 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.

For the purpose of internal credit risk management, the Group 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 Group 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 Group (not taking into account the collateral held by the Group).

5. SEGMENT INFORMATION

The Group's operating segments are based on services provided. It has two reportable segments, namely freight transportation and passenger transportation. All other operating segments, including mainly utilities, loading and unloading services, and vessel servicing, which in aggregate do not exceed quantitative thresholds for disaggregation, are thus not separately disclosed and combined into "Others".

Management of the Group tracks a number of segment profitability elements, such as profit before income tax, profit for the year from continuing operations and gross profit. However, profit for the year from continuing operations is the primary measure used by management of the Group to allocate resources and assess segment performance.

(in millions of Tenge, unless stated otherwise)

The Group does not have a specific pricing policy for inter-segmental sales.

	For the year ended 31 December 2021					
	Freight transportation	**Passenger transportation**	**Reportable segments**	**Others**	**Consolidation**	**Total**
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,184,271	57,256	1,241,527	-	-	1,241,527
Transportation revenue from intersegment transactions	1,129	58,371	59,500	-	(59,500)	-
Government grants	-	39,235	39,235	-	-	39,235
Other income from third parties	33,334	3,022	36,356	11,419	-	47,775
Other income from intersegment transactions	27,519	629	28,148	6,292	(34,440)	-
Total revenue and other income	**1,246,253**	**158,513**	**1,404,766**	**17,711**	**(93,940)**	**1,328,537**
Cost of sales	(932,063)	(127,798)	(1,059,861)	(13,121)	92,084	(980,898)
Gross profit	**314,190**	**30,715**	**344,905**	**4,590**	**(1,856)**	**347,639**
General and administrative expenses	(78,238)	(10,737)	(88,975)	(3,171)	1,369	(90,777)
Finance income	18,026	1,803	19,829	977	(2,959)	17,847
Finance costs	(120,040)	(4,783)	(124,823)	(3,178)	1,733	(126,268)
Foreign exchange (loss)/gain	(11,776)	577	(11,199)	(24)	76	(11,147)
Share of the profit of associates and joint ventures	10,826	-	10,826	-	-	10,826
Asset impairment	(1,075)	(375)	(1,450)	(785)	170	(2,065)
Other profit and losses, net	8,323	256	8,579	109	-	8,688
Profit/(loss) before income tax	**140,236**	**17,456**	**157,692**	**(1,482)**	**(1,467)**	**154,743**
Income tax expense	(32,660)	(4,284)	(36,944)	(11)	2,823	(34,132)
Profit/(loss) for the year from continuing operations	**107,576**	**13,172**	**120,748**	**(1,493)**	**1,356**	**120,611**
Other key segment information						
Capital expenditure	344,865	183	345,048	238	11,854	357,140
Depreciation of property, plant and equipment	130,643	8,643	139,286	1,694	(5)	140,975

(in millions of Tenge, unless stated otherwise)

	For the year ended 31 December 2020					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,062,524	38,178	1,100,702	-	-	1,100,702
Transportation revenue from intersegment transactions	10,959	2,644	13,603	-	(13,603)	-
Government grants	-	25,546	25,546	-	-	25,546
Other income from third parties	33,750	2,676	36,426	10,660	-	47,086
Other income from intersegment transactions	3,759	393	4,152	5,277	(9,429)	-
Total revenue and other income	**1,110,992**	**69,437**	**1,180,429**	**15,937**	**(23,032)**	**1,173,334**
Cost of sales	(816,821)	(75,034)	(891,855)	(15,253)	21,720	(885,388)
Gross profit/(loss)	**294,171**	**(5,597)**	**288,574**	**684**	**(1,312)**	**287,946**
General and administrative expenses	(74,536)	(8,673)	(83,209)	(3,365)	676	(85,898)
Finance income	48,898	1,591	50,489	697	(4,289)	46,897
Finance costs	(163,096)	(4,736)	(167,832)	(3,440)	3,894	(167,378)
Foreign exchange (loss)/gain	(53,303)	226	(53,077)	74	356	(52,647)
Share of the profit of associates and joint ventures	11,111	-	11,111	-	-	11,111
Revaluation to fair value of interest previously belonging to a joint venture	9,035	-	9,035	-	-	9,035
Gain from the disposal of share in associates	500	-	500	9,500	-	10,000
Asset (impairment)/ impairment reversal	(19,879)	23,570[1]	3,691	(331)	(23,759)	(20,399)
Other profit and losses, net	7,101	(8,961)	(1,860)	373	(187)	(1,674)
Profit/(loss) before income tax	**60,002**	**(2,580)**	**57,422**	**4,192**	**(24,621)**	**36,993**
Income tax (expense)/benefit	(20,723)	2,268	(18,455)	(168)	(2,077)	(20,700)
Profit/(loss) for the year from continuing operations	**39,279**	**(312)**	**38,967**	**4,024**	**(26,698)**	**16,293**
Other key segment information						
Capital expenditure	218,406	248	218,654	561	3,122	222,337
Depreciation of property, plant and equipment	126,298	7,875	134,173	2,240	(8)	136,405

Geographical information of the Group

The Group generates its revenue from customers in multiple geographical regions. The table below shows revenue based on customer country of domicile for each of the years ended 31 December:

Customer location	**2021**	**2020**
Kazakhstan	1,291,832	1,137,941
Russia	23,576	22,127
Others	13,129	13,266
	1,328,537	**1,173,334**

Practically all of the Group’s non-current assets are in Kazakhstan.

[1] Asset (impairment)/impairment reversal includes a reversal of impairment for advances for non-current assets paid within the Group of 23,805 million tenge, which were returned

(in millions of Tenge, unless stated otherwise)

6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in-progress	Total
Carrying value as at 1 January 2020	**1,133,479**	**315,806**	**252,898**	**886,664**	**1,770**	**14,678**	**174,667**	**2,779,962**
Additions	1	169	3,765	30,780	18	136	141,470	176,339
Lease additions	-	107	37,728	7,559	-	-	-	45,394
Acquisition of subsidiary	-	10,979	3,516	8,697	2,837	209	1,079	27,317
Disposals	(133)	(633)	(1,781)	(15,045)	(4)	(522)	(60)	(18,178)
Disposal of subsidiary	-	(10,911)	(9,187)	(32)	(2)	(87)	-	(20,219)
Depreciation charge	(36,702)	(7,672)	(36,828)	(52,803)	-	(2,400)	-	(136,405)
Depreciation on disposal	100	84	1,712	2,514	-	517	-	4,927
Impairment reversal/(impairment)	27	(611)	222	(44)	-	65	(408)	(749)
Transfer to assets held for sale	-	(9,482)	(5,844)	(17)	(650)	(140)	-	(16,133)
Other movements and transfers[2]	60,678	23,486	35,680	58,246	-	1,721	(185,649)	(5,838)
Carrying value as at 31 December 2020	**1,157,450**	**321,322**	**281,881**	**926,519**	**3,969**	**14,177**	**131,099**	**2,836,417**
Cost	1,442,279	379,336	505,516	1,425,022	3,969	29,389	142,844	3,928,355
Accumulated depreciation and impairment	(284,829)	(58,014)	(223,635)	(498,503)	-	(15,212)	(11,745)	(1,091,938)
Carrying value as at 31 December 2020	**1,157,450**	**321,322**	**281,881**	**926,519**	**3,969**	**14,177**	**131,099**	**2,836,417**
Including:								
Right-of-use assets:								
Cost	-	1,868	37,728	17,449	-	7,241	-	64,286
Accumulated depreciation and impairment	-	(330)	(9,039)	(3,289)	-	(1,086)	-	(13,744)
Carrying value	-	1,538	28,689	14,160	-	6,155	-	50,542
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	141	37	46,847	-	-	-	47,025

[2] Other movements and transfers also include transfers to/from inventories

(in millions of Tenge, unless stated otherwise)

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in-progress	Total
Carrying value as at 1 January 2021	**1,157,450**	**321,322**	**281,881**	**926,519**	**3,969**	**14,177**	**131,099**	**2,836,417**
Additions	55	701	6,430	31,575	-	89	274,437	313,287
Lease additions	-	122	-	42,552	-	-	-	42,674
Disposals	(4,296)	(506)	(2,425)	(4,733)	(8)	(419)	-	(12,387)
Depreciation charge	(37,139)	(7,957)	(36,940)	(56,858)	-	(2,081)	-	(140,975)
Depreciation on disposal	4,076	317	2,323	4,546	-	389	-	11,651
(Impairment)/impairment reversal	(618)	(13)	(131)	(268)	-	4	(834)	(1,860)
Other movements and transfers[3]	86,303	(8,551)	15,764	128,371	(1)	278	(232,682)	(10,518)
Carrying value as at 31 December 2021	**1,205,831**	**305,435**	**266,902**	**1,071,704**	**3,960**	**12,437**	**172,020**	**3,038,289**
Cost	1,511,717	371,214	525,167	1,619,960	3,960	29,474	183,870	4,245,362
Accumulated depreciation and impairment	(305,886)	(65,779)	(258,265)	(548,256)	-	(17,037)	(11,850)	(1,207,073)
Carrying value as at 31 December 2021	**1,205,831**	**305,435**	**266,902**	**1,071,704**	**3,960**	**12,437**	**172,020**	**3,038,289**
including:								
Right-of-use assets:								
Cost	-	1,925	37,728	59,990	-	7,614	-	107,257
Accumulated depreciation and impairment	-	(506)	(18,900)	(6,991)	-	(1,857)	-	(28,254)
Carrying value	-	1,419	18,828	52,999	-	5,757	-	79,003
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	184	5	24,225	-	-	-	24,414

[3] Other movements and transfers also include transfers to/from inventories

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 reconstruction infrastructure.

As at 31 December 2021 and 2020, Group property, plant and equipment with a carrying amount of 19,577 million tenge and 14,264 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2021, the Group recognised depreciation expenses on right-of-use assets of 14,410 million tenge (2020: 12,848 million tenge).

For the years ended 31 December 2021 and 2020, capitalised borrowing costs amounted to 4,794 million tenge and 1,626 million tenge, respectively. The Group's average capitalisation rate varies between 2.08% and 10.78% (2020: between 6.58% and 10.56%).

As at 31 December 2021 and 2020, the cost of the Group's fully depreciated property, plant and equipment in use was 337,592 million tenge and 317,460 million tenge.

(in millions of Tenge, unless stated otherwise)

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

			31 December 2021		31 December 2020	
Associate	**Core activity**	**Main country of operation / country of registration**	**Carrying amount**	**Ownership interest**	**Carrying amount**	**Ownership interest**
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russian Federation	12,312	33.33%	8,874	33.33%
Transtelecom JSC	Telecommunication services	Republic of Kazakhstan	11,239	25%	9,945	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	People`s Republic of China	3,242	49%	2,399	49%
Others			-	40-47%	-	40-47%
Total investment in associates			**26,793**		**21,218**	
Joint ventures						
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Republic of Kazakhstan	895	50%	-	-
Total investment in joint ventures			**895**		**-**	

(in millions of Tenge, unless stated otherwise)

Movements in investments in associates and joint ventures are as follows:

	2021	2020
Associates		
As at 1 January	21,218	16,164
Foreign exchange difference on translation of foreign operations	1,144	1,299
Charter capital contributions	-	4,120
Share of profit	10,893	10,860
Impairment	-	(16,215)
Fair value of guarantees issued	-	268
Dividends to be received	(6,462)	(4,364)
Fair value of the remaining interest on loss of control of subsidiary Transtelecom JSC	-	9,086
As at 31 December	**26,793**	**21,218**
Joint ventures		
As at 1 January	-	17,389
Acquisitions	962	-
Share of (loss)/profit	(67)	251
Carrying amount of investments in Logistic System Management B.V. as at the date of the loss of joint control and receipt of control (Note 29)	-	(14,670)
Dividends to be received	-	(2,970)
As at 31 December	**895**	**-**

In March 2021, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to purchase from third parties a 50% interest in KIF Warehouses LLP. The transaction value was 11,908,897 US$ (5,162 million tenge), including security withheld by the Group according to the agreement. One of the transaction conditions was to terminate the previous warehouse lease agreement between KTZ Express JSC and KIF Warehouses LLP, for which a provision of 4,200 million tenge was created due to the high probability of an outflow of economic benefits. The Group concluded the transaction in June 2021. The share in net assets as at the purchase date amounted to 962 million tenge. The Group considered the difference between the fair value of net assets and transferred interest as the repayment of an already accrued lease agreement liability. As a result of the purchase, the Group acquired joint control and classified the investment in KIF Warehouses LLP as an investment in a joint venture.

(in millions of Tenge, unless stated otherwise)

Summary financial information on significant associates as at and for the years ended 31 December:

	2021				2020					
	Chinese-Kazakhstan International Logistics Company in Lianyungang	**Aktau Marine North Terminal LLP**	**Transtelecom JSC**	**United Transportation and Logistics Company – Eurasian Railway Alliance JSC**	**Chinese-Kazakhstan International Logistics Company in Lianyungang**	**Aktau Marine North Terminal LLP**	**Transtelecom JSC**	**United Transportation and Logistics Company – Eurasian Railway Alliance JSC**	**Aktobe Rail and Section Mill Plant LLP**	**Continental Logistics LLP**
Current assets	5,060	873	42,524	47,302	3,499	490	38,946	39,100	-	-
Non-current assets	25,152	38,399	156,379	48,348	24,365	40,114	137,794	32,562	-	-
Total assets	**30,212**	**39,272**	**198,903**	**95,650**	**27,864**	**40,604**	**176,740**	**71,662**	**-**	**-**
Current liabilities	1,058	15,625	52,501	25,338	574	9,996	44,599	22,945	-	-
Non-current liabilities	357	43,068	110,340	33,375	212	49,199	101,254	22,095	-	-
Total liabilities	**1,415**	**58,693**	**162,841**	**58,713**	**786**	**59,195**	**145,853**	**45,040**	**-**	**-**
Total net assets/(liabilities)	**28,797**	**(19,421)**	**36,062**	**36,937**	**27,078**	**(18,591)**	**30,887**	**26,622**	**-**	**-**
Ownership interest	49%	40%	25%	33.33%	49%	40%	25%	33.33%	-	-
Net assets/(liabilities) attributable to the Group	14,111	(7,768)	9,016	12,312	13,268	(7,436)	7,722	8,874	-	-
Accumulated impairment	(10,869)	-	-	-	(10,869)	-	-	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	3,242	(7,768)	9,016	12,312	2,399	(7,436)	7,722	8,874	-	-
Accumulated unrecognised loss	-	(7,768)	-	-	-	(7,436)	-	-	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	2,223	-	-	-	2,223	-	-	-
Carrying amount of investment	**3,242**	**-**	**11,239**	**12,312**	**2,399**	**-**	**9,945**	**8,874**	**-**	**-**
Income	3,705	3,642	83,947	375,449	3,631	2,343	65,175	285,367	29,481	1,355
Profit/(loss) and total comprehensive income/(loss) for the year	183	(831)	5,176	28,528	2,086	(6,340)	2,364	24,062	(11,154)	10,361
Recognised share of the Group in profit	**90**	**-**	**1,294**	**9,509**	**1,022**	**-**	**591**	**8,021**	**-**	**1,226**

(in millions of Tenge, unless stated otherwise)

8. OTHER NON-CURRENT ASSETS

	31 December 2021	31 December 2020
Advances paid for property, plant and equipment	104,054	104,341
VAT recoverable	43,797	33,367
Investment property	8,629	8,733
Others	1,027	249
Less: allowance for non-recoverable VAT	(10,380)	(19,169)
Less: allowance for advances for property, plant and equipment	(4,362)	(4,630)
Total other non-financial assets	**142,765**	**122,891**
Restricted cash	13,737	11,512
Loans issued	6,146	-
Loans to employees	2,178	3,203
Bank loans of commercial banks and other credit institutions, and other debt securities	1,262	1,158
Long-term trade accounts receivable (Note 11)	47	54
Others	1,663	1,124
Less: allowance for expected credit losses on loans paid	(2,349)	-
Less: allowance for expected credit losses on other non-current financial assets	(877)	(579)
Total other financial assets	**21,807**	**16,472**
	164,572	**139,363**

In 2021, as a result of the transfer of carriages and wheel pairs to the share capital of subsidiary Wagonservice JSC, the Group, represented by subsidiary Passenger Transportation JSC, wrote off 9,101 million tenge of non-offsettable recoverable VAT against previously created allowance.

In January 2021, the Group recognised a loan provided to Vostokmashzavod JSC following its disposal (Note 13). According to 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.

Restricted cash is mostly amounts in Euros used as security on loans from HSBC France. The cash will be released once the loans have been repaid.

As at 31 December advances paid for property, plant and equipment included:

	31 December 2021	31 December 2020
Locomotive supplies	68,036	64,654
Rail purchases	21,356	9,501
Diesel locomotive supplies	4,996	15,891
Freight wagon supplies	3,000	3,100
Construction of a ferry complex at Kuryk port	2,244	7,261
Others	4,422	3,934
	104,054	**104,341**

(in millions of Tenge, unless stated otherwise)

9. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Short-term tenge bank deposits	128,371	116,993
Short-term Russian Rouble bank deposits	597	900
Cash in tenge current bank accounts	30,653	18,977
Cash in US$ current bank accounts	13,098	10,258
Cash in Russian Rouble current bank accounts	2,482	2,013
Cash in Euro current bank accounts	1,667	5,469
Cash in bank accounts in other currencies	1,158	813
Petty cash	5	6
Less: allowance for expected credit losses on cash and cash equivalents	(31)	(22)
	178,000	**155,407**

As at 31 December 2021, the weighted average interest rate on cash in current accounts was 1.75% in tenge and 1.92% in other currencies (31 December 2020: 0.19% in tenge and 0.93% in other currencies).

Short-term tenge and foreign currency bank deposits are opened for three months and less, depending on the Group's cash needs. As at 31 December 2021, the weighted average interest rate on short-term bank deposits was 9.18% in tenge and 8% in other currencies (31 December 2020: 8.48% and 3%, respectively).

The Group places most of its cash and cash equivalents in banks and other financial institutions rated between A+ and B. Based on this, the Group believes that its 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.

10. INVENTORIES

	31 December 2021	31 December 2020
Track structure materials	11,050	7,801
Materials and supplies	10,995	11,449
Fuel and lubricants	9,401	6,718
Spare parts	7,129	7,329
Construction materials	1,278	1,509
Production in progress	117	198
Others	3,463	2,572
	43,433	**37,576**
Less: allowance for inventories	(1,032)	(457)
	42,401	**37,119**

(in millions of Tenge, unless stated otherwise)

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Trade accounts receivable	28,541	12,460
Less: allowance for expected credit losses	(5,246)	(1,089)
	23,295	**11,371**
Current portion of trade accounts receivable	23,248	11,317
Long-term portion of trade accounts receivable (Note 8)	47	54
	23,295	**11,371**

As at 31 December 2021, trade accounts receivable that arose as a consequence of contracts with customers amounted to 26,031 million tenge (31 December 2020: 11,668 million tenge), expected credit losses on trade accounts receivable amounted to 3,060 million tenge (31 December 2020: 835 million tenge).

12. OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Other taxes prepaid	41,874	42,157
Advances paid	6,777	6,498
Prepaid expenses	1,223	1,107
Others	4,598	4,229
Less: allowance for the impairment of advances paid and other current non-financial assets	(6,034)	(5,570)
Total other non-financial assets	**48,438**	**48,421**
Claims, interest and fines	1,721	2,235
Amounts due from employees	1,664	1,750
Others	2,973	2,631
Less: allowance for expected credit losses on other current financial assets	(2,116)	(1,110)
Total other financial assets	**4,242**	**5,506**
	52,680	**53,927**

13. DISPOSAL GROUP NON-CURRENT ASSETS, ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Vostokmashzavod JSC

On 30 December 2020, the Group, represented by its subsidiary Repair Corporation Kamkor LLP, entered into a purchase agreement with a third party to dispose of Vostokmashzavod JSC shares. The Group classified Vostokmashzavod JSC assets and liabilities as at 31 December 2020 in the disposal group as held for sale at the lower of carrying amount and fair value less costs to sell. On 8 January 2021, the Group completed the share sale transaction and lost control over the subsidiary.

(in millions of Tenge, unless stated otherwise)

The assets and liabilities in the separate financial statements of Vostokmashzavod JSC as at the disposal date and 31 December 2020 are presented as follows:

	8 January 2021	**31 December 2020**
Assets		
Property, plant and equipment	5,466	5,466
Investment property	35	35
Inventories	664	664
Trade accounts receivable	28	28
Other current assets	463	463
Total assets	**6,656**	**6,656**
Liabilities		
Borrowings	5,529	-
Trade accounts payable	1,915	1,409
Deferred tax liabilities	1,031	1,031
Other taxes	536	536
Contracts liabilities	347	131
Employee benefit obligations	34	34
Other liabilities	588	368
Total liabilities	**9,980**	**3,509**
Net liabilities disposed of	**(3,324)**	**-**

The result of the disposal of the subsidiary is presented as follows:

	2021
Advance received	100
Net liabilities disposed of	3,324
Interests of non-controlling shareholders disposed of	(849)
Adjustment to the fair value of loans due and accounts receivable from the former subsidiary	(2,575)
Result of the disposal of Vostokmashzavod JSC	**-**

As at the disposal date, Vostokmashzavod JSC had outstanding loans and accounts payable to the Group of 5,529 million tenge and 938 million tenge, respectively. As part of the transaction to purchase an interest in Vostokmashzavod JSC, the buyer guaranteed to repay the amounts due. For this reason, as a result of the disposal, the Group recognised loans due (Note 8) and accounts receivable at their fair value of 3,251 million tenge and 641 million tenge, respectively, reflecting the adjustment to fair value in the reconciliation above. As a result, the disposal of the subsidiary in 2021 did not impact the Group's financial result.

(in millions of Tenge, unless stated otherwise)

14. EQUITY

As at 31 December 2021 and 2020, share capital was presented as follows:

	No. of shares authorised for issue	No. of shares issued and paid for	Share capital, millions of tenge
As at 1 January 2020	502,040,458	496,654,806	1,082,299
As at 31 December 2020	**502,040,458**	**496,654,806**	**1,082,299**
Shares issued	-	37,859	3,786
As at 31 December 2021	**502,040,458**	**496,692,665**	**1,086,085**

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

Share issuance

During 2021, the Group issued 37,859 shares that were paid by intangible assets of 3,786 million tenge by the Shareholder.

Other contributions

In 2021, the Group recognised an adjustment to loans received at rates lower than market to fair value of 7,857 million tenge (2020: 20,858 million tenge) less the deferred tax effect of 1,571 million tenge (2020: 4,172 million tenge) (Note 18).

Hedging reserve

On 7 August 2015, the Group 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 million tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument profit (2020: 15,220 million tenge as a net loss).

Other distributions

In March 2020, the Group, represented by its subsidiary KTZ Express JSC, in accordance with the Ultimate Shareholder's decree, transferred a 100% interest in the subsidiary Khorgos-Eastern Gate FEZ MC JSC to the Almaty region municipality free of charge and recorded a disposal of net assets of 24,809 million tenge in other distributions.

(in millions of Tenge, unless stated otherwise)

In December 2018, the Kazakhstan Government and the Sole Shareholder charged the Group to provide financing a construction of a Children's Centre in Turkestan. As a consequence, the Group accepted the irrevocable commitment to finance the construction of a Children's Centre in Turkestan and as a result recognised a distribution to the Shareholder in the amount of estimated construction costs of 5,300 million tenge. In June 2020, due to the increase in the cost of construction of the Children's Centre in Turkestan, the Group recognised an additional liability of 5 million tenge.

Disposal of subsidiaries

In January 2021, following the loss of control over the subsidiary Vostokmashzavod JSC, the Group recognised the disposal of a non-controlling interest of 849 million tenge.

In January 2020, as a result of the loss of control over the subsidiary Transtelecom JSC, the Group recognised the disposal of a non-controlling interest of 14,040 million tenge.

15. BORROWINGS

Borrowings, including accrued interest, which is 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 (%)
Fixed interest rate borrowings				
Loans received	240,890		244,623	
- in tenge	*164,644*	*7.51*	*182,047*	*7.84*
- in US$	*-*	*-*	*461*	*2.88*
- in Euros	*76,246*	*6.57*	*62,115*	*6.57*
Debt securities issued	1,158,930		1,147,976	
- in tenge	*468,570*	*10.81*	*467,713*	*10.81*
- in US$	*396,207*	*6.95*	*386,652*	*6.95*
- in Swiss Francs	*207,321*	*3.42*	*209,047*	*3.42*
- in other currencies	*86,832*	*8.75*	*84,564*	*8.75*
Variable interest rate borrowings				
Loans received	124,017		124,817	
- in tenge	*13,066*	*12.39*	*16,459*	*10.43*
- in Russian Roubles	*110,951*	*11.00*	*108,358*	*7.49*
Debt securities issued	53,375		52,763	
- in tenge	*53,375*	*9.92*	*52,763*	*8.12*
	1,577,212		**1,570,179**	
Current portion of borrowings	215,809		171,664	
Non-current portion of borrowings	1,361,403		1,398,515	
	1,577,212		**1,570,179**	

(in millions of Tenge, unless stated otherwise)

The following borrowings presented on discounted basis, excluding debt securities, should be repaid as follows:

	31 December 2021	31 December 2020
During the year	23,743	153,980
1-2 years	8,269	7,272
2-3 years	148,969	8,014
3-4 years	9,627	38,367
4-5 years	11,390	9,472
Over 5 years	162,909	152,335
	364,907	**369,440**

Loans received

Halyk Bank Kazakhstan JSC

In January 2021, the Group, represented by 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 million tenge.

HSBC France

In 2021, the Group, represented by its subsidiary KTZ-Freight Transportation LLP, under the Master Framework Agreement with HSBC France, together with HSBC Bank PLC and HSBC Kazakhstan, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the purchase of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 64,063,394 Euros (31,790 million tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIRR + 0.4% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2031.

Bank VTB PJSC

In December 2021, the Group, represented by the Company, to repay a loan from Moscow Credit Bank PJSC, within the framework of the credit agreement with Bank VTB PJSC, borrowed 19,400,000,000 Russian Roubles (112,714 million tenge). 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).

Industrial Development Fund JSC

In 2021, the Group, represented by its subsidiaries Passenger Transportation JSC and Tulpar Wagon Construction Plant LLP entered into trilateral purchase and finance lease agreements with Industrial Development Fund JSC, which is under the common control of the Ultimate Shareholder, to renew its passenger carriage fleet for 13,125 million tenge. Interest is repaid annually at 1.5%. Principal is due to be repaid in annual instalments until full repayment in 2041. The principal repayment grace period is 6 years.

(in millions of Tenge, unless stated otherwise)

As disclosed in Note 4, the Group accounts for the financial liabilities under the above agreements as borrowings.

Borrowings were obtained at the rates below market and the fair value of the borrowings was calculated based on market interest rates of 10.78%. The Group recognised the adjustment to fair value at 7,857 million tenge net of the deferred tax effect of 1,571 million tenge through equity in retained earnings as other contributions (Note 14).

Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2021	2020
Debt securities, by price				
6.95% Eurobonds (105.521%)[4] in US$	10 July 2042	LSE/KASE	396,207	386,652
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	89,208	90,036
8.75% Eurobonds (100%) in Russian Roubles	7 June 2022	MOEX	86,832	84,563
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	79,713	80,016
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,831	76,831
Inflation rate + 2.52% (9.92%) Bonds (100%) in tenge	25 April 2026	KASE	53,376	52,763
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,380	41,380
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	38,400	38,996
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184	26,184
2% Bonds (100%) in tenge	20 August 2034	KASE	15,741	14,885
Total debt securities issued			**1,212,305**	**1,200,739**
Current portion of debt securities issued			192,066	17,684
Long-term portion of debt securities issued			1,020,239	1,183,055
			1,212,305	**1,200,739**

The fair value of borrowings is presented in Note 31.

Credit agreements and breaches of credit agreements

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

According to finance lease agreements with Industrial Development Fund JSC, which the Group accounts for as borrowings, the Group is obliged to comply with certain non-financial covenants, which have been met as at 31 December 2021.

[4] Percentages in brackets represent the cost of issuing bonds/Eurobonds from par value (at premium/with discount or at par)

EBRD loan agreements include certain financial covenants, such as Adjusted Debt to Adjusted EBITDA, Adjusted Debt to Equity and Interest Coverage Ratios (based on Adjusted EBITDA). These terms have been met as at 31 December 2021.

In accordance with arrangements with HSBC France regarding financial and non-financial covenants, the Group 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.

The credit agreement with SB Sberbank JSC stipulates certain financial covenants, such as debt to EBITDA and interest coverage ratios calculated quarterly based on data from the subsidiary Kedentransservice JSC. As at 31 December 2021, these covenants had been met.

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 Group 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).

(in millions of Tenge, unless stated otherwise)

Reconciliation of changes in liabilities and cash flows from financing activity

	2021			2020		
	Borrowings and debt securities issued	**Lease liabilities (Note 16)**	**Total**	**Borrowings and debt securities issued**	**Lease liabilities (Note 16)**	**Total**
As at 1 January	**1,570,179**	**50,186**	**1,620,365**	**1,486,106**	**26,563**	**1,512,669**
Changes due to cash flows from financing activities						
Loan principal payments	(156,007)	-	(156,007)	(153,289)	-	(153,289)
Proceeds from borrowings	125,839	-	125,839	176,422	-	176,422
Lease liability payments	-	(12,274)	(12,274)	-	(10,786)	(10,786)
Total changes due to cash flows from financing activities	**(30,168)**	**(12,274)**	**(42,442)**	**23,133**	**(10,786)**	**12,347**
Other changes						
Effect of changes in foreign currency exchange rates	10,528	(103)	10,425	59,558	(339)	59,219
Cash flow hedging	(823)	-	(823)	15,252	-	15,252
Acquisition of property, plant and equipment through loans	27,705	-	27,705	5,729	-	5,729
New lease agreements	-	21,411	21,411	-	45,418	45,418
Subsidiary acquisition	-	-	-	-	1,037	1,037
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 14)	(7,857)	-	(7,857)	(20,858)	-	(20,858)
Interest costs and discount amortisation, including capitalised	123,093	7,414	130,507	122,288	6,879	129,167
Interest paid	(113,757)	(7,056)	(120,813)	(114,321)	(6,325)	(120,646)
Other changes	(1,688)	220	(1,468)	(6,708)	(12,261)	(18,969)
Total other changes attributable to liabilities	**37,201**	**21,886**	**59,087**	**60,940**	**34,409**	**95,349**
As at 31 December	**1,577,212**	**59,798**	**1,637,010**	**1,570,179**	**50,186**	**1,620,365**

(in millions of tenge, unless stated otherwise)

16. LEASE LIABILITIES

As at 31 December, the Group's lease liabilities included:

	2021		2020	
	Lease payments	**Present value of lease payments**	**Lease payments**	**Present value of lease payments**
Up to one year	27,269	25,355	20,671	19,499
2-5 years inclusive	36,592	22,857	39,386	28,255
Over 5 years	55,996	11,586	12,911	2,432
Total	**119,857**	**59,798**	**72,968**	**50,186**
Less future finance costs	(60,059)	-	(22,782)	-
Present cost of lease liabilities	**59,798**	**59,798**	**50,186**	**50,186**
Less amounts due within 12 months		(25,355)		(19,499)
Amount due after 12 months		**34,443**		**30,687**

Lease agreements with Industrial Development Fund JSC

Open wagons

In November 2020, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement to lease 1,000 open wagons with a total value of 23,330 million tenge and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2021, the Group received 1,000 open wagons under the agreement and recognised right-of-use assets of 20,467 million tenge for 20 years and a lease liability of 11,369 million tenge for 15 years.

Flat wagons

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat wagons with a total value of 51,692 million tenge and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2021, within the framework of the agreement, the Group received 957 flat wagons and recognised right-of-use assets of 22,085 million tenge for 32 years and a lease liability of 9,920 million tenge for 15 years.

As at 31 December 2021, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2020: 2.5%-19.48%).

The requirements of the Group's lease agreements, represented by the subsidiaries KTZ Express JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, incorporate restrictive terms with respect to changing legal status through voluntary liquidation; concluding a transaction or several transactions where the value exceeds 25% of the carrying amount of assets; subleasing lease subjects or a part of them. In the event of a default as defined by the lease agreements, the lessor is entitled to demand the indisputable requisition of lease items.

Lease liabilities are predominantly denominated in tenge, except for lease liabilities for other equipment, which are denominated in US$.

17. EMPLOYEE BENEFIT OBLIGATIONS

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

Under Kazakhstan law, pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement, apart from those described below.

In 2019, the Group introduced Early Retirement Rules ("Rules No. 1") to meet a plan to reduce the number of Group employees over the next 5 years. Rules No. 1 apply to employees who have less than 5 years before they reach the statutory retirement age.

In 2021, the Group 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 retirement compensation and other long-term employment benefits are paid in accordance with Rules No. 1 and Rules No. 2 and a collective agreement for 2021-2023 between the Group and its staff.

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

Post-employment defined employee benefits:

- 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.

(in millions of tenge, unless stated otherwise)

Other long-term employee benefits:

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

The programmes are unfunded. Group policy towards these programmes does not assume the accumulation of assets to cover obligations. The programmes do not require employee contributions.

	31 December 2021	31 December 2020
Non-current portion of employee benefit obligations	37,083	36,669
Current portion of employee benefit obligations	9,100	6,787
Total liabilities as at the end of the year	**46,183**	**43,456**

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

	2021	2020
Total liabilities at the beginning of the year	43,456	44,379
Current service cost	1,335	2,026
Past service cost	619	123
Interest cost	4,474	4,046
Actuarial gain on other long-term employee benefits	(315)	(1,642)
Total expenses recognised in profit or loss	6,113	4,553
Actuarial revaluation recognised in other comprehensive income:	(345)	(2,057)
- change in financial assumptions	326	(484)
- experience-based adjustments	(353)	(1,475)
- change in demographic assumptions	(318)	(98)
Payments made for the year	(3,041)	(3,540)
Acquisition of a subsidiary	-	158
Disposal of subsidiaries	-	(37)
Total liabilities as at the end of the year	**46,183**	**43,456**

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)	5,558	4,198
General and administrative expenses (Note 25)	555	355
Total recognised in profit or loss for the year	**6,113**	**4,553**

(in millions of tenge, unless stated otherwise)

The Group's obligations were estimated based on published statistical data regarding mortality and actual Group data concerning 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 when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.3 years for men and 18.4 years for women.

Other significant actuarial assumptions as at the reporting date for the consolidated 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 employee benefit obligations is 6.5% caused by an inflation rate increase of 1%.

The 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 consolidated statement of financial position.

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

18. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December included:

	2021	2020
Current income tax expenses	6,678	1,247
Adjustment of income tax for prior years	62	(6)
Income tax paid withheld	681	687
Deferred income tax expense	28,947	15,373
Change in unrecognised deferred tax assets, including for tax losses carried forward	(2,236)	3,399
	34,132	**20,700**

(in millions of tenge, unless stated otherwise)

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	154,743	36,993
Official tax rate	20%	20%
Theoretical tax expense at the official rate	30,949	7,399
Tax effect of non-deductible expenses for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	62	(6)
Non-deductible expenses	5,357	9,908
Change in unrecognised deferred tax assets, including for tax losses carried forward	(2,236)	3,399
Income tax expense recognised in profit or loss (attributable to continuing operations)	**34,132**	**20,700**

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 the consolidated financial statements are as follows:

	31 December 2021	31 December 2020
Deferred tax assets:		
Tax losses carried forward	105,420	110,322
Financial guarantee contract liability	5,991	6,426
Accounts receivable	5,307	5,482
Accrued employee liabilities	4,624	4,017
Discount on loan accounts receivable	1,650	1,939
Others	8,536	10,319
	131,528	**138,505**
Less: deferred tax assets offset against deferred tax liabilities	(131,383)	(138,424)
Deferred tax assets	**145**	**81**
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(381,908)	(360,712)
Fair value adjustment to borrowings received from the Shareholder/Ultimate Shareholder at rates below market	(57,766)	(57,650)
Others	(9)	(16)
	(439,683)	**(418,378)**
Less: deferred tax liabilities offset against deferred tax assets	131,383	138,424
Deferred tax liabilities	**(308,300)**	**(279,954)**
Total net deferred tax liabilities	**(308,155)**	**(279,873)**

	2021	2020
Net deferred tax liabilities as at the beginning of the year	(279,873)	(254,467)
Recognised in profit or loss	(26,711)	(18,772)
Recognised in equity (Note 14)	(1,571)	(4,172)
Transfer to disposal group liabilities classified as held for sale (Note 13)	-	1,031
Acquisition of a subsidiary	-	(3,560)
Recognised in investments in associates	-	67
Net deferred tax liabilities as at the end of the year	**(308,155)**	**(279,873)**

(in millions of tenge, unless stated otherwise)

The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2021, the total tax effect of unrecognised tax losses carried forward amounted to 19,785 million tenge (31 December 2020: 22,021 million tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

19. TRADE ACCOUNTS PAYABLE

	31 December 2021	31 December 2020
Accounts payable for services provided	56,208	55,475
Accounts payable for the supply of property, plant and equipment	29,336	9,230
Accounts payable for inventories received	26,287	17,062
Other accounts payable	4,700	3,289
	116,531	**85,056**

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

	2021	2020
Tenge	105,782	72,429
US$	4,634	7,308
Euros	3,995	3,864
In other currencies	2,120	1,455
	116,531	**85,056**

The average turnover period for accounts payable is 37 days (2020: 41 days).

20. CONTRACT LIABILITIES

	31 December 2021	31 December 2020
Advances received on contracts with customers	82,920	63,265
Deferred income	12,390	8,144
	95,310	**71,409**

Revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 67,411 million tenge (2020: 59,753 million tenge).

Contract liabilities as at 31 December 2021 will be recognised as revenue within 12 months after the reporting date.

(in millions of tenge, unless stated otherwise)

21. OTHER LIABILITIES

	31 December 2021	31 December 2020
Deferred income (government grants)	24,427	4,312
Provisions for unused vacation and other employee benefits	23,265	20,223
Provisions	4,291	11,550
Advances received	701	1,041
Others	3,336	2,547
Total other non-financial liabilities	**56,020**	**39,673**
Financial guarantee contract liabilities	29,953	32,132
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	9,696	6,908
Salary payable	7,563	6,516
Others	7,876	9,224
Total other financial liabilities	**55,088**	**54,780**
	111,108	**94,453**
Current portion of other liabilities	56,611	53,009
Non-current portion of other liabilities	54,497	41,444
	111,108	**94,453**

As disclosed in Note 28, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 December 2021, liabilities under financial guarantee agreements amounted to 15,476 million tenge for Nursultan Nazarbayev International Airport JSC, 13,953 million tenge for Aktobe Rail and Section Mill Plant LLP and 524 million tenge for Transtelecom JSC (31 December 2020: 15,635 million tenge for Nursultan Nazarbayev International Airport JSC, 14,829 million tenge for Aktobe Rail and Section Mill Plant LLP and 1,668 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 December 2021, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

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

22. REVENUE

In 2021 and 2020, revenue from freight transportation included:

	2021	2020
Revenue from contracts with customers:		
International (transit) routes	425,755	372,582
Domestic routes	342,125	307,437
International (export) routes	191,782	189,792
International (import) routes	134,718	118,807
Additional charges related to the transportation process	44,495	34,926
Other revenue from freight transportation	45,396	38,980
	1,184,271	**1,062,524**

(in millions of tenge, unless stated otherwise)

Revenue from freight transportation is recognised over time.

In 2021 and 2020, revenue from passenger transportation included:

	2021	2020
Revenue from contracts with customers:		
Passenger transportation	49,580	32,959
Other revenue from passenger transportation	7,676	5,219
	57,256	**38,178**

Revenue from passenger transportation of 1,001 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2020: 629 million tenge), and 56,255 million tenge was recognised over time (2020: 37,549 million tenge).

23. OTHER REVENUE

	2021	2020
Revenue from the sale of goods and provision of other services	33,679	30,694
Revenue from fines	5,754	3,575
Revenue from the lease of wagons	4,742	9,693
Revenue from the lease of other property, plant and equipment	3,600	3,124
	47,775	**47,086**

Revenue from the sale of goods and the provision of other services mainly consists of revenue from loading and unloading services, vehicle servicing and the sale of materials and scrap metal.

The Group leases out wagons and other property, plant and equipment under operating lease agreements for up to one year. Accounts receivable under operating leases are payable within one year. Operating leases do not include an extension or early termination option. The Group is not exposed to currency risk as a result of operating leases, as all leases are denominated in tenge. The lessee does not have an option to purchase wagons and other property, plant and equipment at the end of the lease term.

Revenue from fines is mainly represented by interest from the late dispatch of freight from destination stations and for a breach of contracts.

Revenue of 15,543 million tenge is recognised at a point in time (2020: 11,845 million tenge), and of 23,890 million tenge – over time (2020: 22,424 million tenge).

(in millions of tenge, unless stated otherwise)

24. COST OF SALES

	2021	2020
Staff costs, including taxes, contributions and provisions for unused vacations	337,482	286,794
Repairs and maintenance	152,310	146,476
Depreciation and amortisation	135,666	131,350
Fuel and lubricants	133,907	115,474
Work and services of a production nature	59,596	50,947
Electricity	51,200	49,584
Materials and supplies	44,400	40,271
Property tax and other taxes than social tax and social contributions	25,217	24,995
Employee benefit expenses and other long-term employee benefits (Note 17)	5,558	4,198
Utilities and building maintenance	4,269	3,986
Telecommunication services	2,931	3,099
Other costs	28,362	28,214
	980,898	**885,388**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Staff costs, including taxes, contributions and provisions for unused vacation	53,202	47,694
Property tax and other taxes other than social tax and social contributions	9,168	10,940
Depreciation and amortisation	5,030	5,045
Various third party services	2,564	1,058
Consulting, audit and legal services	1,973	2,848
Expenses to hold celebrations and cultural and mass events	1,532	936
Lease expenses	1,157	1,315
Business trip expenses	947	649
Utilities and building maintenance	857	730
Telecommunication services	645	655
Employee benefit expenses and other long-term employee benefits (Note 17)	555	355
Banking services	464	434
Expenses to maintain social sphere facilities	432	1,310
Insurance	407	355
Materials	313	657
Repairs and maintenance	192	357
(Recovery)/accrual of allowances for expected credit losses of accounts receivable and impairment of short-term advances paid	(171)	541
Other expenses	11,510	10,019
	90,777	**85,898**

26. FINANCE INCOME AND COSTS

Finance income	2021	2020
Interest on cash and cash equivalents	10,379	6,679
Guarantees issued	2,218	2,695
Interest rate subsidies on financial liabilities	2,176	29,558
Other financial income	3,074	7,965
	17,847	**46,897**

(in millions of tenge, unless stated otherwise)

Finance costs	**2021**	**2020**
Interest costs and loan discount amortisation	118,260	120,554
Lease interest expenses	7,414	6,879
Bonds early extinguishment premium and fees paid	-	24,221
Expected credit losses on guarantees issued	-	12,757
Other finance costs	594	2,967
	126,268	**167,378**

27. 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, the Company had no outstanding antidilutive instruments.

	2021	**2020**
Weighted average of common shares	496,674,099	496,654,806
Profit for the year attributable to the Shareholder (million tenge)	119,085	16,233
Earnings per common share (tenge)	**240**	**33**
Profit for the year from continuing operations, attributable to the Shareholder (million tenge)	119,085	16,421
Earnings per common share from continuing operations (tenge)	**240**	**33**
Net assets excluding intangible assets, goodwill and non-controlling interests	1,226,586	1,101,674
Quantity of common shares in circulation (registered)	496,692,665	496,654,806
Carrying amount of one share (tenge)[5]	**2,470**	**2,218**

28. FINANCIAL AND CONTINGENT LIABILITIES

Investment liabilities

As at 31 December 2021, the Group had liabilities, including under lease agreements with Industrial Development Fund JSC to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total of 1,613,814 million tenge (2020: 1,679,287 million tenge).

Liabilities under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform cars for 33,264 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee.
As at 31 December 2021, platform cars with a total value of 26,862 million tenge had not been delivered. By the end of 2022, the Group plans to sign an addendum to the lease contract to reduce the quantity of waggons to the actually delivered quantity as at 31 December 2021 in the amount of 6,402 million tenge.

[5] Carrying amount of shares is calculated in accordance with KASE requirements.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform cars for 51,692 million tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2021, the commitment for the undelivered platform cars was 26,958 million tenge.

Other contractual liabilities

As at 31 December 2021, the Group, represented by its subsidiary KTZ Express JSC, had an agreement dated 28 December 2015 in place to provide freight handling and freight storage services in the future with its associate Aktau Marine North Terminal LLP, Sberbank SB JSC and Inter Port Development PTE LTD. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 2021, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigation

The Group is subject to various legal proceedings related to its business operations, such as property damage claims. The Group 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 Group's consolidated 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 Group's management believes that its interpretation of the Kazakhstan relevant legislation is appropriate and the Group'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 Group's consolidated financial statements.

(in millions of tenge, unless stated otherwise)

Insurance

The insurance market is still in the early stages of development in Kazakhstan and, in common with other state-owned enterprises, the Group does not, with the exception of obligatory passenger insurance with regard to personal injury, death and loss or damage to passenger property, maintain any insurance against the risk of damage to any of its properties, assets or equipment (including infrastructure, rolling stock and stations) nor against business interruption or third party liability in respect of property or environmental damage arising from accidents to the Group's property or relating to the Group's operations. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

Guarantees

As at 31 December 2021, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge
Development Bank of Kazakhstan JSC	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	4 July 2013	until 2033	18,008
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2018	until 2033	22,500
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC for the implementation of the project Construction of a Fibber-Optic communication line (FOCL)	21 October 2014	until 2024	3,066
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	7,487

Note 21 discloses the carrying value of these guarantees.

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

To avoid non-compliance with respect to obligations to its creditors, prior to year-end, the Group received a waiver related to the non-application of financial covenants as at 31 December 2021 under the financial guarantee contract with Development Bank of Kazakhstan JSC.

(in millions of tenge, unless stated otherwise)

29. SUBSIDIARIES

Information on the composition of the Group is provided below:

Subsidiary[6]	Activities	Country	Ownership interest, % 31 December 2021	Ownership interest, % 31 December 2020
1.Kaztemirtrans JSC	Freight wagon operation	Kazakhstan	100	100
2.Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4. KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
5. Kedentransservice JSC	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan	100	100
6. Temirzholsu JSC	Utilities	Kazakhstan	100	100
7. Militarised Railway Security LLP	Security	Kazakhstan	100	100
8. Aktau Sea Commercial Port National Company JSC[7]	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9. Port Kuryk LLP	Freight transhipment and vessel servicing	Kazakhstan	100	100
10. KTZ Finance LLC	Bond issues to finance KTZ Group projects and operations	Russian Federation	100	100
11. KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	-
12. Remlocomotive JSC	Rolling stock production	Kazakhstan	-	100
13. Kamkor Repair Corporation LLP	Machinery production	Kazakhstan	-	100

The subsidiary Kaztemirtrans JSC was reorganised in 2021 by merging the subsidiaries Remlocomotive JSC and Repair Corporation Kamkor LLP to it.

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

During 2020, the Group acquired control over the Group's joint venture Logistic System Management B.V. by purchasing 50% from the second partner (a third party). The net cash payment for the purchase amounted to 26,499 million tenge. The acquisition was accounted for using the acquisition method. At the acquisition date, the Group's previously held interest in net assets of the joint venture was 14,670 million tenge and its remeasurement to fair value amounted to 9,035 million tenge. The excess of purchase price and fair value of the previously held interest over the fair value of net identifiable assets as at the acquisition date amounted to 15,520 million tenge and was recorded as goodwill. In November 2020, Logistic System Management B.V. transferred a 100% interest in its subsidiary Kedentransservice JSC to the Group's direct ownership. In May 2021, Logistic System Management B.V. was liquidated.

[6] First level subsidiaries, some of which include subsidiaries that have non-controlling interests.
[7] In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

(in millions of tenge, unless stated otherwise)

30. RELATED PARTY TRANSACTIONS

For the purpose of these consolidated 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 Group 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.

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

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder group	Other related parties[8]
Amounts due from related parties for goods, services and non-current assets	2021	-	4,748	-	356	5
	2020	-	488	-	1,726	4
including allowances for expected credit losses and impairment of advances paid	2021	-	(35)	-	(23)	-
	2020	-	(85)	-	(21)	-
Amounts due to related parties for goods, services and non-current assets	2021	-	19,425	-	2,722	2,437
	2020	-	15,707	-	3,802	4,626
Restricted cash	2021	-	-	-	-	117
	2020	-	-	-	-	117
Loans received	2021	128,769	-	-	-	72,720
	2020	126,093	-	-	-	65,920
Lease liabilities	2021	48	27,012	-	-	27,291
	2020	225	37,994	-	-	5,571

[8] Other related parties include other commercial entities under common control of the ultimate Shareholder.

(in millions of tenge, unless stated otherwise)

Related party transactions for the years ended 31 December are presented as follows:

		Shareholder	Associates	Joint ventures in which the Group is a partner	Companies making up the Shareholder group	Other related parties[8]
Sale of goods, services and non-current assets	2021	-	133,393	-	7,822	689
	2020	5	99,207	15,135	5,183	499
Recovered/ (accrued) allowances for expected credit losses and impairment of advances paid	2021	-	55	-	(3)	-
	2020	-	4,036	-	54	-
Purchase of goods, services and non-current assets	2021	-	28,983	-	7,623	1,487
	2020	-	110,619	43	3,661	1,664
Receipt of loans	2021	-	-	-	-	13,125
	2020	-	-	-	-	35,714
Repayment of loans received	2021	1,175	-	-	-	1,077
	2020	1,175	-	-	-	1,077
New lease agreements (Group as lessee)	2021	-	25	-	-	21,289
	2020	-	45,417	-	-	-
Lease payments	2021	197	15,319	-	-	2,298
	2020	345	12,620	-	-	557
Finance income	2021	-	1,144	-	-	158
	2020	-	2,289	-	-	205
Finance expenses	2021	9,576	4,311	-	-	8,331
	2020	9,402	12,447	-	-	9,017
Dividends due	2021	-	6,462	-	-	-
	2020	-	4,364	2,734	-	-
Share capital contribution	2021	3,786	-	-	-	-
	2020	-	-	-	-	-

As at 31 December 2021, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 72,720 million tenge (Note 15).

As at 31 December 2021 and 2020, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 21 and 28).

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

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). The Group also provides freight transportation services to Shareholder group companies, associates and joint ventures.

Compensation to key management personnel of the Group

Key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 15 persons for the year ended 31 December 2021 (31 December 2020: 15 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 807 million tenge for the year ended 31 December 2021 (2020: 602 million tenge). Compensation to key management personnel mainly consists of contractual salary costs and bonuses based on operational results.

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

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

Capital risk management

The Group 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 Group's overall strategy remains unchanged from 2020.

There are no mandatory minimum capital requirements for the Group.

The Group's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and Group's equity (which comprises share capital, foreign currency translation and cash flow hedge reserves, retained earnings and non-controlling interests).

Financial risk management objectives

Risk management is an essential element of the Group's operations. The Company monitors and manages financial risks relating to the Group'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 Group's risk management policies in relation to those risks follows.

(in millions of tenge, unless stated otherwise)

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 Group 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 Group is the risk of changes in market interest rates reducing the overall return on the Group's investments and/or increasing cash outflow on its loans and debt securities. The Group 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 Group's exposure to the interest rate risk mainly relates to its loans and debt securities issued with variable interest rates.

The following table shows the sensitivity of the Group'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 basis points[9]	**Effect on pre-tax profit/equity**	**Interest rate increase / (decrease) in basis points[9]**	**Effect on pre-tax profit/equity**
Tenge borrowings	125/(25)	(788)/158	100/(25)	(665)/166
Russian Rouble borrowings	125/(25)	(1,380)/276	100/(25)	(1,084)/271

Currency risk

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

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US$. A change in the tenge value against the US$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2021, the Group incurred a foreign exchange loss of 11,147 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2020: 52,647 million tenge).

9 1 basis point 0.01%

(in millions of tenge, unless stated otherwise)

The following table reflects the sensitivity of the Group's profit before tax and equity to potential changes in the US$, Euro, Russian Rouble and other exchange rates, provided all other parameters remain 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$	13%/ (10%)	(49,117)/ 37,782	-	14%/ (11%)	(53,045)/ 41,678	-
Euros	13%/ (10%)	(8,393)/ 6,456	-	14%/ (11%)	(6,852)/ 5,384	-
Russian Roubles	13%/ (13%)	(25,393)/ 25,393	-	15%/ (15%)	(28,587)/ 28,587	-
Swiss Francs	13%/ 10%	(102)/79	(26,952)/ 20,732	14%/ (11%)	(83)/65	(29,267)/ 22,995
In other currencies	13%/ (10%)	200/(154)	-	14%/ (11%)	87/(68)	-

On 7 August 2015, the Group began cash flow hedging to decrease the risk of a change in the tenge equivalent of revenue denominated in Swiss Francs. Eurobonds issued on 20 June 2014 on the Swiss Stock Exchange are used as hedging instruments. The hedged item is revenue from transit traffic in Swiss Francs. As a result of hedging, in 2021 an effect of 823 million tenge was recognised in other comprehensive income (2020: 15,220 million tenge).

Credit risk

Credit risk arising from a party's inability to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the Group's obligations to that party. It is the Group'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 held in Halyk Bank JSC with a credit rating of BB+ 'stable' (71% of cash and cash equivalents).

The Group 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 Group operates on a prepayment basis with the majority of its customers.

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 28.

(in millions of tenge, unless stated otherwise)

Liquidity risk

The Group manages short-term, mid-term and long-term financing liquidity risk in accordance with Shareholder requirements. The Group 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.

As at 31 December 2021, the Group has also credit lines available in Halyk Bank JSC and Citibank of Kazakhstan JSC with undrawn balances totalling 72,954 million tenge (31 December 2020: 36,389 million tenge).

The Group 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 Group's 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						
Interest-free						
Accounts payable	114,487	2,043	1	-	-	116,531
Other liabilities	7,563	9,696	5,883	1,993	-	25,135
Interest-bearing						
Borrowings	15,847	9,461	280,869	838,401	1,974,796	3,119,374
Lease liabilities	2,401	6,479	18,389	36,592	55,996	119,857
Financial guarantees	-	479	2,326	30,152	54,875	87,832
	140,298	**28,158**	**307,468**	**907,138**	**2,085,667**	**3,468,729**
2020						
Interest-free						
Accounts payable	82,710	1,910	436	-	-	85,056
Other liabilities	6,516	6,908	5,088	4,136	-	22,648
Interest-bearing						
Borrowings	2,856	21,784	239,269	821,983	2,043,631	3,129,523
Lease liabilities	4,463	3,126	13,082	39,386	12,911	72,968
Financial guarantees	-	4,168	7,995	46,141	64,686	122,990
	96,545	**37,896**	**265,870**	**911,646**	**2,121,228**	**3,433,185**

(in millions of tenge, unless stated otherwise)

The amounts presented in the table of financial guarantee agreements reflect the maximum amounts that the Group will be obliged to pay in the event of claims under guarantee agreements. As at reporting date the Group 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.

The following table reflects the expected maturity of the Group'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	Over 1 year	Unspecified maturity[10]	Total
2021						
Interest-bearing:						
Short-term deposits	128,941	-	-	-	27	128,968
Interest on short-term deposits	453	-	-	-	-	453
Other assets	2	-	-	-	-	2
Cash and cash equivalents	17,577	-	-	-	4	17,581
Loans issued	-	-	-	6,326	2,349	8,675
Interest-free:						
Cash and cash equivalents	31,482	-	-	-	-	31,482
Restricted cash	-	-	235	13,737	-	13,972
Trade accounts receivable	22,147	1,074	27	47	5,246	28,541
	200,602	**1,074**	**262**	**20,110**	**7,626**	**229,674**

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity[10]	Total
2020						
Interest-bearing:						
Short-term deposits	117,874	-	-	-	19	117,893
Interest on short-term deposits	23					23
Other assets	-	-	1	-	-	1
Cash and cash equivalents	3,336	-	-	-	3	3,339
Interest-free:						
Cash and cash equivalents	34,197	-	-	-	-	34,197
Restricted cash	-	-	127	11,512	-	11,639
Trade accounts receivable	11,081	196	40	54	1,089	12,460
	166,511	**196**	**168**	**11,566**	**1,111**	**179,552**

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 exists for a large part of the Group'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.

[10] The amounts with unspecified maturities represent the amounts, which were provided for expected credit losses

(in millions of tenge, unless stated otherwise)

The following methods and assumptions are used by the Group 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 12 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 year-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 Group's bank loans are mostly provided by international financial 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 the Group`s financial assets and financial liabilities 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 loans issued, borrowings and debt securities was not significantly different from carrying value. The carrying value and fair value of loans issued, borrowings, debt securities (bonds) and other financial assets as at 31 December is presented as follows:

	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans issued	3,797	5,299	-	-
Other financial assets	15,031	15,031	12,608	12,608
Borrowings	364,907	359,599	369,440	354,281
Debt securities	1,212,305	1,330,260	1,200,739	1,405,563

(in millions of tenge, unless stated otherwise)

Fair value hierarchy

The Group 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 whose data used is directly or indirectly based on observable primary data.
- Level 3: data that is not available. This category includes instruments estimated using information not based on observable primary data. Moreover, any such unobservable data has a significant impact on an instrument's estimation. This category includes instruments estimated based on quotes for similar instruments that require the use of material unobservable quotes or judgements to reflect the different between instruments.

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	5,299	-	5,299
- other financial assets	-	14,930	-	14,930
Other financial assets at fair value through profit of loss	-	-	101	101
Total	**-**	**20,229**	**101**	**20,330**
Financial liabilities recognised at amortised cost:				
- debt securities	1,288,064	-	-	1,288,064
- debt securities from related parties	42,196	-	-	42,196
- bank loans	-	298,145	-	298,145
- loans from related parties	-	61,454	-	61,454
Total	**1,330,260**	**359,599**	**-**	**1,689,859**

(in millions of tenge, unless stated otherwise)

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
Financial assets				
Other financial assets at amortised cost	-	12,507	-	12,507
Other financial assets at fair value through profit of loss	-	-	101	101
Total	**-**	**12,507**	**101**	**12,608**
Financial liabilities recognised at amortised cost:				
- debt securities	1,366,896	-	-	1,366,896
- debt securities from related parties	38,667	-	-	38,667
- bank loans	-	268,796	461	269,257
- loans from related parties	-	85,024	-	85,024
Total	**1,405,563**	**353,820**	**461**	**1,759,844**

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

During 2021 and 2020, there were no transfers between the 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 Group has fully ensured the stability of freight and passenger traffic. 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 Group'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 Group. 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 Group 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.

Group management is monitoring the current economic and political situation in Kazakhstan and the world and is taking the measures it believes are required to maintain stability and develop the Group’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 Group’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 events and any future related changes could potentially have a significant impact on Group operations.

Early repayment of long-term loans

The Group’s management made a decision to early repay the principal debt of loans from VTB Bank PJSC and Sberbank SB JSC in the amount of 19,400,000,000 Russian Roubles and 5,064 million tenge, respectively. On 14-15 March 2022 the Group made an early repayment of VTB Bank PJSC principal in the amount of 9,980,000,000 Russian Roubles (44,553 million tenge) and interest in the amount of 567,623,219 Russian Roubles (2,509 million tenge).