KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Separate financial statements
for the year ended 31 December 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Management of Kazakhstan Temir Zholy National Company JSC ("the Company") is responsible for the preparation of separate financial statements that present fairly the separate financial position of the Company as at 31 December 2023, and the separate results of its operations, separate cash flows and separate changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board.

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial position and separate financial performance;
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRSs;
- maintaining statutory accounting records in compliance with the legislation of the Republic of Kazakhstan and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The separate financial statements for the year ended 31 December 2023, were authorised for issue by management on 18 March 2024, pre-approved by the Audit Committee of the Board of Directors of the Company and subject to further approval by the Board of Directors and the Shareholder.

On behalf of the Company`s management:

Dair Kusherov	**Yelena Stankova**
Finance Director	**Chief Accountant**
18 March 2024	18 March 2024

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36 Al Farabi Avenue
Almaty, 050059
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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the separate financial statements of Kazakhstan Temir Zholy National Company JSC ("the Company"), which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

We were not provided with sufficient and appropriate audit evidence regarding the fair value of non-cash contributions to equity of certain subsidiaries made prior to 1 January 2007, which are included in the carrying value of investments in subsidiaries in the amount of 177,640,985 thousand tenge as at 31 December 2023 and 2022. Accordingly, we were unable to determine whether any adjustments to this amount and related disclosures were necessary.

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

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Emphasis of Matter

We draw your attention to:

- Note 2 to the separate financial statements, which describes that the Company also prepares consolidated financial statements of the Company and its subsidiaries (hereinafter referred as “the Group”). These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by the management on 13 March 2024.
- Note 30 to the separate financial statements, which discloses significant transactions of the Company with related parties.

Our opinion is not modified in respect of these matters.

Key audit matters

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

Why the matter was determined to be a key audit matter?	How the matter was addressed during the audit?
Assessment of impairment indicators of non-current assets	
At each reporting date the Company assesses whether there is an indication that assets may be impaired. If any indication exists, the Company estimates the asset’s recoverable amount. The Company’s property, plant and equipment, advances paid for property, plant and equipment and investments in subsidiaries comprise 75% of the Company`s total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement.	We performed the following procedures: • evaluated the appropriateness of the management’s identification of a single cash-generating unit; • evaluated whether the Company’s analysis of impairment indicators of property, plant and equipment is accurate and complete and in accordance with the requirements of IAS 36 *Impairment of Assets*; • held meetings with management of the Company, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis; • challenged relevance of management judgement in relation to freight turnover;

Why the matter was determined to be a key audit matter?	How the matter was addressed during the audit?
As at 31 December 2023, the management of the Company performed an analysis of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Company did not identify any events or circumstances occurred in 2023 that should be considered as impairment indicators of the Group's single cash-generating unit as at 31 December 2023. Due to the material amount of non-current assets and the significance of the professional judgements described above and their potential impact on the separate financial statements we determined assessment of impairment indicators of non-current assets to be a key audit matter. Please refer to Notes 4, 5, 6 and 9.	• 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; and • assessed the completeness and adequacy of disclosures in the separate financial statements.
Liquidity and the going concern principle	
As at 31 December 2023, the Company`s borrowings in the amount of 318,255,247 thousand tenge are payable within twelve months after the reporting date.  As at 31 December 2023, the Company`s current assets are mainly represented by loans issued to subsidiaries, debt securities issued by subsidiaries and trade accounts receivable in the amount of 286,867,090 thousand tenge. As disclosed in Notes 15 and 29, certain terms of loans received by the Company, as well its subsidiaries and other related parties which are guaranteed by the Company for the total amount of 330,799,781 thousand tenge, include covenants, whereby non-compliance may result in the loans becoming payable on demand. Due to the above matters, critical judgements are required to assess the sufficiency of the Company'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.	Our audit procedures in respect of the going concern principle were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following: • examined the correctness of classification of assets and liabilities as current and non-current; • analysed management's evaluation of the going concern principle and their plans to settle current liabilities, assessing the Company's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future economic environment; • assessed any mitigating actions available to management to improve the Company's liquidity and going concern position to the extent necessary, including an assessment of whether such actions are within the control of management;

Why the matter was determined to be a key audit matter?	How the matter was addressed during the audit?
Given the pervasiveness of the effect of the going concern conclusion to the separate financial statements, this is considered to be a key audit matter.	• analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Company's ability to continue as a going concern; • analysed the most recent cash flow forecast and the management downside scenarios affecting the Company's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and revenues; • 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 the reporting date for mathematical accuracy; • evaluated external matters that could be an indicator of adverse events and conditions, which may impact the Company's operations; and • assessed the completeness and adequacy of information disclosed in the separate financial statements.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Белоногова Ольга Александровна
№ МФ-0000865
Қазақстан Республикасының Аудиторы

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

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Zhangir Zhilysbayev
General Director
Deloitte LLP

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dated 13 September 2006

Almaty, Republic of Kazakhstan
18 March 2024

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(in thousands of tenge)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,053,645,285	1,862,673,230
Intangible assets		11,999,373	11,623,822
Investments in subsidiaries	6	1,134,475,076	514,802,577
Investments in associates	7	3,261,978	3,261,978
Investments in joint ventures	7	4,565	-
Loans issued	8	540,977,332	832,841,086
Other non-current assets	9	178,244,368	24,910,133
Total non-current assets		**3,922,607,977**	**3,250,112,826**
Current assets			
Loans issued	8	104,223,569	163,734,860
Cash and cash equivalents	10	139,416,391	201,293,539
Inventories	11	27,732,349	23,075,286
Trade accounts receivable	12	182,643,521	46,478,052
VAT recoverable		3,096,237	3,211,304
Other current assets	13	52,349,356	50,751,578
Total current assets		**509,461,423**	**488,544,619**
Total assets		**4,432,069,400**	**3,738,657,445**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,110,633,868	1,086,324,360
Additional paid-in capital	14	97	97
Foreign currency translation reserve		58,929	325,521
Retained earnings		1,173,488,695	865,302,803
Total equity		**2,284,181,589**	**1,951,952,781**

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023
(in thousands of tenge)

	Notes	31 December 2023	31 December 2022
Non-current liabilities			
Borrowings	15	1,368,469,668	1,167,691,102
Deferred tax liabilities	16	258,071,707	231,832,086
Liabilities under financial guarantee contracts	17	52,306,133	45,378,312
Lease liabilities	18	2,763,849	5,177,683
Employee benefit obligations	19	7,805,193	7,839,012
Derivative financial instruments	31	35,718,764	564,449
Total non-current liabilities		**1,725,135,314**	**1,458,482,644**
Current liabilities			
Borrowings	15	318,255,247	238,376,825
Trade accounts payable	20	64,340,448	45,218,917
Contract liabilities	21	3,113,186	2,438,657
Lease liabilities	18	5,693,983	6,738,693
Other taxes payable		5,226,036	14,886,717
Employee benefit obligations	19	1,572,547	1,598,055
Other current liabilities	22	24,551,050	18,964,156
Total current liabilities		**422,752,497**	**328,222,020**
Total liabilities		**2,147,887,811**	**1,786,704,664**
Total equity and liabilities		**4,432,069,400**	**3,738,657,445**

On behalf of the Company`s management:

Dair Kusherov
Finance Director

18 March 2024

Yelena Stankova
Chief Accountant

18 March 2024

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

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of tenge, unless stated otherwise)

	Notes	2023	2022
Revenue and other revenue	23	859,547,144	620,056,994
Cost of sales	24	(591,172,301)	(489,703,555)
Gross profit		**268,374,843**	**130,353,439**
General and administrative expenses	25	(51,778,652)	(45,814,779)
Finance income	26	130,007,642	137,997,748
Finance costs	27	(162,037,310)	(122,889,056)
Foreign exchange (loss)/gain	31	(16,049,872)	19,243,671
Dividend income	30	18,523,718	12,248,777
Impairment reversal of financial assets		1,076,320	2,473,540
Impairment of non-financial assets		(3,772,833)	(356,336)
Other profit and losses		1,526,771	(2,186,288)
Profit before tax		**185,870,627**	**131,070,716**
Corporate income tax expense	16	(21,292,533)	(12,662,176)
Profit for the year		**164,578,094**	**118,408,540**
Other comprehensive (loss)/income, net of income tax:			
Items that will not be subsequently reclassified to profit and loss:			
Remeasurement of employee benefit obligations	19	133,098	3,958,754
Items that may be reclassified subsequently to profit and loss:			
Net loss on cash flow hedging instruments		-	(3,485,692)
Reclassification of the loss on cash flow hedging instruments	14, 23	-	55,482,320
Foreign exchange difference on the translation of foreign operations		(266,592)	181,278
Other comprehensive (loss)/income for the year		**(133,494)**	**56,136,660**
Total comprehensive income for the year		**164,444,600**	**174,545,200**
Profit per share, in tenge	28	**331**	**238**

On behalf of the Company's management:

Dair Kusherov
Finance Director

18 March 2024

Yelena Stankova
Chief Accountant

18 March 2024

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

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of tenge)

	Notes	2023	2022
Cash flows from operating activities:			
Profit for the year		164,578,094	118,408,540
Adjustments for:			
Income tax expense recognised in profit or loss	16	21,292,533	12,662,176
Depreciation and amortisation	24, 25	81,509,967	79,133,533
Finance costs	27	162,037,310	122,889,056
Finance income	26	(130,007,642)	(137,997,748)
Impairment reversal of financial assets		(1,076,320)	(2,473,540)
Impairment of non-financial assets		3,772,833	356,336
Employee benefit and other long-term employee benefits costs	24, 25	1,562,679	2,733,425
Foreign exchange loss/(gain)	31	16,049,872	(19,243,671)
Dividend income	30	(18,523,718)	(12,248,777)
Accrual of allowances for unused vacation and other remunerations		5,676,992	4,872,018
Reclassification of the loss on cash flow hedging instruments	14, 23	-	55,482,320
Other		(3,270,042)	2,769,494
Operating income before changes in working capital and other balances		**303,602,558**	**227,343,162**
Change in trade accounts receivable		(136,171,206)	(44,314,895)
Change in inventories		355,924	(438,542)
Change in other current assets		1,049,596	32,208,659
Change in trade accounts payable		(554,472)	(459,381)
Change in other taxes payable		(10,168,125)	4,523,074
Changes in contract liabilities with customers and other current liabilities		(1,417,317)	(37,807,502)
Change in employee benefit obligations		(1,488,908)	(1,272,332)
Net cash generated from operations before interest and corporate income tax		**155,208,050**	**179,782,243**
Interest paid	15	(108,297,768)	(101,287,628)
Interest received		78,871,052	65,017,083
Net cash flows generated from operating activities		**125,781,334**	**143,511,698**
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(378,030,893)	(144,454,280)
Proceeds from the sale of other non-current assets		907,681	1,077,915
Investments in subsidiaries	6	(25,208,962)	(37,800)
Loans issued		(282,154,706)	(105,240,284)
Repayment of loans issued		60,495,920	42,090,522
Dividends received		18,126,765	11,197,264
Other		(638,036)	(1,110,099)
Net cash flows used in investing activities		**(606,502,231)**	**(196,476,762)**

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of tenge)

	Notes	2023	2022
Cash flows from financing activities:			
Share capital contribution	14	24,309,508	-
Proceeds from borrowings	15	645,177,475	986,878,354
Repayment of borrowings	15	(229,830,323)	(826,134,892)
Repayment of lease liabilities	15	(17,888,901)	(12,265,406)
Other		(4,551,204)	(560,965)
Net cash flows generated from financing activities		**417,216,555**	**147,917,091**
Net (decrease)/increase in cash and cash equivalents		**(63,504,342)**	**94,952,027**
Cash and cash equivalents at the beginning of the year	10	201,293,539	110,549,296
Effect of changes in foreign exchange rates on cash and cash equivalents balances held in foreign currency		1,609,634	(4,203,601)
Effect of changes in allowance for expected credit losses		17,560	(4,183)
Cash and cash equivalents at the end of the year	10	**139,416,391**	**201,293,539**

On behalf of the Company`s management:

Dair Kusherov
Finance Director

18 March 2024

Yelena Stankova
Chief Accountant

18 March 2024

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of tenge)

	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total equity
As at 1 January 2022	**1,086,085,094**	**97**	**144,243**	**(51,996,628)**	**647,332,249**	**1,681,565,055**
Profit for the year	-	-	-	-	118,408,540	118,408,540
Other comprehensive income for the year	-	-	181,278	51,996,628	3,958,754	56,136,660
Total comprehensive income for the year	-	-	181,278	51,996,628	122,367,294	174,545,200
Issue of share capital	239,266	-	-	-	-	239,266
Other contributions (Note 14)	-	-	-	-	94,703,684	94,703,684
Revaluation surplus on assets contributed to subsidiaries' share capital	-	-	-	-	899,576	899,576
As at 31 December 2022	**1,086,324,360**	**97**	**325,521**	**-**	**865,302,803**	**1,951,952,781**
As at 1 January 2023	**1,086,324,360**	**97**	**325,521**	**-**	**865,302,803**	**1,951,952,781**
Profit for the year	-	-	-	-	164,578,094	164,578,094
Other comprehensive (loss)/income for the year	-	-	(266,592)	-	133,098	(133,494)
Total comprehensive (loss)/income for the year	-	-	(266,592)	-	164,711,192	164,444,600
Issue of share capital (Note 14)	24,309,508	-	-	-	-	24,309,508
Other contributions (Note 14)	-	-	-	-	142,345,209	142,345,209
Revaluation surplus on assets contributed to subsidiaries' share capital	-	-	-	-	1,129,491	1,129,491
As at 31 December 2023	**1,110,633,868**	**97**	**58,929**	**-**	**1,173,488,695**	**2,284,181,589**

On behalf of the Company`s management:

Dair Kusherov
Finance Director

18 March 2024

Yelena Stankova
Chief Accountant

18 March 2024

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

1. GENERAL INFORMATION

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

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

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

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

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

In November 2020, the Committee for the Regulation of Natural Monopolies of the Ministry of the National Economy of the Republic of Kazakhstan (hereinafter - "CRNM") approved tariffs for railway network services for 2021-2025 with annual increase for 2022-2024 by 5% on average and in 2025 - by 4% (Note 32). Moreover, tariffs for provision of mainline railway network services have been differentiated since 1 January 2021: for diesel locomotives on non-electrified track sections and for electric locomotives on electrified track sections. In April 2023, CRNM agreed to increase tariffs for main railway network services from 27 April 2023 by 28.4%, from 1 January 2024 – by 4% and from 1 January 2025 – by 3%.

Operating environment

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

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

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

In 2023, the average price for Brent crude oil was 83 USD per barrel (2022: 101 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product ("GDP") grew by 4.9% per annum in 2023 (2022: 3.2%). Inflation in the country declined in 2023 to 9.8% per annum (2022: inflation was 20.3% per annum).

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In February 2024, the base rate further decreased to 14.75% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Company is monitoring developments in the economic and political situation in Kazakhstan and the world and taking measures it considers necessary to support the sustainability and development of the Company's business for the foreseeable future. In general, the Company does not expect a significant negative impact from the current changes on the Company's business and operations, as freight rail traffic, including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries. During 2023, the volume of freight transportation in transit and export routes increased compared to the previous year.

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

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

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

Implementation of the Group's Development Strategy until 2032 will continue in accordance with the Concept. The Group will continue to work to improve efficiency of railway transportation, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, digitalisation, improving customer satisfaction, guaranteeing train traffic safety, and implementation of ESG principles.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

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

These separate financial statements are the financial statements of the parent Kazakhstan Temir Zholy National Company JSC. The Company's subsidiaries were not consolidated in these separate financial statements. Investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment. These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorised for issue by the management of the Company on 13 March 2024.

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

Going concern

The Company's separate financial statements have been prepared on a going concern basis. Going concern assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2023, the Company's current assets exceeded its current liabilities by 86,708,926 thousand tenge (31 December 2022: 160,322,599 thousand tenge). As at 31 December 2023, the Company's borrowings of 318,255,247 thousand tenge are payable within twelve months after the reporting date. However, profit for the year ended 31 December 2023 amounted to 164,578,094 thousand tenge (2022: 118,408,540 thousand tenge), and cash inflows from operating activities amounted to 125,781,334 thousand tenge (2022: 143,511,698 thousand tenge).

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

In assessing its going concern status, management also considered the Company's financial position, expected future performance and cash flows from operations, tariff growth, its borrowings, available credit facilities, its capital expenditure commitments, exchange rates and other risks that the Company is facing. Besides that, the Company received a Letter of Support from the Shareholder regarding its intent and ability to render the Company continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Company, the management concluded that the Company has adequate resources to continue in operational existence and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these separate financial statements.

(in thousands of tenge, unless stated otherwise)

Basis for measurement

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

Functional and presentation currency

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

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

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

The following table presents foreign currency exchange rates to tenge:

	31 December 2023	31 December 2022	Average rate for 2023	Average rate for 2022
US$	454.56	462.65	456.31	460.48
Euros	502.24	492.86	493.33	484.22
Swiss Franc	541.08	501.19	508.16	482.60
Russian Rouble	5.06	6.43	5.40	6.96

(in thousands of tenge, unless stated otherwise)

3. MATERIAL ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these separate financial statements.

- IFRS 17 *Insurance Contracts* (including the amendments);
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies;*
- Amendments to IAS 8 *Definition of Accounting Estimates;*
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction;*
- Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules*.

New and revised IFRS Standards in issue but not yet effective

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

Description of the standard and interpretation	Applicable to annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1 *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 21 *Lack of Exchangeability*	1 January 2025

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

Material accounting policy information

Property, plant and equipment

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

Subsequent costs

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

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

Construction-in-progress

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

Lease contracts

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

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

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

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

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

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

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

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

Inventories

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

Financial instruments

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

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

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

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

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).

For the years ended 31 December 2023 and 2022, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

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

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

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

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

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

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

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

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

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

Derivative financial instruments

The Company uses the currency swap derivative financial instrument to manage its currency risk on borrowings. These derivative financial instruments are not designated into hedging relationships.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The net gain or loss incorporates interest income on derivative financial instruments and is included in the finance income (Note 26). The change in fair value of derivative financial instruments is reflected in finance income or finance loss (Notes 26 and 27).

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

Perpetual financial instruments

Debt securities issued by a subsidiary and acquired by the Company that do not have a specified maturity date and provide for the issuer an unconditional right to defer the relevant coupon payment an unlimited number of times (‘perpetual’), as well as the issuer’s right to defer the coupon payment in its sole discretion (in whole or in part) in favor of the bondholders are classified as perpetual equity instruments in investments in subsidiaries (Notes 6 and 8).

Equity

Share capital

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

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

Other contributions

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

Government grants

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

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

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

Revenue

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

Revenue from mainline railway services

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

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

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

Comparatives

Where necessary, comparative figures are adjusted to conform in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in Note 3, management of the Company is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised in the separate financial statements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

Loans at a rate below the market interest rate

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

Cash-generating unit identification

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

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

Assessment of impairment indicators of non-current assets

When assessing impairment indicators of non-current assets, the Company considers external and internal impairment indicators. The management of the Company considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of assets is not recoverable.

The assessment of whether there is an indication of non-current 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 at 31 December 2023, the Company performed the analysis of the above external and internal impairment indicators of non-current assets, in particular, changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss Franc, as the transit tariff is set in Swiss Franc.

The measurement of whether each external and internal factor is an indication of impairment requires significant management judgement. Management's key judgement is based on the fact that amid the current geopolitical situation and disruption of traditional transportation and logistics chains, the country's transit potential is a key factor in the promotion of transcontinental trade. In 2023, transit freight transportation traffic and revenue exceeded targets, while the Concept stipulating further development of the rail sector in Kazakhstan was also approved in December 2022.

The management of the Company did not identify any events that occurred in 2023 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2023.

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 non-current assets

The Group performs an impairment indicators analysis of non-current assets at each reporting date.

(in thousands of tenge, unless stated otherwise)

If any such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, an 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 being recognised in future periods.

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

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

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

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

Taxation

Various Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, penalties and interest applied are significant; penalties are generally assessed at 80% of the additional taxes accrued, and interest is assessed at 19.69% of additional accruals or overdue taxes. As a result, penalties and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, penalties and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2023. Any difference between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

Fair value of derivative financial instruments

In 2022, the Company entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to partially manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. The Company pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. Fair value of the derivative financial instruments was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Company and counterparties.

In estimating the fair value of derivative financial instruments, the Company uses market-observable data to the extent it is available. The valuation is particularly sensitive to the change in forward exchange rates observable at the end of the reporting period. Forward exchange rates are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company’s separate financial statements within the next year. As at 31 December 2023, the liability reflected as a fair value of derivative financial instruments was estimated of 35,718,764 thousand tenge using the market-observable forward exchange rates, which management believes are the most relevant.

As at 31 December 2023 and 2022, the management of the Company performed analysis and applied the most relevant forward exchange rates, however, uncertainty exists related to geopolitical and market risks (including currency risk) and their impact on the world economy and the economy of Kazakhstan, which is likely to result in significant adjustments to the fair value of derivative financial instruments in future periods (Note 31).

Impairment of loans issued

To assess the probability of default on loans given, the Company uses an internal rating model. At the same time, when assessing the probability of default on loans issued by the Company's subsidiaries, it is assumed that the probability of default calculated on the basis of the Shareholder's external credit rating is used, since the Shareholder's external rating actually covers the consolidated risks of the group of companies, including such significant factors as probable state support. Since the Shareholder has historically supported its subsidiaries either by issuing non-current loans with low interest rates, or by direct financing through equity, including financing of investment projects, the Company believes that the Group's subsidiaries have the same probability of default as the Shareholder. As at 31 December 2023 and 2022 the internal credit rating of the subsidiaries-borrowers was determined based on the external credit rating of the Shareholder. As at 31 December 2023 and 2022, the allowance for impairment of loans issued amounted to 4,368,051 thousand tenge and 5,206,567 thousand tenge, respectively (Note 8).

(in thousands of tenge, unless stated otherwise)

5. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and structures	Machinery and equipment	Vehicles	Land	Other	Construction-in-progress	Total
Carrying value as at 1 January 2022	**1,233,808,507**	**188,284,973**	**231,146,167**	**22,047,292**	**922,587**	**3,072,498**	**123,070,295**	**1,802,352,319**
Additions	323,657	562,642	5,141,960	3,425,570	801	1,348,292	141,457,614	152,260,536
Lease additions	-	93,399	-	-	-	-	-	93,399
Lease modifications	-	5,080	-	-	-	-	-	5,080
Disposals	(178,209)	(552,468)	(1,537,396)	(285,284)	(10,524)	(412,754)	(2,781,143)	(5,757,778)
Depreciation charge	(39,503,918)	(4,199,552)	(30,189,008)	(4,993,596)	-	(820,434)	-	(79,706,508)
Depreciation on disposal	166,014	388,295	1,529,848	283,480	-	410,318	-	2,777,955
(Impairment)/impairment reversal	(92,369)	4,875	13,896	(75,317)	-	(3,907)	(42,917)	(195,739)
Contribution to the share capital of subsidiaries	(565,181)	(3,213,949)	(385,942)	(33,376)	-	(4,555)	-	(4,203,003)
Other movements and transfers [1]	125,491,198	(861,288)	8,500,690	1,760,108	-	5,185	(139,848,924)	(4,953,031)
Carrying value as at 31 December 2022	**1,319,449,699**	**180,512,007**	**214,220,215**	**22,128,877**	**912,864**	**3,594,643**	**121,854,925**	**1,862,673,230**
Cost	1,657,480,520	226,986,612	480,707,145	70,119,598	912,864	14,651,358	131,090,473	2,581,948,570
Accumulated depreciation and impairment	(338,030,821)	(46,474,605)	(266,486,930)	(47,990,721)	-	(11,056,715)	(9,235,548)	(719,275,340)
Carrying value as at 31 December 2022	**1,319,449,699**	**180,512,007**	**214,220,215**	**22,128,877**	**912,864**	**3,594,643**	**121,854,925**	**1,862,673,230**
Including:								
Rights-of-use assets:								
Cost	-	340,454	40,195,297	8,029,639	-	-	-	48,565,390
Accumulated depreciation and impairment	-	(190,197)	(33,845,072)	(8,029,639)	-	-	-	(42,064,908)
Carrying value	-	150,257	6,350,225	-	-	-	-	6,500,482

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

(in thousands of tenge, unless stated otherwise)

	Rail track infrastructure	Buildings and structures	Machinery and equipment	Vehicles	Land	Other	Construction-in-progress	Total
Carrying value as at 1 January 2023	**1,319,449,699**	**180,512,007**	**214,220,215**	**22,128,877**	**912,864**	**3,594,643**	**121,854,925**	**1,862,673,230**
Additions	590,888	612,874	9,186,220	4,622,679	2,412	1,478,636	273,536,443	290,030,152
Lease additions	-	48,328	1,073,094	-	-	-	-	1,121,422
Lease modifications	-	20,386	5,250,598	8,092,729	-	-	-	13,363,713
Disposals	(71,136)	(448,265)	(1,560,286)	(9,673,231)	(59,467)	(987,234)	(9,212)	(12,808,831)
Depreciation charge	(42,463,251)	(4,276,722)	(30,533,312)	(4,244,578)	-	(873,672)	-	(82,391,535)
Depreciation on disposal	56,969	185,146	1,499,938	9,673,157	-	987,188	-	12,402,398
(Impairment)/impairment reversal	28,241	(8,663)	(80,268)	76,691	-	(106,947)	(1,010,581)	(1,101,527)
Contribution to the share capital of subsidiaries	(926,088)	(103,851)	(3,581)	(6,540)	(2,952)	-	-	(1,043,012)
Transfers to other non-current assets (Note 9)	-	-	-	-	-	-	(23,000,307)	(23,000,307)
Other movements and transfers [2]	167,043,722	2,524,107	14,582,435	5,962,961	-	6,535	(195,720,178)	(5,600,418)
Carrying value as at 31 December 2023	**1,443,709,044**	**179,065,347**	**213,635,053**	**36,632,745**	**852,857**	**4,099,149**	**175,651,090**	**2,053,645,285**
Cost	1,809,023,222	229,554,285	509,000,183	79,004,827	852,857	15,129,500	185,829,321	2,828,394,195
Accumulated depreciation and impairment	(365,314,178)	(50,488,938)	(295,365,130)	(42,372,082)	-	(11,030,351)	(10,178,231)	(774,748,910)
Carrying value as at 31 December 2023	**1,443,709,044**	**179,065,347**	**213,635,053**	**36,632,745**	**852,857**	**4,099,149**	**175,651,090**	**2,053,645,285**
Including:								
Rights-of-use assets:								
Cost	-	285,642	46,518,989	-	-	-	-	46,804,631
Accumulated depreciation and impairment	-	(199,371)	(42,285,506)	-	-	-	-	(42,484,877)
Carrying value	-	86,271	4,233,483	-	-	-	-	4,319,754

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

As at 31 December 2023, construction-in-progress mainly consists of project costs for the modernisation of the Dostyk-Moiynty railway transport corridor, to build the Zhezkazgan-Beineu railway lines, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

As at 31 December 2023 and 2022, the Company has no property, plant and equipment used as collateral for loans.

For the year ended 31 December 2023, the Company recognised depreciation expenses on right-of-use assets under lease agreements in the amount of 9,795,061 thousand tenge (2022: 11,069,552 thousand tenge).

For the year ended 31 December 2023, capitalised borrowing costs amounted to 15,748,944 thousand tenge (2022: nil tenge). The average capitalisation rate varies between 11.59% and 13.99%.

As at 31 December 2023 and 2022, the cost of the Company`s fully depreciated property, plant and equipment in use is 348,619,069 thousand tenge and 335,051,053 thousand tenge, respectively.

(in thousands of tenge, unless stated otherwise)

6. INVESTMENTS IN SUBSIDIARIES

			31 December 2023		31 December 2022	
Name	**Primary activity**	**Country**	**Carrying amount**	**Participation interest**	**Carrying amount**	**Participation interest**
Kaztemirtrans JSC	Freight wagon operation	Kazakhstan	577,356,833	100%	107,427,828	100%
Passenger Transportation JSC	Passenger Transportation	Kazakhstan	247,087,798	100%	134,502,681	100%
KTZ-Passenger Locomotives LLP	Provision of haulage rolling stock services	Kazakhstan	89,794,436	100%	87,736,940	100%
KTZ-Freight Transportation LLP	Freight Transportation and locomotive haulage	Kazakhstan	71,109,896	100%	39,423,126	100%
KTZ Express JSC	Freight forwarding services, multi-modal transportation	Kazakhstan	58,651,454	100%	58,282,985	100%
Kedentransservice JSC	Freight forwarding services, rolling stock operation, terminal services	Kazakhstan	36,482,835	100%	34,336,647	100%
Aktau Sea Commercial Port National Company JSC[3]	Loading and unloading operations, ship maintenance	Kazakhstan	26,233,840	100%	26,233,840	100%
Temirzholsu JSC	Utilities	Kazakhstan	14,586,299	100%	13,686,845	100%
Port Kuryk LLP	Freight transhipment and vessel servicing	Kazakhstan	12,994,741	100%	12,994,741	100%
Militarised Railway Security LLP	Security service	Kazakhstan	176,944	100%	176,944	100%
KTZ Finance LLC	Bond issues to finance projects and the operations of the Group	Russia	-	-	84,455	62.16%
			1,134,475,076		514,887,032	
Allowance for impairment of investments			-		(84,455)	
			1,134,475,076		**514,802,577**	

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

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

During 2023 the Company contributed to the charter capital of:

- KTZ-Freight Transportation LLP by cash in the amount of 24,309,508 thousand tenge;
- Temirzholsu JSC by cash in the amount of 899,454 thousand tenge (2022: 37,800 thousand tenge);
- Kedentransservice JSC by non-current assets in the amount of 2,146,188 thousand tenge;
- Passenger Transportation JSC by non-current assets in the amount of 26,315 thousand tenge (2022: 5,341,845 thousand tenge).

In May 2023, the Company recognised an adjustment to fair value of loan issued to the subsidiary Passenger Transportation JSC in the amount of 139,456,406 thousand tenge net of deferred tax in the amount of 27,891,281 thousand tenge as an increase in investments (Note 8).

In July 2023, the Company recognised an adjustment to fair value of perpetual debt securities acquired from the subsidiary Kaztemirtrans JSC in the amount of 321,281,980 thousand tenge as an increase in investments (Note 8).

In August 2023, in connection with non-substantial modification, the Company recognised the adjustment on carrying value of the perpetual debt securities acquired from the subsidiary Kaztemirtrans JSC in the amount of 2,383,713 thousand tenge as an increase in investments (Note 8).

In December 2023, in connection with amendments to terms and conditions of the issue of perpetual debt securities acquired from the subsidiary Kaztemirtrans JSC, the Company reclassified the carrying value of perpetual debt securities as an investment in subsidiaries for the total amount of 146,068,478 thousand tenge (Note 8).

(in thousands of tenge, unless stated otherwise)

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

			31 December 2023		31 December 2022	
Description	**Primary activity**	**Main country of operation / country of registration**	**Carrying amount**	**Ownership interest**	**Carrying amount**	**Ownership interest**
Associates						
Doszhan Temir Zholy JSC	Construction and exploitation of railway line Shar-Ust- Kamenogorsk	Kazakhstan	5,458,000	46.02%	5,458,000	46.02%
Transtelecom JSC	Telecommunication services	Kazakhstan	3,106,283	25%	3,106,283	25%
United Transport and Logistics Company - Eurasian Rail Alliance JSC (“UTLC ERA JSC”)	Domestic and international rail transportation and freight forwarding	Russia	155,695	33.33%	155,695	33.33%
			8,719,978		8,719,978	
Allowance for impairment of investments			(5,458,000)		(5,458,000)	
Total investment in associates			**3,261,978**		**3,261,978**	
Joint ventures						
Private Company Middle Corridor Multimodal Ltd.	Organisation of domestic and international freight transportation, multimodal, transport and logistics services on the Trans-Caspian International Transport route	Kazakhstan	4,565	33.33%	-	-
Total investment in joint ventures			**4,565**		**-**	

In December 2023, the Company made a cash contribution in the amount of 4,565 thousand tenge to the charter capital of the Private Company Middle Corridor Multimodal Ltd., which was equally distributed between the Company, Azerbaijan Railways CJSC and Georgian Railway JSC. The Company's share in the joint venture is 33.33%.

(in thousands of tenge, unless stated otherwise)

8. LOANS ISSUED

	31 December 2023	31 December 2022
Current loans:		
KTZ-Freight Transportation LLP	10,114,392	-
KTZ-Passenger Locomotives LLP	3,048,092	754,402
Kaztemirtrans JSC	1,701,667	8,412,324
Passenger Transportation JSC	514,087	36,791,819
Temirzholsu JSC	171,074	-
Others	124,313	124,313
Less: allowance for impairment	(131,716)	(166,571)
Total current loans	**15,541,909**	**45,916,287**
Non-current loans:		
Passenger Transportation JSC	52,437,724	29,172,894
Vostokmashzavod JSC	7,668,706	6,865,449
Less: allowance for impairment	(3,180,487)	(3,161,411)
Total non-current loans	**56,925,943**	**32,876,932**
Debt securities issued by subsidiaries:		
KTZ-Freight Transportation LLP	255,525,776	193,992,332
Kaztemirtrans JSC	135,651,051	592,906,274
KTZ Express JSC	115,339,895	110,381,067
KTZ-Passenger Locomotives LLP	33,890,344	-
Passenger Transportation JSC	33,381,831	-
Kedentransservice JSC	-	22,381,639
Less: allowance for impairment	(1,055,848)	(1,878,585)
Total debt securities	**572,733,049**	**917,782,727**
Total loans issued and debt securities issued by subsidiaries	**645,200,901**	**996,575,946**
Current portion of loans	104,223,569	163,734,860
Non-current portion of loans	540,977,332	832,841,086
	645,200,901	**996,575,946**

As at 31 December 2023, loans issued are expressed in tenge, while debt securities issued by subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP in the total amount of 176,667,484 thousand tenge indexed to the Swiss Franc.

Financial aid

In April 2023, the Company provided interest-free repayable financial aid to Wagonservice JSC, a subsidiary of Passenger Transportation JSC, to finance working capital due within three months for 6,175,660 thousand tenge without collateral.

Loans issued

In May 2023, the Company provided a loan to the subsidiary Passenger Transportation JSC for the acquisition of passenger carriages in the amount of received borrowing from the Shareholder in the amount of 162,600,000 thousand tenge. Interest is paid annually at 0.05%. Principal is paid annually until full repayment in 2053. The loan was issued at a below market interest rate and the fair value of the loan received was calculated based on the market rate of 11.59%. The Company recognised an adjustment to fair value of a loan in the amount of 139,456,406 thousand tenge net of deferred tax in the amount of 27,891,281 thousand tenge through as an investment in subsidiaries (Note 6).

Debt securities issued by subsidiaries

In December 2023, the Company concluded a trilateral agreement with its subsidiaries Kedentransservice JSC and KTZ Express JSC to replace the issuer Kedentrasservice JSC with KTZ Express JSC for debt securities with a nominal value of 21,848,328 thousand tenge with a maturity on 15 November 2029 and coupon rate of 9.25% per annum.

Wagonservice JSC

In June 2023, the Company replaced the previously issued financial aid to the subsidiary Wagonservice JSC in the amount of 6,175,660 thousand tenge with debt securities issued with a coupon rate of "base rate of the National Bank of the Republic of Kazakhstan + 1.5% margin". Coupon payment – twice a year. Principal is repayable in semi-annual installments until full repayment in 2033.

In September 2023, the Company, as part of the project on the acquisition of carriages, acquired debt securities issued by the subsidiary Wagonservice JSC with a nominal value of 26,076,540 thousand tenge and coupon rate of "base rate of the National Bank of the Republic of Kazakhstan + 1.5% margin". Coupon payment – twice a year. Principal is repayable in semi-annual installments until full repayment in 2033.

KTZ-Freight Transportation LLP

In November 2023, the Company, as part of the Liquidity Management Program on the Kazakhstan Stock Exchange Astana International Exchange (AIX), acquired debt securities indexed to the Swiss Franc in the amount of 48,500,000 thousand tenge issued by its subsidiary KTZ-Freight Transportation LLP with a coupon rate of SARON 6m + 3% margin. Coupon payment – twice a year. Principal is repayable in semi-annual installments until full repayment in 2033.

In December 2023, the Company extended the maturity of debt securities indexed to the Swiss Franc issued by its subsidiary KTZ-Freight Transportation LLP and due on 5 December 2023. In addition, the Company changed the coupon rate from 3.25% to SARON 6m + 3% margin. Due to a substantial change in terms of the debt securities, the Company recorded this transaction as the derecognition of the initial financial asset and the recognition of a new financial asset. As a result, the new financial asset at the date of recognition amounted to 89,035,800 thousand tenge. Coupon payment – twice a year. Principal is repayable in semi-annual installments until full repayment in 2033.

KTZ-Passenger Locomotives LLP

In November 2023, the Company, as part of the Liquidity Management Program on the Kazakhstan Stock Exchange Astana International Exchange (AIX), acquired debt securities indexed to the Swiss Franc in the amount of 32,340,000 thousand tenge issued by its subsidiary KTZ-Passenger Locomotives LLP with maturity on 6 November 2033 and a coupon rate of SARON 6m + 0.95% margin. Coupon payment – twice a year.

(in thousands of tenge, unless stated otherwise)

Kaztemirtrans JSC

In July 2023, a subsidiary Kaztemirtrans JSC, in order to refinance debt securities indexed to the US Dollar acquired by the Company on 15 June 2020, as part of the second issue of the First Bond Program on the Kazakhstan Stock Exchange Astana International Exchange (AIX) in the amount 397,560,000 thousand tenge, made a targeted re-issue of the debt securities in favor of the Company without a specified maturity date ('perpetual') , with a payment of the premium in the amount of 14,749,943 thousand tenge which was reflected in finance income (Note 26). Due to a substantial change in terms of the debt securities, the Company recorded this transaction as the derecognition of the initial financial asset and the recognition of new financial assets. As a result, the Company acquired perpetual debt securities indexed to the US Dollar in the amount of 397,481,377 thousand tenge with a coupon rate of 2% per annum and perpetual debt securities in the amount of 67,428,639 thousand tenge with a coupon rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Coupon payment – twice a year. The US Dollar indexed perpetual debt securities were issued with a coupon rate below market and the fair value was calculated based on the market rate of 11%. The Company recognised an adjustment to US Dollar indexed perpetual debt securities to fair value in the amount of 321,281,980 thousand tenge as an investment in subsidiaries (Note 6).

In August 2023, the Company decided to reduce the coupon rate: from 2% to 0.4% per annum, for the period from 29 July 2023 to 28 October 2023, for indexed perpetual debt securities; from 18.75% to 0.5% per annum, for the period from 29 July 2023 to 31 December 2023, for perpetual debt securities in tenge. As a result, the Company recognised an adjustment to the carrying amount of perpetual debt securities due to the modification in the amount of 2,383,713 thousand tenge as an investment in subsidiaries (Note 6).

In December 2023, the terms and conditions of perpetual debt securities have been changed providing the Kaztemirtrans JSC with an unconditional right, in its sole discretion, to defer the coupon payment (in whole or in part) in favor of the Company. The Company reclassified perpetual debt securities at carrying value in the total amount of 146,068,478 thousand tenge as an investment in subsidiaries (Note 6).

9. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for property, plant and equipment	145,498,515	17,377,077
Non-current assets intended for subsequent contribution to the share capital of subsidiaries	29,286,405	6,286,098
Others	62,189	62,103
Less: allowance for advances given and other non-current non-financial assets	(893,815)	(333,816)
Total other non-financial assets	**173,953,294**	**23,391,462**
Loans to employees	2,565,396	1,081,226
Others	1,813,797	618,184
Less: allowance for expected credit losses on other non-current financial assets	(88,119)	(180,739)
Total other financial assets	**4,291,074**	**1,518,671**
	178,244,368	**24,910,133**

(in thousands of tenge, unless stated otherwise)

As at 31 December 2023, advances to suppliers for property, plant and equipment mostly included advances paid for the implementation of Dostyk-Moiynty railway transport corridor modernisation of the in the amount of 133,922,810 thousand tenge (31 December 2022: nil tenge) and for the acquisition of railroad switches in the amount of 9,981,468 thousand tenge (31 December 2022: 5,239,551 thousand tenge).

During 2023, the Company transferred to non-current assets construction projects of the ferry complex at the Kuryk port in the amount of 23,000,307 thousand tenge, which are intended for subsequent transfer to the charter capital of subsidiaries (Note 5).

10. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Short-term bank deposits in tenge	21,442,920	27,776,031
Cash in current accounts in tenge	117,979,375	173,199,762
Cash in current bank accounts in other currencies	1,943	343,153
	139,424,238	201,318,946
Less: allowance for expected credit losses on cash and cash equivalents	(7,847)	(25,407)
	139,416,391	**201,293,539**

As at 31 December 2023, the weighted average interest rate on cash in current accounts in tenge was 0.66%.

Short-term bank deposits are opened for three months or less, depending on the Company's cash needs. As at 31 December 2023, the weighted average interest rate on short-term bank deposits was 15.02%. (31 December 2022: 16.17%).

As at 31 December 2023, cash placed by the Company on current accounts in Kazpost JSC, a related party of the Company, amounted to 112,136,957 thousand tenge (31 December 2022: 162,850,383 thousand tenge) (Note 31). In addition, the Company places cash and cash equivalents in banks and other financial institutions rated from A+ to BB-. Based on this, the Company believes that its cash and cash equivalents credit risk as at 31 December 2023 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.

(in thousands of tenge, unless stated otherwise)

11. INVENTORIES

	31 December 2023	31 December 2022
Railway materials	18,725,884	14,596,079
Materials and supplies	6,201,332	5,843,707
Fuel and lubricants	889,326	886,287
Construction materials	445,209	363,414
Spare parts	427,376	464,427
Others	1,043,222	921,449
	27,732,349	23,075,363
Less: allowance for inventories	-	(77)
	27,732,349	**23,075,286**

12. TRADE ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Trade accounts receivable from related parties	181,592,489	45,124,502
Trade accounts receivable from third parties	1,078,907	1,375,059
	182,671,396	46,499,561
Less: allowance for expected credit losses on accounts receivable	(27,875)	(21,509)
	182,643,521	**46,478,052**

As at 31 December 2023 and 2022, trade accounts receivable were mainly expressed in tenge.

As at 31 December 2023, trade accounts receivable arising from the contracts with customers amounted to 182,624,600 thousand tenge (31 December 2022: 46,453,349 thousand tenge), and expected credit losses on those trade accounts receivable were 22,791 thousand tenge (31 December 2022: 12,837 thousand tenge).

(in thousands of tenge, unless stated otherwise)

13. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Other taxes prepaid	40,223,224	39,309,379
Advances paid	2,843,084	1,962,922
Prepaid expenses	1,431,256	1,154,816
Income tax prepaid	265,623	265,623
Others	2,944,537	2,728,682
Less: allowance for advances paid and other current non-financial assets	(3,061,559)	(2,327,328)
Total other non-financial assets	**44,646,165**	**43,094,094**
Restricted cash	6,037,080	5,769,700
Loans to employees	702,722	815,160
Claims, penalties and fines	520,250	100,920
Others	726,018	1,408,734
Less: allowance for expected credit losses on other current financial assets	(282,879)	(437,030)
Total other financial assets	**7,703,191**	**7,657,484**
	52,349,356	**50,751,578**

14. EQUITY

	No. of shares authorised for issue	No. of shares issued	Share capital, thousand tenge	Additional paid-in capital, thousand tenge
As at 1 January 2022	502,040,458	496,692,665	1,086,085,094	97
Shares issued	-	1	239,266	-
As at 31 December 2022	**502,040,458**	**496,692,666**	**1,086,324,360**	**97**
Shares issued	-	1,000	24,309,508	-
As at 31 December 2023	**502,040,458**	**496,693,666**	**1,110,633,868**	**97**

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

Contributions

Share issuance

During 2023, the Company issued 1,000 shares that was paid in cash of 24,309,508 thousand tenge by the Shareholder.

(in thousands of tenge, unless stated otherwise)

Other contributions

In 2023, the Company recognised an adjustment to loans received from Shareholder at rates lower than market to fair value of 177,931,511 thousand tenge (2022: 118,379,605 thousand tenge) less the deferred tax effect of 35,586,302 thousand tenge (2022: 23,675,921 thousand tenge) (Notes 15 and 16).

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.

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue which was the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive income to revenue from freight transportation in the amount of 55,482,320 thousand tenge (Note 23).

15. BORROWINGS

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

	31 December 2023		31 December 2022	
	Amount	**Weighted average effective interest rate (%)**	**Amount**	**Weighted average effective interest rate (%)**
Fixed interest rate borrowings				
Loans received	165,098,983		171,911,579	
- in tenge	*165,098,983*	*4.89*	*171,911,579*	*9.99*
Debt securities issued	1,079,763,788		1,052,190,760	
- in tenge	*707,589,454*	*11.41*	*563,621,237*	*10.20*
- in US$	*372,174,334*	*6.43*	*363,220,904*	*6.30*
- in Swiss Francs	-	-	*125,348,619*	*3.25*
Variable interest rate borrowings				
Loans received	256,069,270		-	
- in Swiss Francs	*256,069,270*	*3.55*	-	-
Debt securities issued	185,792,874		181,965,588	
- in tenge	*185,792,874*	*19.02*	*181,965,588*	*16.64*
	1,686,724,915		**1,406,067,927**	
Current portion of borrowings	318,255,247		238,376,825	
Non-current portion of borrowings	1,368,469,668		1,167,691,102	
	1,686,724,915		**1,406,067,927**	

(in thousands of tenge, unless stated otherwise)

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

	31 December 2023	31 December 2022
During the year	86,177,934	85,301,767
1-2 years	30,176,516	29,429,476
2-3 years	29,881,274	522,498
3-4 years	29,533,592	614,276
4-5 years	29,180,319	648,945
Over 5 years	216,218,618	55,394,617
	421,168,253	**171,911,579**

Loans received

The Shareholder

In May 2023, the Company under a loan agreement with the Shareholder concluded on 19 May 2023, received borrowings in the total amount of 162,600,000 thousand tenge to finance the acquisition of passenger carriages. Interest is paid annually at 0.05%. Principal is paid annually until full repayment in 2053. The loan was received at a below market interest rate and the fair value of the loan received was calculated based on the market rate of 11.59%. The Group recognised an adjustment to fair value of borrowings in the amount of 139,497,393 thousand tenge, net of deferred tax in the amount of 27,899,479 thousand tenge through equity in retained earnings as other contributions (Note 14).

Halyk Bank of Kazakhstan JSC

In 2023, the Company, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, borrowed 10,000,000 thousand tenge with an interest rate of 18.75% and a maturity of up to six months. The Group has made full early repayment of loans received.

ForteBank JSC

In 2023, the Company, under the credit line agreement with ForteBank JSC concluded on 13 June 2022, received 36,100,000 thousand tenge with an interest rate from 17.5% to 18% and maturity up to six months. The Group made full early repayment of loans received.

Citibank and Santander

In November 2023, the Company, under the credit agreement with Citibank and Santander and the guarantee of MIGA, dated 19 September 2023 to finance the acquisition of electric locomotives, passenger carriages, capital and current repairs of railway tracks, borrowed 513,491,580 Swiss Francs (264,632,710 thousand tenge) (including the MIGA premium). Loan interest is paid semi-annually at SARON 6m + 0.95%. Principal is repaid semi-annually until full repayment in 2033. The grace period for repayment of principal debt is 1 year.

(in thousands of tenge, unless stated otherwise)

Debt securities issued

As at 31 December, debt securities issued included:

	Repayment date	Exchanges	2023	2022
Debt securities, by price [4]				
2% Eurobonds (100%) in US$	28 October 2025	KASE	372,174,334	363,220,904
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433,333	308,433,333
8.74% Bonds (100%) in tenge	12 June 2043	KASE	136,146,200	-
TONIA Compounded 6M + 3% margin (19.96%) Bonds (100%) in tenge	22 July 2024	KASE	129,490,931	128,215,725
7.37% Bonds (100%) in tenge	30 December 2042	KASE	100,854,652	94,097,080
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,830,729	76,830,729
Inflation rate + 2.52% (18.52%) Bonds (100%) in tenge	25 April 2026	KASE	56,301,943	53,749,863
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,379,996	41,379,997
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184,032	26,184,030
2% Bonds (100%) in tenge	20 August 2034	KASE	17,760,512	16,696,068
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	84,924,565
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	40,424,054
Total debt securities issued			**1,265,556,662**	**1,234,156,348**
Current portion of debt securities issued			232,077,313	153,075,058
Long-term portion of debt securities issued			1,033,479,349	1,081,081,290
			1,265,556,662	**1,234,156,348**

In June and December 2023, the Company, to implement the project "Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletsk (construction of second tracks of the Dostyk-Moiynty railway section)", issued bonds on the Kazakhstan Stock Exchange in favor of the Shareholder in the amount of 73,709,364 thousand tenge and 100,000,000 thousand tenge, respectively, with a coupon rate of 8.74% per annum and a maturity date in 2043. Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 11.59% and 12.25%, respectively. The Company recognised an adjustment to fair value of the bonds in the amount of 38,434,118 thousand tenge, net of deferred tax in the amount of 7,686,823 thousand tenge through equity in retained earnings as other contributions (Note 14).

The fair value of borrowings and debt securities is presented in Note 31.

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

Credit agreements and breaches of credit agreements

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

Loan agreement with Citibank and Santander under the MIGA guarantee includes compliance certain financial covenants such as EBITDA to interest expense and Total debt to EBITDA (with the share of subsidiaries' debt to third parties not exceeding 35% of total debt) calculated based on the consolidated results of the Group. As at 31 December 2023, these covenants were met.

(in thousands of tenge, unless stated otherwise)

Reconciliation of changes in liabilities and cash flows from financing activity

	2023			2022		
	Borrowings and debt securities issued	**Lease liabilities (Note 18)**	**Total**	**Borrowings and debt securities issued**	**Lease liabilities (Note 18)**	**Total**
As at 1 January	**1,406,067,927**	**11,916,376**	**1,417,984,303**	**1,347,667,761**	**24,310,869**	**1,371,978,630**
Changes due to cash flows from financing activities						
Repayment of borrowings	(229,830,323)	-	(229,830,323)	(826,134,892)	-	(826,134,892)
Proceeds from borrowings	645,177,475	-	645,177,475	986,878,354	-	986,878,354
Repayment of lease liabilities	-	(17,888,901)	(17,888,901)	-	(12,265,406)	(12,265,406)
Total changes due to cash flows from financing activities	**415,347,152**	**(17,888,901)**	**397,458,251**	**160,743,462**	**(12,265,406)**	**148,478,056**
Other changes						
Effect of changes in foreign exchange rates	11,774,015	-	11,774,015	10,983,054	-	10,983,054
Cash flow hedging	-	-	-	3,485,692	-	3,485,692
New lease agreements	-	1,121,422	1,121,422	-	98,479	98,479
Adjustment to the fair value of loans received from the Shareholder at rates lower than market (Note 14)	(177,931,511)	-	(177,931,511)	(118,379,605)	-	(118,379,605)
Interest and discount amortisation, including capitalised	139,968,124	2,174,414	142,142,538	118,370,462	2,169,754	120,540,216
Interest paid	(106,157,080)	(2,140,688)	(108,297,768)	(98,956,318)	(2,331,310)	(101,287,628)
Other changes	(2,343,712)	13,275,209	10,931,497	(17,846,581)	(66,010)	(17,912,591)
Total other changes attributable to liabilities	**(134,690,164)**	**14,430,357**	**(120,259,807)**	**(102,343,296)**	**(129,087)**	**(102,472,383)**
As at 31 December	**1,686,724,915**	**8,457,832**	**1,695,182,747**	**1,406,067,927**	**11,916,376**	**1,417,984,303**

(in thousands of tenge, unless stated otherwise)

16. CORPORATE INCOME TAX

	2023	2022
Deferred income tax expense	21,802,854	12,072,056
Change in unrecognised deferred tax assets	(510,321)	590,120
	21,292,533	**12,662,176**

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:

	2023	2022
Profit before tax	185,870,627	131,070,716
Official tax rate	20%	20%
Calculated tax expense at the official rate	37,174,125	26,214,143
Tax effect of non-taxable income for tax calculation purposes, and other effect:		
Non-taxable income	(15,371,271)	(14,142,087)
Change in unrecognised deferred tax assets	(510,321)	590,120
Income tax expense recognised in profit or loss	**21,292,533**	**12,662,176**

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

	31 December 2023	31 December 2022
Deferred tax assets:		
Tax losses carried forward	63,447,496	74,082,120
Fair value adjustment to loans issued	31,052,649	4,686,192
Liabilities under financial guarantee contracts	11,136,714	9,362,882
Derivative financial instruments	7,036,294	-
Lease liabilities	1,750,425	2,447,801
Other	4,796,291	4,772,081
	119,219,869	**95,351,076**
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(277,434,477)	(258,341,327)
Fair value adjustment to borrowings received from the Shareholder at the rates below market and interest free loans from subsidiaries	(99,849,442)	(68,830,887)
Other	(7,657)	(10,948)
	(377,291,576)	**(327,183,162)**
Total net deferred tax liabilities	**(258,071,707)**	**(231,832,086)**

	2023	2022
Net deferred tax liabilities as at the beginning of the year	(231,832,086)	(201,686,475)
Recognised in profit or loss	(21,292,533)	(12,662,176)
Recognised in equity (Note 14)	(35,586,302)	(23,675,921)
Recognised in investments in subsidiaries	30,639,214	6,192,486
Net deferred tax liabilities as at the end of the year	**(258,071,707)**	**(231,832,086)**

(in thousands of tenge, unless stated otherwise)

17. LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS

	31 December 2023	31 December 2022
Current portion of liabilities under financial guarantee contracts (Note 22)	3,377,439	1,436,099
Non-current portion of liabilities under financial guarantee contracts	52,306,133	45,378,312
	55,683,572	**46,814,411**

As disclosed in Note 29, the Company has provided financial guarantees to banks on loans received by the entities of Nursultan Nazarbayev International Airport, Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC. As at 31 December 2023, liabilities under financial guarantee agreements amounted to 15,314,459 thousand tenge for Nursultan Nazarbayev International Airport JSC, 13,202,435 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 19,015 thousand tenge for an associate Transtelecom JSC (31 December 2022: 15,548,800 thousand tenge for Nursultan Nazarbayev International Airport JSC, 14,066,973 thousand tenge for Aktobe Rail and Section Mill Plant LLP and 381,013 thousand tenge for Transtelecom JSC).

In addition, the Company recognised liabilities under financial guarantee contracts on the borrowings of subsidiaries. As at 31 December 2023, the liability under these financial guarantees was 27,147,663 thousand tenge (31 December 2022: 16,817,625 thousand tenge) (Note 29).

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

	31 December 2023	31 December 2022
Tenge	42,302,405	42,769,902
Euro	9,376,708	2,129,991
Russian Roubles	2,252,544	-
US Dollars	1,751,915	1,914,518
	55,683,572	**46,814,411**

18. LEASE LIABILITIES

	31 December 2023		31 December 2022	
	Lease payments	**Present value of lease payments**	**Lease payments**	**Present value of lease payments**
Within one year	5,964,491	5,693,983	7,007,210	6,738,693
Between two and five years inclusive	3,478,892	2,763,849	6,990,525	5,177,683
Total	**9,443,383**	**8,457,832**	**13,997,735**	**11,916,376**
Less unearned interest	(985,551)	-	(2,081,359)	-
Present value of lease payments	**8,457,832**	**8,457,832**	**11,916,376**	**11,916,376**
Less amounts due within 12 months		(5,693,983)		(6,738,693)
Amount to be repaid after 12 months		**2,763,849**		**5,177,683**

As at 31 December 2023, interest is calculated based on effective interest rates varying from 15% to 20.4% (31 December 2022: from 11.2% to 17.3%).

All lease liabilities are denominated in tenge.

19. EMPLOYEE BENEFIT OBLIGATIONS

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

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

In 2019, the Company introduced Early Retirement Rules (“Rules No. 1”) to meet a plan to reduce the number of the Company 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.

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

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

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

Employee benefit obligations:

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

(in thousands of tenge, unless stated otherwise)

Other non-current employee benefits:

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

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

	31 December 2023	31 December 2022
Non-current portion of employee benefit obligations	7,805,193	7,839,012
Current portion of employee benefit obligations	1,572,547	1,598,055
Total liabilities as at the end of the year	**9,377,740**	**9,437,067**

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

	2023	2022
Total liabilities at the beginning of the year	9,437,067	11,934,728
Current service cost	521,906	217,663
Past service cost	-	51,203
Interest costs	1,000,329	1,241,211
Actuarial loss on other long-term employee benefits	40,444	1,223,348
Total expenses recognised in profit or loss	1,562,679	2,733,425
Actuarial revaluation recognised in other comprehensive income:	(133,098)	(3,958,754)
- change in financial assumptions	5,441	(21,928)
- experience-based adjustments	(1,083,267)	(3,875,762)
- change in demographic assumptions	944,728	(61,064)
Payments made for the year	(1,488,908)	(1,272,332)
Total liabilities as at the end of the year	**9,377,740**	**9,437,067**

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

	2023	2022
Cost of sales (Note 24)	1,406,203	2,575,067
General and administrative expenses (Note 25)	156,476	158,358
Total recognised in profit or loss for the year	**1,562,679**	**2,733,425**

The Company's obligations were estimated based on published statistical data regarding mortality and actual Company 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 14.6 years for men and 18.7 years for women.

(in thousands of tenge, unless stated otherwise)

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

	2023	2022
Discount rate	11.9%	10.6%
Expected annual growth in material aid in the future	5.2% (average)	4.1% (average)
Expected annual minimum salary growth in the future	6.6% (average)	4.9% (average)
Expected annual future growth in rail ticket cost	5.9% (average)	5.5% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 7.1% caused by an inflation rate increase of 1%, and 6.7% caused by a discount rate decrease of 1%.

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

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

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

20. TRADE ACCOUNTS PAYABLE

	31 December 2023	31 December 2022
Trade accounts payable to third parties	55,154,228	37,297,568
Trade accounts payable to related parties	9,186,220	7,921,349
	64,340,448	**45,218,917**

As at 31 December 2023 and 2022, trade accounts payable were mainly expressed in tenge.

21. CONTRACT LIABILITIES

	31 December 2023	31 December 2022
Advances received on contracts with customers - third parties	2,853,675	2,215,851
Deferred income	237,859	210,332
Advances received on contracts with customers - related parties	21,652	12,474
	3,113,186	**2,438,657**

The revenue recognised in the reporting period, which was included in the balance of advances received at the beginning of the year amounted to 2,435,511 thousand tenge (2022: 30,513,573 thousand tenge).

(in thousands of tenge, unless stated otherwise)

Contract liabilities as at 31 December 2023 will be recognised in revenue during 12 months after the reporting date.

22. OTHER LIABILITIES

	31 December 2023	31 December 2022
Obligatory pension contributions, social insurance and obligatory medical insurance contributions	3,559,259	4,259,757
Advances received	117,627	80,599
Others	119,127	181,531
Total other non-financial liabilities	**3,796,013**	**4,521,887**
Allowances for unused vacation and other employee benefits	15,024,692	11,062,830
Current portion of liabilities under financial guarantee contracts (Note 17)	3,377,439	1,436,099
Salary payable	32,502	2,647
Others	2,320,404	1,940,693
Total other financial liabilities	**20,755,037**	**14,442,269**
	24,551,050	**18,964,156**

As at 31 December 2023 and 2022 allowances for unused vacation and other employee benefits are reclassified as financial liabilities as they represent liabilities arising from the performance of contracts.

As at 31 December 2023 and 2022, other liabilities were mainly denominated in tenge.

23. REVENUE AND OTHER REVENUE

	2023	2022
Revenue from services rendered	848,733,282	601,804,000
Revenue from fines	9,006,467	15,485,830
Other revenue from the sale of goods to third parties	1,807,395	2,767,164
	859,547,144	**620,056,994**

During 2022, the revenue, which was the cash flow hedging item, was received and the cumulative loss of 55,482,320 thousand tenge attributable to the hedging instrument had been reclassified from other comprehensive income to revenue from services rendered (Note 14).

Revenue and other revenue in the amount of 848,494,028 thousand tenge were recognised over time (2022: 601,452,339 thousand tenge), revenue in the amount of 11,053,116 thousand tenge was recognised at a point in time (2022: 18,604,655 thousand tenge).

Revenue of 806,475,265 thousand tenge was received from related parties (Note 30) (2022: 577,484,948 thousand tenge). Revenue from services rendered is mainly represented by revenue from provision of railway network services to KTZ-Freight Transportation LLP.

(in thousands of tenge, unless stated otherwise)

Revenue from provision of railway network services on international transit route to a subsidiary KTZ-Freight Transportation LLP in the amount of 356,327,807 thousand tenge was recognised based on coefficients set by the Company of 0.6 applied to tariffs for freight transportation on international transit routes (2022: 221,317,316 thousand tenge based on coefficients set by the Company of 0.6).

24. COST OF SALES

	2023	2022
Staff costs, including taxes, contributions and provision for unused vacations	235,369,812	179,349,085
Work and services of a production nature	146,896,082	120,821,197
Depreciation and amortisation	78,820,987	76,789,382
Materials and supplies	31,751,893	25,923,211
Property tax and other taxes, excluding social tax and social contributions	24,686,774	23,390,928
Repairs and maintenance	21,648,690	18,209,357
Electricity	10,047,868	8,705,822
Fuel and lubricants	7,345,909	6,661,278
Utilities and building maintenance	7,249,530	4,958,677
Security services	4,293,521	3,836,226
Lease expenses	2,124,253	1,408,066
Business trip expenses	1,905,031	1,450,110
Communication services	1,595,850	2,293,726
Employee benefit expenses and other long-term employee benefits (Note 19)	1,406,203	2,575,067
Other expenses	16,029,898	13,331,423
	591,172,301	**489,703,555**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Staff costs, including taxes, contributions and provision for unused vacations	32,888,829	29,329,604
Other third party services	3,040,450	3,031,186
Depreciation and amortisation	2,688,980	2,344,151
Expenses for holding festive and cultural events	1,711,089	1,666,592
Repairs and maintenance	1,442,280	122,919
Property tax and other taxes, excluding social tax and social contributions	1,259,207	2,444,669
Business trip expenses	1,005,578	792,329
Consulting, audit and legal services	885,858	444,098
Expenses to maintain social sphere facilities	802,390	821,136
Membership fees	741,250	748,802
Utilities and building maintenance	558,203	810,128
Communication services	314,660	269,097
Security services	222,397	175,887
Advertising	220,443	226,168
Materials	189,256	191,356
Employee benefit expenses and other long-term employee benefits (Note 19)	156,476	158,358
Other expenses	3,651,306	2,238,299
	51,778,652	**45,814,779**

(in thousands of tenge, unless stated otherwise)

26. FINANCE INCOME

	2023	2022
Interest income on loans issued	90,702,463	83,507,814
Premium for the re-issue of bonds by subsidiary (Note 8)	14,749,943	-
Interest income on derivative financial instruments recognised at fair value through profit or loss (Note 31)	10,490,517	-
Income from issued guarantees	5,433,693	2,113,760
Interest income on cash and cash equivalents	4,637,438	5,649,654
Income from subsidising the interest rate on financial liabilities	-	29,183,000
Income from written-off non-amortised portion of the premium on early repayment of bonds	-	16,889,980
Other finance income	3,993,588	653,540
	130,007,642	**137,997,748**

27. FINANCE COSTS

	2023	2022
Interest expense and discount amortisation on loans	124,219,180	118,370,462
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	35,181,469	564,449
Interest expenses on lease	2,174,414	2,169,754
Other finance costs	462,247	1,784,391
	162,037,310	**122,889,056**

28. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2023 and 2022, there were no antidilutive instruments outstanding.

	2023	2022
Weighted average quantity of common shares	496,692,677	496,692,666
Profit for the year (thousand tenge)	164,578,094	118,408,540
Profit per common share (tenge)	**331**	**238**

	31 December 2023	31 December 2022
Net assets excluding intangible assets	2,272,182,216	1,940,328,959
Quantity of common shares in circulation (registered)	496,693,666	496,692,666
Carrying amount of one share (tenge)[5]	**4,575**	**3,906**

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

29. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 31 December 2023, the Company has capital commitments, including the modernisation of the Dostyk-Moiynty railway transport corridor, purchase of railroad switches and equipment, totalling 421,483,055 thousand tenge (31 December 2022: 600,074,053 thousand tenge).

Other contractual liabilities

As at 31 December 2023, the subsidiary KTZ Express JSC, together with the Company, has an agreement for the provision of loading and unloading services and cargo storage services in the future.

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

The Company`s management believes that the service period under the Agreement has not yet commenced, because KTZ Express JSC has not been notified about the commencement date of commercial operations and service period, and the parties have not started execution of the obligations under the Agreement. The Company`s management believes that as at 31 December 2023, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

Contingent liabilities

Litigations

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

Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2023 and 2022. It is not possible to determine the value of any unasserted claims that may be charged, if any, or the likelihood of any unfavourable outcome.

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

Insurance

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

Environmental protection

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

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

(in thousands of tenge, unless stated otherwise)

Guarantees

Creditor	Guarantee purpose	Guarantee period	Amount Guarantees
SB HSBC Kazakhstan jointly with HSBC Bank plc and HSBC Continental Europe	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	31 December 2027	24,820,377 Euro (12,465,786 thousand tenge)[6]
	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	30 October 2032	70,963,977 Euro (35,640,948 thousand tenge)[6]
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	31 December 2027	17,607,783 Euro (8,843,333 thousand tenge)[6]
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	30 October 2032	21,823,626 Euro (10,960,698 thousand tenge)[6]
Industrial Development Fund JSC	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	20 December 2036	11,146,898 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	5 July 2037	17,360,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 June 2039	12,537,182 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	30 July 2039	11,258,978 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	12 December 2039	18,741,022 thousand tenge
	Execute the obligations of Kaztemirtrans JSC under a finance lease agreement	28 August 2032	4,658,780 thousand tenge
	Execute the obligations of KTZ Express JSC under a finance lease agreement	28 August 2032	5,802,850 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	23 April 2040	20,000,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 December 2040	20,000,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	14 September 2041	14,700,000 thousand tenge
	Execute the obligations of Passenger Transportation JSC under a finance lease agreement	10 December 2042	5,300,000 thousand tenge
	Execute the obligations of Kaztemirtrans JSC under a finance lease agreement	30 November 2035	20,413,552 thousand tenge
	Execute the obligations of KTZ Express JSC under a finance lease agreement	30 November 2035	50,225,011 thousand tenge
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International JSC to finance its modernisation	28 March 2033	22,407,750 thousand tenge[6]
	Execute the obligations of Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	5 July 2033	17,124,628 thousand tenge[6]
	Execute the obligations of Transtelecom JSC to finance the project for the construction of hardware and software complex communication platform along the railway lines	30 June 2024	1,497,415 thousand tenge
	Execute the obligations of PLVK JSC (a subsidiary of Passenger Transportation JSC) to finance the acquisition of passenger carriages	5 March 2035	5,034,757 thousand tenge[6]
	Execute the obligations of Passenger Transportation JSC under finance lease agreement	31 August 2039	87,400,000 thousand tenge
	Execute the obligations of Kaztemirtrans JSC under finance lease agreement	2 August 2038	111,680,000 thousand tenge
Halyk Bank of Kazakhstan JSC	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight diesel and electric locomotives	3 November 2032	65,283,815 thousand tenge
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	19 October 2029	58,995,786 thousand tenge
Eurasian Development Bank	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight diesel locomotives	18 April 2034	10,136,690,837 Roubles (51,291,655 thousand tenge)[6]
Citibank Kazakhstan JSC	Execute the obligations of KTZ-Freight Transportation LLP to replenish working capital	10 June 2024	13,012,783 thousand tenge
Societe Generale and Natixis	Execute the obligations of KTZ-Freight Transportation LLP to finance the acquisition of freight electric locomotives	28 February 2034	237,108,372 Euros (119,085,308 thousand tenge)[6]
	Execute the obligations of KTZ-Passenger Locomotives LLP to finance the acquisition of passenger electric locomotives	28 February 2034	95,462,165 Euros (47,944,918 thousand tenge)[6]

[6] The loans received by subsidiaries and third parties, which are guaranteed by the Company, include certain financial covenants. The total amount of the guarantee for these loans is 330,799,781 thousands tenge.

Note 17 discloses the carrying value of these guarantees.

As at 31 December 2023 and 2022 there were no cases of using the financial guarantees listed above.

Finance lease agreements with Industrial Development Bank of Kazakhstan JSC provide for the Company's compliance with certain financial covenants, such as debt to EBITDA and interest coverage ratio on an annual basis. As at 31 December 2023, these covenants have been met.

In accordance with arrangements with HSBC Continental Europe in relation to financial and non-financial covenants on loans received by subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP in the amount of 67,910,765 thousand tenge, the Company should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2023, this covenant was met.

In accordance with the loan agreement with EDB, obtained by the subsidiary KTZ-Freight Transportation LLP for 51,291,655 thousand tenge, the Company has to comply with certain financial covenants such as Debt to EBITDA and Interest coverage ratio calculated semi-annually based on the consolidated results of the Group as well as compliance 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 2023, these covenants were met.

In accordance with loan agreements with Societe Generale and Natixis, obtained by the subsidiaries KTZ-Freight Transportation LLP and KTZ-Passenger Locomotives LLP for the total amount of 167,030,226 thousand tenge, the Company has to comply with financial covenant Net Debt to Equity (at the same time, concessional loans from the Shareholder should not exceed 50% of the total debt) calculated based on the annual consolidated financial statements of the Group. As at 31 December 2023, this covenant was met.

30. RELATED PARTY TRANSACTIONS

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

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

(in thousands of tenge, unless stated otherwise)

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

		Shareholder	Associates of the Company	Companies making up the Shareholder Group	Subsidiaries of the Company	Other related parties[7]
Amounts due from related parties for goods and services, including advances paid	2023	-	16,203	22,962	181,515,213	1,133,402
	2022	-	287,527	667,664	45,213,841	8,077
including allowances for expected credit losses and impairment of advances paid	*2023*	-	*(49,563)*	*(1,262)*	*(842)*	*(9,269)*
	2022	-	*(820)*	*(131)*	-	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2023	-	4,323,466	1,329,509	3,096,856	770,398
	2022	-	3,532,553	824,529	3,850,363	67,065
Cash on current accounts	2023	-	-	112,136,957	-	-
	2022	-	-	162,850,383	-	-
Loans issued	2023	-	-	-	640,624,148	-
	2022	-	-	-	992,823,721	-
including allowances for expected credit losses	*2023*	-	-	-	(1,151,785)	-
	2022	-	-	-	(1,969,030)	-
Borrowings received	2023	768,615,242	-	-	49,603,471	-
	2022	588,984,375	-	-	32,923,064	-
Lease liabilities	2023	-	8,396,433	-	5,925	-
	2022	-	11,833,694	-	5,867	-
Financial guarantee contract liabilities	2023	-	19,015	-	27,147,663	15,314,459
	2022	-	381,013	-	16,817,625	15,548,800

[7] Other related parties include other commercial entities under common control and significant influence of the State.

(in thousands of tenge, unless stated otherwise)

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

		Shareholder	Associates of the Company	Joint ventures of the Company	Companies making up the Shareholder Group	Subsidiaries of the Company	Other related parties[7]
Sale of goods and services	2023	-	304,911	-	182,481	805,757,865	230,008
	2022	-	298,657	-	58,421	577,123,538	4,332
Accrued allowances for expected credit losses and impairment of advances paid	*2023*	-	*(48,743)*	-	*(1,131)*	*(842)*	*(9,269)*
	2022	-	*(809)*	-	*(4)*	-	-
Purchase of goods, services and non-current assets	2023	-	18,108,376	-	6,767,977	174,769,551	4,231,004
	2022	-	10,864,827	-	4,231,909	139,333,728	624,515
Loans issue	2023	-	-	-	-	282,154,706	-
	2022	-	-	-	-	105,240,284	-
Loans repayment	2023	-	-	-	-	61,453,564	-
	2022	-	-	-	-	44,657,749	-
Proceeds from borrowing	2023	336,309,364	-	-	-	16,680,407	-
	2022	603,761,446	-	-	-	32,226,689	-
Repayment of borrowings	2023	1,174,923	-	-	-	-	-
	2022	31,174,923	-	-	-	24,300,000	-
Finance income	2023	-	361,998	-	-	108,690,811	234,341
	2022	-	142,821	-	-	84,273,734	59,476
Finance costs	2023	36,130,150	2,165,343		-	14,918	-
	2022	14,560,280	2,152,692	-	-	597,437	131,900
Dividend income	2023	-	2,891,491		-	15,632,227	-
	2022	-	8,726,221	-	-	3,522,556	-
Investments in subsidiaries	2023	-	-	-	-	27,381,465	-
	2022	-	-	-	-	5,379,645	-
Share capital contribution	2023	24,309,508	-	4,565	-	-	-
	2022	239,266	-	-	-	-	-
New lease agreements (Company as a lessee)	2023	-	1,121,422	-	-	-	-
	2022	-	95,409	-	-	778	-
Lease payments	2023	-	19,989,405	-	-	3,613	-
	2022	25,737	14,457,117	-	-	3,254	-

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

	2023	2022
Kedentransservice JSC	13,501,680	2,723,014
UTLC ERA JSC	2,891,491	8,726,221
Port Kuryk LLP	1,373,135	-
NC Aktau Sea Commercial Port JSC	741,679	-
Militarised Railway Security LLP	15,733	799,542
	18,523,718	**12,248,777**

In 2023, the Company received a loan from the Shareholder in the amount of 162,600,000 thousand tenge (Note 15) (2022: 30,000,000 thousand tenge).

In 2023, the Company issued bonds in favour of the Shareholder in the amount of 173,709,364 thousand tenge (Note 15) (2022: 882,978,000 US Dollars (410,902,642 thousand tenge) and 162,858,804 thousand tenge).

As at 31 December 2023, the Company`s borrowings from the Shareholder were mainly received at rates below market from 0.075 % to 8.74% with maturity from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 13.99%.

As at 31 December 2023, the Company issued guarantee on certain borrowings of subsidiaries, the associate and other related parties to ensure the execution of obligations to the banks (Notes 17 and 29).

As at 31 December 2023, certain debt securities issued by subsidiaries were indexed to reflect changes in foreign currency exchange rates. In 2023, due to changes in exchange rates, the Company recognised a foreign exchange loss in the amount of 5,711,388 thousand tenge (2022: 34,806,723 thousand tenge).

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

Compensation to key management personnel of the Company

Key management personnel comprise members of the Company's Management Board and Board of Directors, totalling 16 persons for the year ended 31 December 2023 (2022: 16 persons). Total compensation to key management personnel included in personnel costs in the separate statement of profit or loss and other comprehensive income comprised 789,603 thousand tenge for the year ended 31 December 2023 (2022: 576,509 thousand 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 Company's principal financial instruments consist of loans, debt securities issued (bonds), lease liabilities, derivative financial instruments, cash and short-term deposits as well as trade accounts receivable and trade accounts payable. The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Company further monitors the market risk and liquidity risk arising from all financial instruments.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Company's overall strategy remains unchanged from 2022.

There are no mandatory minimum capital requirements for the Company.

(in thousands of tenge, unless stated otherwise)

The Company's equity structure includes net debt (borrowings, debt securities and lease liabilities less cash and cash equivalents) and the Company's equity, which comprises share capital and additional paid in capital, foreign currency translation reserve and retained earnings.

Financial risk management objectives

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

Market risk

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

Interest rate risk

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

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

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

	31 December 2023		**31 December 2022**	
	Interest rate increase/ (decrease) in base points[8]	**Impact on profit before tax/equity**	**Interest rate increase/ (decrease) in base points[8]**	**Impact on profit before tax/equity**
Tenge	397/(397)	(6,704,878)/ 6,704,878	245/(245)	(4,139,146)/ 4,139,146
Swiss Francs	397/(397)	(10,124,130)/ 10,124,130	-	-

Currency risk

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

[8] 1 basis point – 0.01%

(in thousands of tenge, unless stated otherwise)

A significant portion of the Company's current and non-current debt is denominated in US Dollars and Swiss Francs. A change in the value of tenge against other foreign currencies in which debt is denominated will result in a foreign exchange gain or loss. Foreign exchange loss for the year ended 31 December 2023 amounted to 16,049,872 thousand tenge, which is primarily attributed to loans issued and loans received (2022: gain of 19,243,671 thousand tenge). The Company issues loans to subsidiaries being indexed to changes in foreign currency exchange rates.

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

	31 December 2023		**31 December 2022**	
	Exchange rate increase/ (decrease)	**Effect on pre-tax profit**	**Exchange rate increase/ (decrease)**	**Effect on pre-tax profit**
	14%/	(52,911,901)/	21%/	20,034,346/
US Dollars	(14%)	52,911,901	(21%)	(20,034,346)
	17%	(13,024,705)/	25%/	(5,564,608)/
Swiss Francs	(17%)	13,024,705	(25%)	5,564,608
	13%	(1,214,284)/	18%/	(383,185)/
Euro	(13%)	1,214,284	(18%)	383,185
	29%	(687,227)/	22%/	27,511/
Russian Roubles	(29%)	687,227	(22%)	(27,511)

In October-November 2022, the Company entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. Borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 and the holder is the Shareholder.

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

During 2023, as part of the cross-currency swap transactions, the Company received cash from J.P. Morgan Securities plc. (UK), Societe Generale SA (France) and Citibank London in the amount of 17,478,556 US Dollars (8,145,440 thousand tenge) and 4,485,525 Swiss Francs (2,345,077 thousand tenge) (Note 26).

As at 31 December 2023, the fair value of derivative financial instruments, accounted at fair value through profit or loss, under agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) in the amount of 78,578,766 US Dollars (35,718,764 thousand tenge) was recognised within non-current liabilities (31 December 2022: within other long-term assets of 58,693 US Dollars (27,154 thousand tenge) and within non-current liabilities of 1,220,034 US Dollars (564,449 thousand tenge)). The change in fair value of derivative financial instruments for the year ended 31 December 2023 was recognised in finance costs of 35,181,469 thousand tenge.

Credit risk

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

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

As at 31 December 2023, cash held by the Company on current accounts in Kazpost JSC, a related party of the Company (80.4% of cash and cash equivalents). In addition, cash and cash equivalents are mainly held in Halyk Bank of Kazakhstan JSC with a credit rating of BB+ 'stable' (10.2% of cash and cash equivalents).

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

In addition, the Company is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Company in this regard is equal to the maximum amount that the Company will be obliged to pay in the event of claims for guarantees disclosed in Note 29. The Company does not guarantee the obligations of third parties, other than those disclosed in Note 29.

Liquidity risk

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

The Company with its subsidiaries, uses a highly liquid instrument for the purposes of centralised cash management, namely current loans under the "cash pooling" mechanism with the possibility of early repayment at any time at the decision of the transaction participants. Thus, during 2023, the Company entered into agreements with subsidiaries to provide interest-free financial assistance to the Company in the amount of 155,380,000 thousand tenge (2022: 109,265,000 thousand tenge) for a period of up to one year. As at 31 December 2023, the carrying value of the received financial aid under the "cash pooling" mechanism amounted to 49,603,471 thousand tenge (31 December 2022: 32,923,064 thousand tenge). As at 31 December 2023, the carrying value of the financial aid given under the "cash pooling" mechanism amounted to 15,541,909 thousand tenge (31 December 2022: 9,075,808 thousand tenge).

As at 31 December 2023, the Company has a credit line available at Halyk Bank of Kazakhstan JSC with undrawn balance of 71,000,000 thousand tenge (31 December 2022: 85,500,000 thousand tenge) and available credit line at Forte Bank JSC with undrawn balance of 60,000,000 thousand tenge (31 December 2022: 10,000,000 thousand tenge).

(in thousands of tenge, unless stated otherwise)

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

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

	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
2023						
Interest-free:						
Accounts payable	54,959,976	194,252	9,186,220	-	-	64,340,448
Other current liabilities	32,502	15,028,680	2,316,416	-	-	17,377,598
Interest-bearing:						
Borrowings	43,649,038	4,007,101	303,363,258	929,804,564	1,945,590,895	3,226,414,856
Lease	2,751,159	584,242	2,629,090	3,478,892	-	9,443,383
Financial guarantees	490,815	13,060,757	98,908,971	403,308,593	447,121,059	962,890,195
Derivative financial instruments	-	-	(10,364,292)	49,442,022	-	39,077,730
	101,883,490	**32,875,032**	**406,039,663**	**1,386,034,071**	**2,392,711,954**	**4,319,544,210**
2022						
Interest-free:						
Accounts payable	36,549,851	705,046	7,964,020	-	-	45,218,917
Other current liabilities	2,647	11,069,334	1,934,189	-	-	13,006,170
Interest-bearing:						
Borrowings	23,427,216	5,192,024	253,413,149	1,000,189,866	1,283,794,712	2,566,016,967
Lease	2,424,299	1,948,647	2,634,264	6,990,525	-	13,997,735
Financial guarantees	191,156	12,710,245	64,788,022	289,995,469	333,169,360	700,854,252
Derivative financial instruments	-	-	(6,625,673)	8,280,473	-	1,654,800
	62,595,169	**31,625,296**	**324,107,971**	**1,305,456,333**	**1,616,964,072**	**3,340,748,841**

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

(in thousands of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Unspecified maturity[9]	Total
2023							
Interest-bearing:							
Short-term deposits	21,423,369	-	-	-	-	1,644	21,425,013
Interest on short-term deposits	62,638	-	-	-	-	-	62,638
Cash and cash equivalents	7	-	-	-	-	-	7
Loans issued	3,615,216	4,925,221	109,636,969	351,982,644	684,830,330	4,236,335	1,159,226,715
Interest-free:							
Cash and cash equivalents	117,975,108	-	-	-	-	6,203	117,981,311
Restricted cash	-	-	6,036,365	-	657,254	719	6,694,338
Trade accounts receivable	1,153,702	181,489,819	-	-	-	27,875	182,671,396
Loans issued	-	15,541,909	-	-	-	131,716	15,673,625
	144,230,040	**201,956,949**	**115,673,334**	**351,982,644**	**685,487,584**	**4,404,492**	**1,503,735,043**
2022							
Interest-bearing:							
Short-term deposits	27,748,460	-	-	-	-	16,430	27,764,890
Interest on short-term deposits	270,103	-	-	-	-	-	270,103
Other financial assets	-	-	100	-	-	-	100
Interest on other financial assets	-	-	6	-	-	-	6
Cash and cash equivalents	263	-	-	-	-	-	263
Loans issued	25,200,240	1,315,913	104,587,299	417,597,332	1,254,538,177	5,039,996	1,808,278,957
Interest-free:							
Cash and cash equivalents	173,533,675	-	-	-	-	8,977	173,542,652
Restricted cash	5,769,609	-	-	-	-	91	5,769,700
Trade accounts receivable	1,293,444	45,149,724	34,884	-	-	21,509	46,499,561
Loans issued	-	-	45,916,287	-	-	166,571	46,082,858
	233,815,794	**46,465,637**	**150,538,576**	**417,597,332**	**1,254,538,177**	**5,253,574**	**2,108,209,090**

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

Fair value of financial instruments

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

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

Cash and cash equivalents

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

Financial assets and liabilities

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

For financial assets and liabilities maturing in over 12 months, the fair value represents the present value of estimated future cash flows discounted at period-end market rates.

Derivative financial instrument

Fair value of the derivative financial instrument was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group and counterparties.

Borrowings

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

(in thousands of tenge, unless stated otherwise)

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

As at 31 December 2023 and 2022, the fair value of financial assets and financial liabilities, except for borrowings and debt securities issued was not significantly different from carrying value. The carrying value and fair value of loans issued, borrowings, debt securities issued (bonds) and other financial assets as at 31 December is presented as follows:

	31 December 2023		31 December 2022	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans issued	645,200,901	644,880,871	996,575,946	995,718,869
Other financial assets	6,787,496	5,962,590	5,862,978	5,924,013
Borrowings	421,168,253	380,276,657	171,911,579	144,361,729
Debt securities	1,265,556,662	1,182,596,044	1,234,156,348	1,214,806,667

Fair value hierarchy

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

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

The table below provides an analysis of financial instruments as at 31 December 2023, broken down into the fair value hierarchy levels.

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at amortised cost:				
- loans issued	-	644,880,871	-	644,880,871
- other financial assets	-	5,962,590	-	5,962,590
Total	**-**	**650,843,461**	**-**	**650,843,461**
Financial liabilities recognised at amortised cost:				
- debt securities	-	564,074,861	-	564,074,861
- debt securities from the Shareholder	-	618,521,183	-	618,521,183
- bank loans	-	261,424,661	-	261,424,661
- loans from the Shareholder and subsidiaries	-	118,851,996	-	118,851,996
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	35,718,764	-	35,718,764
Total	**-**	**1,598,591,465**	**-**	**1,598,591,465**

(in thousands of tenge, unless stated otherwise)

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	995,718,869	-	995,718,869
- other financial assets	-	5,924,013	-	5,924,013
Financial assets recognised at fair value through profit of loss:				
- derivative financial instruments	-	27,154	-	27,154
Total	**-**	**1,001,670,036**	**-**	**1,001,670,036**
Financial liabilities recognised at amortised cost:				
- debt securities	-	695,717,996	-	695,717,996
- debt securities from the Shareholder	-	519,088,671	-	519,088,671
- bank loans	-	50,202,222	-	50,202,222
- loans from the Shareholder and subsidiaries	-	94,159,507	-	94,159,507
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	564,449	-	564,449
Total	**-**	**1,359,732,845**	**-**	**1,359,732,845**

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 and market forward exchange rates for derivative financial instruments.

During 2023, the Company has reconsidered market-observable inputs for the fair value of debt securities issued and determined that debt securities should be classified in level 2, as there were no observable transactions on the market in which these financial instruments were traded and, as a result, comparative information on fair value and hierarchy level has been restated.

The correction of the fair value and hierarchy levels did not result in any changes to the Company's separate statement of financial position, separate statement of profit or loss and other comprehensive income, separate statement of cash flows and separate statement of changes in equity.

32. EVENTS AFTER THE REPORTING DATE

Tariff for the mainline railway network services

In February 2024, the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan approved the maximum level of tariff for 2024-2025 in the form of an index to tariffs for mainline railway network services of 3.0 for the transportation of goods from stations of Kazakhstan in all export directions, as well as for the transportation of goods in directions between EAEU member states, passing through connecting stations of Kazakhstan.

Borrowings received

In January 2024, the Company, under a loan agreement with the Shareholder concluded on 21 October 2010, to finance the construction of railways "Khorgos-Zhetygen" and "Uzen-Turkmenistan Border" for a total amount of 30,000,000 thousand tenge, signed an additional agreement to extend the repayment period until 2044 and change the interest rate from 2% to 9.25%. Interest on the loan is repaid in semi-annual payments. Due to a significant change in the terms of the loan, the Company recorded the transaction as a derecognition of the original financial liability and recognition of a new financial liability.