KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

Consolidated financial statements
for the year ended 31 December 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED 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 THE CONSOLIDATED 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 the consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – "the Group") as at 31 December 2023, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved for issue by management on 13 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 management of the Group:

Dair Kusherov	**Yelena Stankova**
Finance Director	**Chief Accountant**
13 March 2024	13 March 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

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

Key Audit Matters

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

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Assessment of impairment indicators of property, plant and equipment	
At each reporting date the Group assesses whether there is an indication that assets may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 77% of the Group's total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement. As at 31 December 2023, the management of the Group performed the assessment of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Group did not identify any events or circumstances 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 property, plant and equipment, the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the assessment of impairment indicators of property, plant and equipment to be a key audit matter. Please refer to Notes 4 and 6.	We performed the following procedures: • evaluated the appropriateness of the management's identification of a single cash-generating unit; • evaluated whether the Group'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 Group, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis; • challenged relevance of management judgement in relation to freight turnover; • challenged relevance and completeness of factors used by management when analysing the impairment indicators with the assistance of our valuation specialists, where it was necessary; and • assessed the completeness and adequacy of disclosures in the consolidated financial statements.
Liquidity and the going concern principle	
As at 31 December 2023, the Group's current liabilities exceeded its current assets by 382,665 million tenge. Current liabilities include borrowings of 354,115 million tenge due within twelve months after the reporting date.	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:

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
As disclosed in Note 15, the terms of certain long-term loan agreements include certain covenants, whereby non-compliance may result in the loans becoming payable on demand. Due to the above matters, critical judgements are required by management in respect of the sufficiency of the Group's liquid assets and its ability to settle the current obligations in due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31. Given the significance of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.	• 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 Group'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 Group's liquidity and going concern position to the extent necessary, including an assessment of whether such actions are within the control of management; • analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Group's ability to continue as a going concern; • analysed the most recent cash flow forecast and the management downside scenarios affecting the Group's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and 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 Group's operations; and • assessed the completeness and adequacy of information disclosed in the consolidated financial statements.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Olga Belonogova Engagement Partner Qualified Auditor of the Republic of Kazakhstan Qualification Certificate No. MF – 0000865 dated 13 August 2019	Daulet Kuatbekov Acting General Director Deloitte LLP State Audit License of the Republic of Kazakhstan No. 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Almaty, Republic of Kazakhstan
13 March 2024

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(in millions of tenge)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,794,479	3,241,505
Goodwill		15,520	15,520
Intangible assets		13,824	14,416
Investments in joint ventures	7	1,579	165
Investments in associates	7	38,989	28,634
Deferred tax assets	18	60	63
Other non-current assets	8	650,038	200,967
Total non-current assets		**4,514,489**	**3,501,270**
Current assets			
Cash and cash equivalents	9	204,614	266,956
Inventories	10	64,362	45,029
VAT recoverable		49,618	37,809
Trade accounts receivable	11	16,326	14,773
Prepaid income tax		3,535	2,139
Contract asset		1,153	3,065
Other current assets	12	86,109	79,056
		425,717	**448,827**
Assets held for sale	13	-	45,825
Total current assets		**425,717**	**494,652**
Total assets		**4,940,206**	**3,995,922**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,110,634	1,086,324
Foreign currency translation reserve		7,220	12,138
Retained earnings		623,698	348,377
Equity attributable to the Shareholder		1,741,552	1,446,839
Non-controlling interests		17,504	15,853
Total equity		**1,759,056**	**1,462,692**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023
(in millions of tenge)

	Notes	31 December 2023	31 December 2022
Non-current liabilities			
Borrowings	15	1,763,432	1,430,825
Deferred tax liabilities	18	411,888	357,491
Lease liabilities	16	54,555	38,861
Employee benefit obligations	17	37,396	37,406
Derivative financial instruments	31	35,719	564
Other non-current liabilities	21	69,778	55,000
Total non-current liabilities		**2,372,768**	**1,920,147**
Current liabilities			
Borrowings	15	354,115	256,506
Trade accounts payable	19	200,969	117,207
Contract liabilities	20	115,868	119,393
Lease liabilities	16	16,951	14,221
Other taxes payable		13,961	22,540
Employee benefit obligations	17	7,608	6,213
Other current liabilities	21	98,910	76,972
		808,382	**613,052**
Liabilities directly attributable to assets held for sale	13	-	31
Total current liabilities		**808,382**	**613,083**
Total liabilities		**3,181,150**	**2,533,230**
Total equity and liabilities		**4,940,206**	**3,995,922**

On behalf of management of the Group:

Dair Kusherov
Finance Director

13 March 2024

Yelena Stankova
Chief Accountant

13 March 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

(in millions of tenge, unless stated otherwise)

	Notes	2023	2022
Revenue and other income			
Revenue from freight transportation	22	1,682,550	1,283,513
Revenue from passenger transportation	22	101,682	88,421
Government grants	5	38,912	38,205
Other revenue	23	110,951	71,326
Total revenue and other income		**1,934,095**	**1,481,465**
Cost of sales	24	(1,498,583)	(1,204,233)
Gross profit		**435,512**	**277,232**
General and administrative expenses	25	(106,494)	(93,063)
Finance income	26	32,221	61,099
Finance costs	26	(208,365)	(144,860)
Foreign exchange loss	31	(14,124)	(34,143)
Gain on disposal of subsidiary not qualifying as discontinued operations	7,13	6,283	-
Share of the profit of associates and joint ventures	7	8,144	8,547
Impairment reversal/(impairment) of financial assets and contract assets		2,662	(5,702)
Impairment reversal/(impairment) of non-financial assets		1,149	(617)
Other profit and losses		4,395	(69)
Profit **before tax**		**161,383**	**68,424**
Corporate income tax expenses	18	(24,599)	(31,541)
Profit for the year		**136,784**	**36,883**
Other comprehensive (loss)/income, net of income tax:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of employee benefit obligations	17	(540)	4,214
Items that may be reclassified subsequently to profit or loss:			
Net fair value loss on cash flow hedging instruments		-	(2,445)
Reclassification of the loss on cash flow hedging instruments	14,22	-	54,442
Foreign exchange difference on translation of foreign operations		(4,918)	2,213
Other comprehensive (loss)/income for the year		**(5,458)**	**58,424**
Total comprehensive income for the year		**131,326**	**95,307**
Profit for the year attributable to:			
The Shareholder		133,508	34,887
Non-controlling interests		3,276	1,996
		136,784	**36,883**
Total comprehensive income attributable to:			
The Shareholder		128,058	93,309
Non-controlling interests		3,268	1,998
		131,326	**95,307**
Earnings per share, in tenge	27	269	70

On behalf of management of the Group:

Dair Kusherov
Finance Director

13 March 2024

Yelena Stankova
Chief Accountant

13 March 2024

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

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

	Notes	2023	2022
Cash flows from operating activities:			
Profit for the year		136,784	36,883
Adjustments for:			
Income tax expenses recognised in profit or loss	18	24,599	31,541
Depreciation and amortisation		156,441	145,946
Finance costs	26	208,365	144,860
Finance income	26	(32,221)	(61,099)
Foreign exchange loss	31	14,124	34,143
Gain on disposal of subsidiary not qualifying as discontinued operations	7,13	(6,283)	-
(Impairment reversal)/impairment of financial assets and contract assets		(2,662)	5,702
(Impairment reversal)/impairment of non-financial assets		(1,149)	617
Post-employment benefits and other long-term employee benefit expenses	24,25	6,939	9,143
Share of the profit of associates and joint ventures	7	(8,144)	(8,547)
Reclassification of the loss on cash flow hedging instruments	14,22	-	54,442
Others		10,223	13,351
Operating income before changes in working capital and other balances		**507,016**	**406,982**
Change in trade accounts receivable		(12,823)	(5,032)
Change in inventories		(16,618)	379
Change in other current and non-current assets (including long-term VAT recoverable)		(99,338)	(76,159)
Change in trade accounts payable		73,511	20,219
Change in other taxes payable		(7,500)	3,706
Change in other liabilities and contract liabilities		4,296	32,929
Change in employee benefit obligations		(6,094)	(7,493)
Cash generated from operations before interest and income tax payments		**442,450**	**375,531**
Interest paid		(150,226)	(118,930)
Interest received		20,968	8,631
Income tax paid		(6,874)	(2,889)
Net cash flows from operating activities		**306,318**	**262,343**
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(811,830)	(340,353)
Proceeds from the sale of other non-current assets		1,354	1,932
Net proceeds from disposal of subsidiaries		11,948	-
Dividends received from associates		2,719	7,675
Investments acquired in associates and joint ventures		(5,201)	(70)
Capital contributions in joint ventures	7	(1,111)	(58)
Others		(581)	(1,426)
Net cash flows used in investing activities		**(802,702)**	**(332,300)**

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

	Notes	2023	2022
Cash flows from financing activities:			
Share capital contribution	14	24,310	-
Proceeds from borrowings	15	808,731	1,137,878
Repayment of borrowings	15	(367,320)	(956,465)
Repayment of lease liabilities	15	(21,690)	(17,334)
Dividends paid to non-controlling interests in subsidiaries		(1,294)	-
Others		(8,466)	(2,397)
Net cash flows generated from financing activities		**434,271**	**161,682**
Net (decrease)/increase in cash and cash equivalents		**(62,113)**	**91,725**
Cash and cash equivalents at the beginning of the year	9	267,032	178,000
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(322)	(2,691)
Effect of changes in the allowance for expected credit losses		17	(2)
Cash and cash equivalents at the end of the year	9	**204,614**	**267,032**
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	114,106	5,706
Advances paid for property, plant and equipment and contract liabilities arising from the disposal of subsidiary	13	40,000	-

On behalf of management of the Group:

Dair Kusherov
Finance Director

13 March 2024

Yelena Stankova
Chief Accountant

13 March 2024

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

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

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

	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2022	**1,086,085**	**(51,997)**	**9,925**	**214,574**	**1,258,587**	**13,855**	**1,272,442**
Profit for the year	-	-	-	34,887	34,887	1,996	36,883
Other comprehensive income for the year	-	51,997	2,213	4,212	58,422	2	58,424
Total comprehensive income for the year	-	51,997	2,213	39,099	93,309	1,998	95,307
Issue of share capital	239	-	-	-	239	-	239
Other contributions (Note 14)	-	-	-	94,704	94,704	-	94,704
As at 31 December 2022	**1,086,324**	**-**	**12,138**	**348,377**	**1,446,839**	**15,853**	**1,462,692**
As at 1 January 2023	**1,086,324**	**-**	**12,138**	**348,377**	**1,446,839**	**15,853**	**1,462,692**
Profit for the year	-	-	-	133,508	133,508	3,276	136,784
Other comprehensive loss for the year	-	-	(4,918)	(532)	(5,450)	(8)	(5,458)
Total comprehensive (loss)/income for the year	-	-	(4,918)	132,976	128,058	3,268	131,326
Issue of share capital (Note 14)	24,310	-	-	-	24,310	-	24,310
Other contributions (Note 14)	-	-	-	142,345	142,345	-	142,345
Dividends	-	-	-	-	-	(1,617)	(1,617)
As at 31 December 2023	**1,110,634**	**-**	**7,220**	**623,698**	**1,741,552**	**17,504**	**1,759,056**

On behalf of management of the Group:

Dair Kusherov
Finance Director

13 March 2024

Yelena Stankova
Chief Accountant

13 March 2024

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

1. GENERAL INFORMATION

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

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

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

The Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved main railway network service tariffs for 2021-2025 (Note 32), introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections. Locomotive traction services were divided into diesel and electric traction. CRNM agreed to increase tariffs for services: main railway network for freight transportation by 28.4% on average from 27 April 2023 and locomotive haulage by 11.4% from 6 November 2023. As a result, the average annual increase of freight transportation tariff level for the year ended 31 December 2023 was 23.7% (2022: 6.2%).

From 1 January 2023, the authorised body, represented by the Ministry of Industry and Infrastructure Development agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2022: 7%).

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 Group 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 Group's business for the foreseeable future. The Group has liabilities denominated in foreign currencies, therefore, if the exchange rate increases, there is an increase in the foreign exchange loss. In general, the Group does not expect a significant negative impact from the current changes on the Group'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 Group's operations.

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

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2023, current Group liabilities exceeded its current assets by 382,665 million tenge (31 December 2022: 118,431 million tenge). As at 31 December 2023, current liabilities include borrowings of 354,115 million tenge that are payable within twelve months after the reporting date. At the same time, profit for the year ended 31 December 2023 amounted to 136,784 million tenge (2022: 36,883 million tenge), and cash inflows from operating activities amounted to 306,318 million tenge (2022: 262,343 million tenge).

Group management has assessed the Group's needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan's transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within 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 Group'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 Group is facing. Besides that, the Group received a Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group 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 consolidated financial statements.

Basis for measurement

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

(in millions of tenge, unless stated otherwise)

Basis of consolidation

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

Functional and presentation currency

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

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

Monetary assets and liabilities denominated in foreign currencies are translated to the 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 items carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not translated. Foreign exchange gains or losses in profit or loss are presented separately in the consolidated statement of profit or loss and other comprehensive income.

The following table presents foreign currency exchange rates to tenge:

	31 December 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 Francs	541.08	501.19	508.16	482.60
Russian Roubles	5.06	6.43	5.40	6.96
UAE Dirham	123.78	125.99	124.25	125.38

(in millions of tenge, unless stated otherwise)

3. MATERIAL ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS 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 consolidated 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 consolidated financial statements, the Group 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*	
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 consolidated financial statements of the Group 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 IAS 16 *Property, Plant and Equipment*.

Construction-in-progress

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

Leases

The Group as lessee

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

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

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

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

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

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

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

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (Note 16), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (Note 6) and intangible assets.

The Group as lessor

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

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

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. When inventories are released into production, sold or otherwise disposed of, they are valued at the weighted-average cost basis.

Financial instruments

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

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

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

Wherein:

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

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

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

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

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

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

Derivative financial instruments

The Group 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. The change in fair value of derivative financial instruments is reflected in finance income or finance loss (Note 26).

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

Equity

Share capital

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

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

Other contributions

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

Government grants

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

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

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

Revenue

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

Revenue from freight transportation services

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

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

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

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

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

As at 31 December 2023 and 2022, the Group has no obligations to counterparties associated with provision of discounts.

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

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

Additional charges related to the transportation process and other revenue from freight transportation are recognised over time.

Revenue from passenger transportation services

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

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

Other revenue

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

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

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

Sale and lease back transactions

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

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

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

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 Group's accounting policies, which are described in Note 3, management of the Group is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised in the consolidated 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 Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control assessment

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

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

Loans at a rate below the market interest rate

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

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

Cash-generating unit identification

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

The 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. As the Group's restructuring processes have not been completed, these possible developments were not taken into account in the identification of CGUs for current year. Subsequent changes in the identification of CGUs may affect the carrying amount of the Group's assets.

Assessment of impairment indicators of property, plant and equipment

When assessing impairment indicators of property, plant and equipment the Group considers external and internal impairment indicators. The management of the Group considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of property, plant and equipment is not recoverable.

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

As at 31 December 2023, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, in particular changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss Franc, as the transit tariff is set in Swiss Franc.

The 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 Group 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.

Accounting treatment of financing arrangements with Industrial Development Fund JSC

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

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

Industrial Development Fund JSC finances the construction of the carriages, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation that arose to Industrial Development Fund JSC before the loss of control over the Railway Passenger Coach Construction Plant LLP, separated from the Tulpar Wagon Construction Plant LLP (Note 13), as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group performs an impairment indicators analysis of property, plant and equipment at each reporting date.

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.

Recoverability of VAT

At each reporting date, the Group estimates its provision for non-recoverable VAT incurred from the provision of international transportation services. The Group cannot charge VAT to customers and, accordingly, can only realise it from the tax authorities.

(in millions of tenge, unless stated otherwise)

In accordance with the Tax legislation of Kazakhstan, up to 70% of the accrued VAT receivable is subject to refund from the budget on a quarterly basis, after the submission of the tax declaration. The remaining part of the accrued VAT is subject to refund based on the results of the tax audit, within 5 years. During 2023, no VAT tax audits were carried out, accordingly, the VAT subject to refund based on the results of the tax audit was not refunded.

To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly.

As at 31 December 2023, total VAT recoverable amounted to 204,656 million tenge (31 December 2022: 107,869 million tenge), of which 49,618 million tenge were classified as current assets (31 December 2022: 37,809 million tenge). The Group expects that the current portion of VAT will be refunded by tax authorities or offset against future VAT payable during 2024 and believes that the total VAT receivable is fully recoverable.

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

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

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

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

Taxation

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

Because of the uncertainties disclosed above, the ultimate amount of taxes, fine and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2023. Any differences 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 Group 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 Group 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 Group and counterparties.

In estimating the fair value of derivative financial instruments, the Group 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 Group's 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 35,719 million 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 Group 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).

5. SEGMENT INFORMATION

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

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

(in millions of tenge, unless stated otherwise)

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

	For the year ended 31 December 2023					
	Freight transportation	**Passenger transportation**	**Reportable segments**	**Others**	**Consolidation**	**Total**
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,682,550	101,682	1,784,232	-	-	1,784,232
Transportation revenue from intersegment transactions	1,443	67,151	68,594	-	(68,594)	-
Government grants	-	38,912	38,912	-	-	38,912
Other income from third parties	86,988	5,353	92,341	18,610	-	110,951
Other income from intersegment transactions	35,982	798	36,780	9,679	(46,459)	-
Total revenue and other income	**1,806,963**	**213,896**	**2,020,859**	**28,289**	**(115,053)**	**1,934,095**
Cost of sales	(1,389,101)	(201,563)	(1,590,664)	(21,441)	113,522	(1,498,583)
Gross profit	**417,862**	**12,333**	**430,195**	**6,848**	**(1,531)**	**435,512**
General and administrative expenses	(94,722)	(9,592)	(104,314)	(3,585)	1,405	(106,494)
Finance income	36,847	1,440	38,287	1,122	(7,188)	32,221
Finance costs	(188,846)	(22,382)	(211,228)	(396)	3,259	(208,365)
Foreign exchange loss	(12,324)	(1,732)	(14,056)	(69)	1	(14,124)
Gain on disposal of subsidiary not qualifying as discontinued operations	6,283	-	6,283	-	-	6,283
Share of the profit of associates and joint ventures	8,144	-	8,144	-	-	8,144
Impairment reversal of financial assets and contract asset	2,487	11	2,498	28	136	2,662
Impairment reversal/(impairment) of non-financial assets	1,734	(373)	1,361	(212)	-	1,149
Other profit and losses	3,930	1,078	5,008	17	(630)	4,395
Profit/(loss) before tax	**181,395**	**(19,217)**	**162,178**	**3,753**	**(4,548)**	**161,383**
Corporate income tax (expense)/benefit	(34,229)	5,362	(28,867)	(509)	4,777	(24,599)
Profit/(loss) for the year	**147,166**	**(13,855)**	**133,311**	**3,244**	**229**	**136,784**
Other key segment information						
Capital expenditure	628,238	76,151	704,389	540	-	704,929
Depreciation of property, plant and equipment (Note 6)	139,365	16,172	155,537	1,647	(6)	157,178

(in millions of tenge, unless stated otherwise)

	For the year ended 31 December 2022					
	Freight transportation	**Passenger transportation**	**Reportable segments**	**Others**	**Consolidation**	**Total**
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,283,513	88,421	1,371,934	-	-	1,371,934
Transportation revenue from intersegment transactions	1,756	60,263	62,019	-	(62,019)	-
Government grants	-	38,205	38,205	-	-	38,205
Other income from third parties	50,792	4,519	55,311	16,015	-	71,326
Other income from intersegment transactions	28,160	3,218	31,378	7,638	(39,016)	-
Total revenue and other income	**1,364,221**	**194,626**	**1,558,847**	**23,653**	**(101,035)**	**1,481,465**
Cost of sales	(1,119,582)	(167,634)	(1,287,216)	(16,729)	99,712	(1,204,233)
Gross profit	**244,639**	**26,992**	**271,631**	**6,924**	**(1,323)**	**277,232**
General and administrative expenses	(80,619)	(7,808)	(88,427)	(5,654)	1,018	(93,063)
Finance income	61,339	4,173	65,512	1,166	(5,579)	61,099
Finance costs	(140,242)	(10,871)	(151,113)	(478)	6,731	(144,860)
Foreign exchange (loss)/gain	(33,934)	(565)	(34,499)	113	243	(34,143)
Share of the profit of associates and joint ventures	8,547	-	8,547	-	-	8,547
Impairment losses on financial assets and contract asset	(5,511)	(32)	(5,543)	(153)	(6)	(5,702)
Reversals of impairment losses/(impairment losses) on non-financial assets	824	(1,405)	(581)	(36)	-	(617)
Other profit and losses	228	75	303	(342)	(30)	(69)
Profit before tax	**55,271**	**10,559**	**65,830**	**1,540**	**1,054**	**68,424**
Corporate income tax expense	(29,195)	(2,020)	(31,215)	(400)	74	(31,541)
Profit for the year	**26,076**	**8,539**	**34,615**	**1,140**	**1,128**	**36,883**
Other key segment information						
Capital expenditure	333,076	28,612	361,688	508	1,889	364,085
Depreciation of property, plant and equipment (Note 6)	130,408	14,657	145,065	1,614	(117)	146,562

Geographical information of the Group

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

Customer location	**2023**	**2022**
Kazakhstan	1,875,851	1,440,584
Russia	28,412	23,595
Germany	16,708	3,478
China	9,329	4,974
Others	3,795	8,834
	1,934,095	**1,481,465**

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

(in millions of tenge, unless stated otherwise)

6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in-progress	Total
Carrying value as at 1 January 2022	**1,205,831**	**305,435**	**266,902**	**1,071,704**	**3,960**	**12,437**	**172,020**	**3,038,289**
Additions	324	583	5,922	1,241	7	1,370	339,433	348,880
Lease additions	-	363	-	13,910	-	686	-	14,959
Lease modifications	-	80	-	-	-	1,162	-	1,242
Disposals	(178)	(629)	(2,661)	(4,550)	(10)	(536)	(2,883)	(11,447)
Depreciation charge (Note 5)	(39,410)	(7,455)	(35,434)	(61,173)	-	(3,090)	-	(146,562)
Depreciation on disposal	166	408	2,525	4,265	-	527	-	7,891
Impairment	(92)	(40)	(112)	(269)	-	(840)	(73)	(1,426)
Transfer to assets classified as held for sale	-	(4,347)	(791)	(3)	-	(556)	(3)	(5,700)
Other movements and transfers[1]	124,838	944	9,269	242,726	2	(223)	(382,177)	(4,621)
Carrying value as at 31 December 2022	**1,291,479**	**295,342**	**245,620**	**1,267,851**	**3,959**	**10,937**	**126,317**	**3,241,505**
Cost	1,628,325	364,564	535,430	1,868,356	3,959	30,943	138,141	4,569,718
Accumulated depreciation and impairment	(336,846)	(69,222)	(289,810)	(600,505)	-	(20,006)	(11,824)	(1,328,213)
Carrying value as at 31 December 2022	**1,291,479**	**295,342**	**245,620**	**1,267,851**	**3,959**	**10,937**	**126,317**	**3,241,505**
Including:								
Right-of-use assets:								
Cost	-	2,115	37,728	73,901	-	9,219	-	122,963
Accumulated depreciation and impairment	-	(598)	(28,762)	(11,836)	-	(4,536)	-	(45,732)
Carrying value	-	1,517	8,966	62,065	-	4,683	-	77,231
Property, plant and equipment that are subject to operating lease (Group as the lessor)[2]	-	234	3	90,395	-	-	-	90,632

[1] Other movements and transfers also include transfers to/from inventories.
[2] Comparative figures have been restated to be consistent with the current year.

(in millions of tenge, unless stated otherwise)

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction-in-progress	Total
Carrying value as at 1 January 2023	**1,291,479**	**295,342**	**245,620**	**1,267,851**	**3,959**	**10,937**	**126,317**	**3,241,505**
Additions	591	653	11,408	39,776	2	1,399	603,471	657,300
Lease additions	-	48	1,073	45,237	-	1	-	46,359
Lease modifications	-	(76)	5,251	8,092	-	-	-	13,267
Disposals	(73)	(1,019)	(2,975)	(10,582)	(59)	(1,091)	(1,467)	(17,266)
Depreciation charge (Note 5)	(41,980)	(7,701)	(35,032)	(70,565)	-	(1,900)	-	(157,178)
Depreciation on disposal	57	492	2,742	10,528	-	1,089	-	14,908
Impairment reversal/(impairment)	29	(23)	(80)	254	-	(108)	(1,062)	(990)
Other movements and transfers [3]	165,641	25,749	19,967	316,959	(31)	173	(531,884)	(3,426)
Carrying value as at 31 December 2023	**1,415,744**	**313,465**	**247,974**	**1,607,550**	**3,871**	**10,500**	**195,375**	**3,794,479**
Cost	1,779,867	389,889	575,524	2,254,692	3,871	31,315	207,150	5,242,308
Accumulated depreciation and impairment	(364,123)	(76,424)	(327,550)	(647,142)	-	(20,815)	(11,775)	(1,447,829)
Carrying value as at 31 December 2023	**1,415,744**	**313,465**	**247,974**	**1,607,550**	**3,871**	**10,500**	**195,375**	**3,794,479**
Including:								
Right-of-use assets:								
Cost	-	1,843	42,735	111,578	-	7,320	-	163,476
Accumulated depreciation and impairment	-	(845)	(36,823)	(6,803)	-	(3,900)	-	(48,371)
Carrying value	-	998	5,912	104,775	-	3,420	-	115,105
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	239	-	88,774	-	-	-	89,013

[3] 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, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

As at 31 December 2023 and 2022, the Group's property, plant and equipment with a carrying amount of 10,881 million tenge and 11,172 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2023, the Group recognised depreciation expenses on right-of-use assets of 14,181 million tenge (2022: 16,811 million tenge).

For the years ended 31 December 2023 and 2022, capitalised borrowing costs amounted to 26,591 million tenge and 5,673 million tenge, respectively. The Group's average capitalisation rate varies between 3.25% and 19.35% (2022: between 3.88% and 8.82%).

As at 31 December 2023 and 2022, the cost of the Group's fully depreciated property, plant and equipment in use was 372,174 million tenge and 359,365 million tenge, respectively.

(in millions of tenge, unless stated otherwise)

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Description	Primary activity	Main country of operation / country of registration	31 December 2023 Carrying amount	31 December 2023 Ownership interest	31 December 2022 Carrying amount	31 December 2022 Ownership interest
Associates						
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russia	15,890	33.33%	16,959	33.33%
Transtelecom JSC	Telecommunication services	Kazakhstan	10,768	25%	8,502	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	7,195	49%	3,173	49%
China-Kazakhstan International Trade and Logistics Company LLC (Xi'an)	International multimodal transportation, terminal services, etc.	China	5,136	49%	-	-
Others			-	40-47%	-	40-47%
Total investment in associates			**38,989**		**28,634**	
Joint ventures						
Private Company KPMC Ltd.	Organisation of container block trains and freight forwarding activities for land-sea freight routes	China/Kazakhstan	1,078	49%	-	-
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Kazakhstan	497	50%	165	50%
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	33.33%	-	-
Total investment in joint ventures			**1,579**		**165**	

(in millions of tenge, unless stated otherwise)

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

	2023	2022
Associates		
As at 1 January	28,634	26,793
Acquisition	5,196	-
Foreign exchange difference on translation of foreign operations	(4,588)	2,058
Share of profit	8,190	8,509
Impairment reversal	4,697	-
Dividends receivable	(3,140)	(8,726)
As at 31 December	**38,989**	**28,634**
Joint ventures		
As at 1 January	165	895
Acquisition	5	-
Fair value of the remaining interest upon loss of control over the subsidiary Private company KPMC Ltd.	1	-
Share of (loss)/profit	(46)	38
Contributions to charter capital	1,111	58
Impairment reversal/(loss)	343	(826)
As at 31 December	**1,579**	**165**

During 2023, the Group, represented by its subsidiary Kedentransservice JSC, made a cash contribution in the amount of 80,740,632 yuan (5,196 million tenge) to the charter capital of China-Kazakhstan Trade and Logistics Company LLC (Xi'an), the Group's share of ownership in the associate is 49%.

In October 2023, the Group, represented by its subsidiary KTZ Express JSC, sold to a third party a 51% interest in its subsidiary, Private Company KPMC Ltd., for 1,000 US Dollars (0.5 million tenge). The gain from the disposal of the subsidiary amounted to 1 million tenge. As a result, the Group lost control over this subsidiary and recognised the remaining 49% interest at fair value as an investment in joint venture. In December 2023, the Group made a cash contribution, without changing the share of ownership, in the amount of 1,111 million tenge to the charter capital of this entity.

In December 2023, the Group, represented by the Company, made a cash contribution in the amount of 5 million 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 Group's share in the joint venture is 33.33%.

(in millions of tenge, unless stated otherwise)

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

	2023					2022			
	China-Kazakhstan Trade and Logistics Company LLC (Xi'an)	**Chinese-Kazakhstan International Logistics Company in Lianyungang**	**Aktau Marine North Terminal LLP**	**Transtelecom JSC**	**United Transportation and Logistics Company – Eurasian Railway Alliance JSC**	**Chinese-Kazakhstan International Logistics Company in Lianyungang**	**Aktau Marine North Terminal LLP**	**Transtelecom JSC**	**United Transportation and Logistics Company – Eurasian Railway Alliance JSC**
Current assets	11,635	6,975	734	43,441	51,595	6,176	1,084	61,012	56,344
Non-current assets	-	21,998	35,215	146,464	54,398	23,946	36,896	162,120	66,242
Total assets	**11,635**	**28,973**	**35,949**	**189,905**	**105,993**	**30,122**	**37,980**	**223,132**	**122,586**
Current liabilities	34	1,447	5,347	114,014	20,564	1,170	11,046	114,510	30,930
Non-current liabilities	1,119	248	32,102	41,713	37,758	295	35,321	83,508	40,778
Total liabilities	**1,153**	**1,695**	**37,449**	**155,727**	**58,322**	**1,465**	**46,367**	**198,018**	**71,708**
Total net assets/(liabilities)	**10,482**	**27,278**	**(1,500)**	**34,178**	**47,671**	**28,657**	**(8,387)**	**25,114**	**50,878**
Ownership interest	49%	49%	40%	25%	33.33%	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	5,136	13,367	(600)	8,545	15,890	14,042	(3,355)	6,279	16,959
Accumulated impairment	-	(6,172)	-	-	-	(10,869)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	5,136	7,195	(600)	8,545	15,890	3,173	(3,355)	6,279	16,959
Accumulated unrecognised loss	-	-	(600)	-	-	-	(3,355)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	-	2,223	-	-	-	2,223	-
Carrying amount of investment	**5,136**	**7,195**	**-**	**10,768**	**15,890**	**3,173**	**-**	**8,502**	**16,959**
Revenue	153	10,588	3,912	84,186	298,970	5,545	4,298	83,904	385,409
(Loss)/profit and total comprehensive (loss)/income for the year	(54)	334	6,887	9,063	17,362	407	11,034	(10,950)	33,140
Recognised share of the Group in (loss)/profit	**(26)**	**163**	**-**	**2,266**	**5,787**	**200**	**-**	**(2,737)**	**11,046**

(in millions of tenge, unless stated otherwise)

8. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for property, plant and equipment	463,044	101,631
VAT recoverable	167,275	81,883
Investment property	8,379	8,496
Others	4,290	907
Less: allowance for non-recoverable VAT	(12,237)	(11,823)
Less: allowance for advances for property, plant and equipment	(1,616)	(1,056)
Total other non-financial assets	**629,135**	**180,038**
Restricted cash	14,175	14,010
Loans issued	3,938	6,865
Loans to employees	3,819	1,623
Bonds of commercial banks and other credit institutions, and other debt securities	1,432	1,399
Long-term trade accounts receivable (Note 11)	26	39
Others	1,144	598
Less: allowance for expected credit losses on loans issued	(3,092)	(3,113)
Less: allowance for expected credit losses on other non-current financial assets	(539)	(492)
Total other financial assets	**20,903**	**20,929**
	650,038	**200,967**

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

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

	31 December 2023	31 December 2022
Passenger carriages supply	163,034	-
Construction of the railway	133,923	-
Electric locomotive supplies	90,447	72,753
Diesel locomotive supplies	61,262	9,075
Railroad switch supplies	9,981	5,240
Rail purchases	-	9,959
Others	4,397	4,604
	463,044	**101,631**

(in millions of tenge, unless stated otherwise)

9. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Short-term bank deposits in tenge	60,761	68,187
Short-term bank deposits in US$	6,365	-
Short-term bank deposits in other currencies	165	-
Cash in tenge current accounts	120,497	186,774
Cash in US$ current bank accounts	13,075	7,642
Cash in Russian Rouble current bank accounts	1,245	3,309
Cash in Euro current bank accounts	782	474
Cash in bank accounts in other currencies	1,731	599
Petty cash	9	4
Less: allowance for expected credit losses on cash and cash equivalents	(16)	(33)
	204,614	**266,956**
Cash included in assets classified as held for sale	-	76
	204,614	**267,032**

As at 31 December 2023, the weighted average interest rate on cash in current accounts was 0.68% in tenge and 1.5% in other currencies (31 December 2022: 0.22% in tenge and 1.64% in other currencies).

Short-term tenge and foreign currency bank deposits are placed for three months and less, depending on the Group's cash needs. As at 31 December 2023, the weighted average interest rate on short-term bank deposits was 15.26% in tenge, 3% in US$ and 12% in other currencies (31 December 2022: 16.18% in tenge).

As at 31 December 2023, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 112,141 million tenge (31 December 2022: 162,854 million tenge) (Note 31). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B-. Based on this, the Group 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.

10. INVENTORIES

	31 December 2023	31 December 2022
Fuel and lubricants	20,028	6,034
Track structure materials	18,786	14,647
Materials and supplies	13,452	12,481
Spare parts	8,421	8,311
Construction materials	1,559	1,478
Others	4,135	3,562
	66,381	**46,513**
Less: allowance for inventories	(2,019)	(1,484)
	64,362	**45,029**

(in millions of tenge, unless stated otherwise)

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Trade accounts receivable	20,316	22,405
Less: allowance for expected credit losses	(3,964)	(7,593)
	16,352	**14,812**
Current portion of trade accounts receivable	16,326	14,773
Long-term portion of trade accounts receivable (Note 8)	26	39
	16,352	**14,812**

As at 31 December 2023, trade accounts receivable arising from contracts with customers amounted to 19,369 million tenge (31 December 2022: 21,149 million tenge), expected credit losses on these trade accounts receivable amounted to 3,574 million tenge (31 December 2022: 6,873 million tenge).

12. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Other taxes prepaid	44,328	43,120
Advances paid	25,736	24,821
Prepaid expenses	2,448	1,795
Others	5,494	5,451
Less: allowance for the impairment of advances paid and other current non-financial assets	(6,396)	(5,938)
Total other non-financial assets	**71,610**	**69,249**
Restricted cash	6,789	6,096
Claims, interest and fines	3,974	4,136
Due from employees	1,665	1,751
Others	5,191	2,024
Less: allowance for expected credit losses on other current financial assets	(3,120)	(4,200)
Total other financial assets	**14,499**	**9,807**
	86,109	**79,056**

(in millions of tenge, unless stated otherwise)

13. ASSETS AND LIABILITIES OF DISPOSAL GROUP

Railway Passenger Coach Construction Plant LLP

On 13 December 2022, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into a sale agreement with a third party for a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP. As at 31 December 2022, the Group classified the assets and liabilities of Railway Passenger Coach Construction Plant LLP in a disposal group held for sale at the lower of their carrying amount and fair value less costs to sell. As at 31 December 2022, assets and liabilities with intragroup elimination amounted to 45,825 million tenge and 31 million tenge, respectively. Since this subsidiary did not represent a significant line of business for the Group, the Group did not classify the financial result of the subsidiary as a discontinued operation. On 27 January 2023, the Group completed the sale of its interest and lost control over the subsidiary.

The assets and liabilities of Railway Passenger Coach Construction Plant LLP as at the date of disposal are presented as follows:

	27 January 2023
Assets	
Property, plant and equipment	5,666
Cash and cash equivalents	52
Other current assets	40,049
Total assets	**45,767**
Liabilities	
Contract liabilities[4]	40,000
Trade accounts payable	20
Other taxes	3
Other current liabilities	26
Total liabilities	**40,049**
Net assets disposed	**5,718**

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

	2023
Proceeds from disposal of subsidiary	12,000
Net assets disposed	(5,718)
Result of disposal of Railway Passenger Coach Construction Plant LLP	**6,282**

[4] Prior to disposal intra-group obligations under an agreement with a subsidiary Passenger Transportation JSC for the supply of passenger carriages.

(in millions of tenge, unless stated otherwise)

14. EQUITY

As at 31 December 2023 and 2022, share capital was presented as follows:

	No. of shares authorised for issue	No. of shares issued and paid for	Share capital, millions of tenge
As at 1 January 2022	502,040,458	496,692,665	1,086,085
Shares issued	-	1	239
As at 31 December 2022	**502,040,458**	**496,692,666**	**1,086,324**
Shares issued	-	1,000	24,310
As at 31 December 2023	**502,040,458**	**496,693,666**	**1,110,634**

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 Group issued 1,000 shares that was paid in cash of 24,310 million tenge by the Shareholder.

Other contributions

In 2023, the Group recognised an adjustment to loans received from Shareholder at rates lower than market to fair value of 177,932 million tenge (2022: 118,380 million tenge) less the deferred tax effect of 35,587 million tenge (2022: 23,676 million tenge) (Notes 15 and 18).

Hedging reserve

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

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, 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 54,442 million tenge (Note 22).

(in millions of tenge, unless stated otherwise)

15. BORROWINGS

Borrowings, including accrued interest, which is 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	333,852		300,748	
- in tenge	*223,035*	*8.69*	*231,551*	*11.34*
- in Euros	*59,611*	*5.31*	*69,197*	*6.57*
- in Russian Roubles	*51,206*	*5.94*	-	-
Debt securities issued	1,079,764		1,052,191	
- in tenge	*707,590*	*11.41*	*563,621*	*10.20*
- in US$	*372,174*	*6.43*	*363,221*	*6.30*
- in Swiss Francs	-	-	*125,349*	*3.25*
Floating interest rate borrowings				
Loans received	518,138		152,426	
- in tenge	*122,925*	*18.83*	*152,426*	*15.01*
- in Euros	*139,143*	*5.32*	-	-
- in Swiss Francs	*256,070*	*3.55*	-	-
Debt securities issued	185,793		181,966	
- in tenge	*185,793*	*19.02*	*181,966*	*16.64*
	2,117,547		**1,687,331**	
Current portion of borrowings	354,115		256,506	
Non-current portion of borrowings	1,763,432		1,430,825	
	2,117,547		**1,687,331**	

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

	31 December 2023	**31 December 2022**
During the year	122,037	103,431
1-2 years	78,270	64,263
2-3 years	79,637	35,363
3-4 years	75,027	34,863
4-5 years	73,445	28,920
Over 5 years	423,574	186,334
	851,990	**453,174**

Loans received

The Shareholder

In May 2023, the Group, represented by the Company, under a loan agreement with the Shareholder concluded on 19 May 2023, received borrowings in the total amount of 162,600 million 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 139,498 million tenge, net of deferred tax in the amount of 27,900 million tenge through equity in retained earnings as other contributions (Note 14).

Citibank Kazakhstan JSC

In June 2023, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, within the framework of a Master agreement with Citibank Kazakhstan on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 13,000 million tenge with an interest rate of 17.7%. The principal is repayable in full in June 2024.

ForteBank JSC

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

HSBC Continental Europe

In 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with HSBC Continental Europe, together with HSBC Bank Plc and HSBC Kazakhstan Subsidiary Bank JSC, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the acquisition of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 4,350,789 Euros (2,137 million tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIRR + 0.4% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2031.

Societe Generale and Natixis

In 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with Societe Generale and Natixis under the guarantee of export credit agency BPIfrance dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total amount of 627,110,893 Euros, borrowed 329,415,953 Euros (162,473 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

Halyk Bank of Kazakhstan JSC

In 2023, the Group, represented by the Company and its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, borrowed 89,000 million tenge with an interest rate of 18.5% to 18.75% and a maturity of up to one year. The Group has made full/partial early repayment of loans received in the total amount of 70,000 million tenge.

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, received 3,156 million tenge to finance the acquisition of freight diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2032.

In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, received 10,034 million tenge to finance the acquisition of passenger diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2029.

Eurasian Development Bank ("EDB")

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation, under the loan agreement with EDB dated 11 May 2023 to finance the acquisition of freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles borrowed 10,045,278,800 Russian Roubles (50,345 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

Citibank and Santander

In November 2023, the Group, represented by 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 (264,633 million 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.

Early repayment of non-current borrowings

In 2023, the Group, represented by its subsidiaries KTZ Express JSC and KTZ-Passenger locomotives LLP, under loan agreement with Eurasian Bank for Reconstruction and Development, dated 18 September 2014 made an early repayment of borrowings received in the amount of 8,095 million tenge.

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, made an early partial repayment of borrowings received of 18,262 million tenge.

(in millions of tenge, unless stated otherwise)

In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, made an early partial repayment of borrowings received of 6,483 million tenge.

Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2023	2022
Debt securities, by price [5]				
2% Eurobonds (100%) in US$	28 October 2025	KASE	372,174	363,221
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
8.74% Bonds (100%) in tenge	12 June 2043	KASE	136,146	-
TONIA Compounded 6M + 3% margin (19.96%) Bonds (100%) in tenge	22 July 2024	KASE	129,491	128,216
7.37% Bonds (100%) in tenge	30 December 2042	KASE	100,855	94,097
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,831	76,831
Inflation rate + 2.52% (18.52%) Bonds (100%) in tenge	25 April 2026	KASE	56,302	53,750
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,380	41,380
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184	26,184
2% Bonds (100%) in tenge	20 August 2034	KASE	17,761	16,696
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	84,925
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	40,424
Total debt securities issued			**1,265,557**	**1,234,157**
Current portion of debt securities issued			232,078	153,075
Long-term portion of debt securities issued			1,033,479	1,081,082
			1,265,557	**1,234,157**

In June and December 2023, the Group, represented by 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 favour of the Shareholder in the amount of 73,709 million tenge and 100,000 million 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 Group recognised an adjustment to fair value of the bonds in the amount of 38,434 million tenge, net of deferred tax in the amount of 7,687 million tenge through equity in retained earnings as other contributions (Note 14).

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

[5] 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

In accordance with arrangements with HSBC Continental Europe regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2023, this covenant was met.

Loan agreements with Societe Generale and Natixis include 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.

Loan agreement with EDB includes certain financial covenants such as Debt to EBITDA and Interest coverage ratio calculated semi-annually based on the consolidated results of the Group. In addition, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody’s) of at least BB. As at 31 December 2023, these covenants were met.

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 millions 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 16)**	**Total**	**Borrowings and debt securities issued**	**Lease liabilities (Note 16)**	**Total**
As at 1 January	**1,687,331**	**53,082**	**1,740,413**	**1,577,212**	**59,798**	**1,637,010**
Changes due to cash flows from financing activities						
Loan principal payments	(367,320)	-	(367,320)	(956,465)	-	(956,465)
Proceeds from borrowings	808,731	-	808,731	1,137,878	-	1,137,878
Lease liability payments	-	(21,690)	(21,690)	-	(17,334)	(17,334)
Total changes due to cash flows from financing activities	**441,411**	**(21,690)**	**419,721**	**181,413**	**(17,334)**	**164,079**
Other changes						
Effect of changes in foreign currency exchange rates	13,862	43	13,905	30,789	383	31,172
Cash flow hedging	-	-	-	2,445	-	2,445
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	114,106	-	114,106	5,706	-	5,706
New lease agreements	-	24,334	24,334	-	7,301	7,301
Adjustment to the fair value of loans received from the Shareholder at rates lower than market (Note 14)	(177,932)	-	(177,932)	(118,380)	-	(118,380)
Interest costs and discount amortisation, including capitalised	188,583	8,995	197,578	139,366	8,321	147,687
Interest paid	(144,301)	(6,252)	(150,553)	(113,137)	(6,438)	(119,575)
Other changes	(5,513)	12,994	7,481	(18,083)	1,051	(17,032)
Total other changes attributable to liabilities	**(11,195)**	**40,114**	**28,919**	**(71,294)**	**10,618**	**(60,676)**
As at 31 December	**2,117,547**	**71,506**	**2,189,053**	**1,687,331**	**53,082**	**1,740,413**

(in millions of tenge, unless stated otherwise)

16. LEASE LIABILITIES

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

	2023		2022	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	18,461	16,951	14,966	14,221
2-5 years inclusive	47,066	26,930	39,458	23,717
Over 5 years	100,304	27,625	62,242	15,144
Total	**165,831**	**71,506**	**116,666**	**53,082**
Less unearned interest	(94,325)	-	(63,584)	-
Present cost of lease liabilities	**71,506**	**71,506**	**53,082**	**53,082**
Less amounts due within 12 months		(16,951)		(14,221)
Amount due after 12 months		**54,555**		**38,861**

As at 31 December 2023, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2022: 1.69%-21.69%).

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

Finance lease agreements (hereinafter – "lease agreements") with Industrial Development Fund JSC

Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat carriages with a total value of 47,391 million tenge (taking into account the additional agreement dated 29 September 2023) and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2023, within the framework of the agreement, the Group received 393 flat carriages and recognised right-of-use assets of 9,683 million tenge for 32 years and a lease liability of 4,759 million tenge for 15 years.

Passenger carriages

In December 2022, the Group, represented by its subsidiary Passenger transportation JSC, under the implementation of the investment project "Purchase of passenger carriages", entered into an agreement for the lease of 11 passenger carriages with a total value of 7,427 million tenge and an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 6 passenger carriages and recognised right-of-use assets of 4,043 million tenge for 28 years and a lease liability of 2,581 million tenge for 20 years.

In September 2023, the Group, represented by its subsidiary Passenger Transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,796 million tenge and an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 38 passenger carriages and recognised right-of-use assets of 24,402 million tenge for 40 years and a lease liability of 10,832 million tenge for 15 years.

Freight open wagons

In July 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125 million tenge and an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 242 open wagons and recognised right-of-use assets of 7,109 million tenge for 22 years and a lease liability of 5,040 million tenge for 14 years.

Lease agreements and their violation

The requirements of the Group's lease agreements, represented by the subsidiaries KTZ Express JSC, Passenger transportation JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, incorporate restrictive terms with respect to changing legal status through voluntary liquidation; concluding a transaction or several transactions where the value exceeds 10-25% of the carrying amount of assets; subleasing lease subjects or a part of them. In the event of a default as defined by the lease agreements, the lessor is entitled to demand the indisputable requisition of lease items.

17. EMPLOYEE BENEFIT OBLIGATIONS

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

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

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

(in millions of tenge, unless stated otherwise)

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

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

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

Post-employment defined employee benefits:

- a one-time retirement payment;
- a one-time payment for the early employment agreement termination that depends on work experience in the industry, in accordance with Rules No. 1;
- a 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.

Other long-term employee benefits:

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

The programs are unfunded. Group 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	37,396	37,406
Current portion of employee benefit obligations	7,608	6,213
Total liabilities as at the end of the year	**45,004**	**43,619**

(in millions of tenge, unless stated otherwise)

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

	2023	2022
Total liabilities at the beginning of the year	43,619	46,183
Current service cost	1,888	1,347
Past service cost	-	218
Interest costs	4,624	4,804
Actuarial loss on other long-term employee benefits	427	2,774
Total expenses recognised in profit or loss	6,939	9,143
Actuarial revaluation recognised in other comprehensive income:	540	(4,214)
- change in financial assumptions	*(330)*	*(25)*
- experience-based adjustments	*(922)*	*(4,219)*
- change in demographic assumptions	*1,792*	*30*
Payments made for the year	(6,094)	(7,493)
Total liabilities as at the end of the year	**45,004**	**43,619**

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)	6,611	8,745
General and administrative expenses (Note 25)	328	398
Total recognised in profit or loss for the year	**6,939**	**9,143**

The Group's obligations were estimated based on published statistical data regarding mortality and actual Group data concerning employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.6 years for men and 18.7 years for women.

Other significant actuarial assumptions as at the reporting date for the consolidated 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 8.9% caused by an inflation rate increase of 1%, and 8.3% caused by a discount rate decrease of 1%.

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

(in millions of tenge, unless stated otherwise)

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

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

18. CORPORATE INCOME TAX

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

	2023	2022
Current income tax expenses	6,013	4,249
Adjustment of income tax for prior years	(227)	1,224
Income tax paid withheld	-	471
Deferred income tax expense	17,450	13,105
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,363	12,492
	24,599	**31,541**

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	161,383	68,424
Official tax rate	20%	20%
Calculated tax expense at the official rate	32,277	13,685
Tax effect of non-deductible expenses/(non-taxable income) for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	(227)	1,224
(Non-taxable income)/non-deductible expenses	(8,814)	4,140
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,363	12,492
Income tax expense recognised in profit or loss	**24,599**	**31,541**

(in millions of tenge, unless stated otherwise)

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

	31 December 2023	31 December 2022
Deferred tax assets:		
Tax losses carried forward	125,893	111,009
Accrued employee liabilities	7,135	5,712
Derivative financial instruments	7,036	-
Financial guarantee contract liabilities	5,707	5,999
Accounts receivable	3,959	5,999
Discount on loan accounts receivable	580	1,449
Other	4,694	5,865
	155,004	**136,033**
Less: deferred tax assets offset against deferred tax liabilities	(154,944)	(135,970)
Deferred tax assets	**60**	**63**
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(457,336)	(414,171)
Fair value adjustment to borrowings received from the Shareholder at rates below market	(109,488)	(79,277)
Other	(8)	(13)
	(566,832)	**(493,461)**
Less: deferred tax liabilities offset against deferred tax assets	154,944	135,970
Deferred tax liabilities	**(411,888)**	**(357,491)**
Total net deferred tax liabilities	**(411,828)**	**(357,428)**

	2023	2022
Net deferred tax liabilities as at the beginning of the year	(357,428)	(308,155)
Recognised in profit or loss	(18,813)	(25,597)
Recognised in equity (Note 14)	(35,587)	(23,676)
Net deferred tax liabilities as at the end of the year	**(411,828)**	**(357,428)**

The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2023, the total tax effect of unrecognised tax losses carried forward amounted to 420 million tenge (31 December 2022: 20,743 million tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

(in millions of tenge, unless stated otherwise)

19. TRADE ACCOUNTS PAYABLE

	31 December 2023	31 December 2022
Accounts payable for services provided	92,628	65,252
Accounts payable for inventories received	56,961	27,108
Accounts payable for the supply of property, plant and equipment	46,789	21,100
Other accounts payable	4,591	3,747
	200,969	**117,207**

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

	2023	2022
Tenge	174,516	99,615
US$	10,018	11,494
Euros	9,542	4,463
UAE Dirham	5,899	-
In other currencies	994	1,635
	200,969	**117,207**

The average turnover period for accounts payable is 38 days (2022: 35 days).

20. CONTRACT LIABILITIES

	31 December 2023	31 December 2022
Advances received on contracts with customers	105,103	102,035
Deferred income	10,765	17,358
	115,868	**119,393**

Revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 100,494 million tenge (2022: 90,290 million tenge).

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

(in millions of tenge, unless stated otherwise)

21. OTHER LIABILITIES

	31 December 2023	31 December 2022
Deferred income (government grants)	44,804	27,803
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	12,530	11,325
Advances received	10,015	12,738
Provisions	2,611	2,460
Others	3,397	2,077
Total other non-financial liabilities	**73,357**	**56,403**
Provisions for unused vacation and other employee benefits	36,225	28,712
Financial guarantee contract liabilities	28,536	29,997
Salary payable	15,511	10,006
Others	15,059	6,854
Total other financial liabilities	**95,331**	**75,569**
	168,688	**131,972**
Current portion of other liabilities	98,910	76,972
Non-current portion of other liabilities	69,778	55,000
	168,688	**131,972**

As disclosed in Note 28, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 December 2023, liabilities under financial guarantee agreements amounted to 15,315 million tenge for Nursultan Nazarbayev International Airport JSC, 13,202 million tenge for Aktobe Rail and Section Mill Plant LLP and 19 million tenge for Transtelecom JSC (31 December 2022: 15,549 million tenge for Nursultan Nazarbayev International Airport JSC, 14,067 million tenge for Aktobe Rail and Section Mill Plant LLP and 381 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 December 2023, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

As at 31 December 2023 and 2022 provisions 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 financial liabilities were primarily denominated in tenge.

(in millions of tenge, unless stated otherwise)

22. REVENUE

In 2023 and 2022, revenue from freight transportation included:

	2023	2022
Revenue from contracts with customers:		
International (transit) routes	655,888	447,507
Domestic routes	439,857	361,723
International (export) routes	274,069	220,322
International (import) routes	185,758	149,848
Additional charges related to the transportation process	60,675	54,684
Other revenue from freight transportation	66,303	49,429
	1,682,550	**1,283,513**

In 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million tenge attributable to the hedging instrument was reclassified from other comprehensive income to freight transportation revenue (Note 14).

Revenue from freight transportation is recognised over time.

In 2023 and 2022, revenue from passenger transportation included:

	2023	2022
Revenue from contracts with customers:		
Passenger transportation	89,866	78,732
Other revenue from passenger transportation	11,816	9,689
	101,682	**88,421**

Revenue from passenger transportation of 1,449 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2022: 1,229 million tenge), and 100,233 million tenge was recognised over time (2022: 87,192 million tenge).

23. OTHER REVENUE

	2023	2022
Revenue from the sale of goods and provision of other services	49,615	40,527
Revenue from the lease of carriages	45,953	17,492
Revenue from fines	10,475	8,656
Revenue from the lease of other property, plant and equipment	4,908	4,651
	110,951	**71,326**

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

(in millions of tenge, unless stated otherwise)

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

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

Revenue of 21,479 million tenge is recognised at a point in time (2022: 17,391 million tenge), and of 38,611 million tenge – over time (2022: 31,792 million tenge).

24. COST OF SALES

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacations	616,248	466,220
Repairs and maintenance	230,486	189,532
Fuel and lubricants	219,739	162,723
Depreciation and amortisation	151,593	141,425
Work and services of a production nature	76,025	70,134
Electricity	64,980	52,397
Materials and supplies	58,190	49,292
Property tax and other taxes, excluding social tax and social contributions	27,655	26,200
Employee benefit expenses and other long-term employee benefits (Note 17)	6,611	8,745
Utilities and building maintenance	5,891	3,998
Telecommunication services	2,631	3,244
Other costs	38,534	30,323
	1,498,583	**1,204,233**

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacation	67,433	57,033
Property tax and other taxes, excluding social tax and social contributions	7,853	9,583
Depreciation and amortisation	4,698	4,376
Various third party services	4,299	3,843
Expenses to hold celebrations and cultural and mass events	2,717	2,352
Business trip expenses	1,945	1,607
Consulting, audit and legal services	1,561	310
Repairs and maintenance	1,310	365
Lease expenses	936	1,222
Membership fee	855	839
Utilities and building maintenance	752	1,012
Telecommunication services	659	610
Insurance	583	570
Banking services	431	439
Expenses to maintain social sphere facilities	405	492
Materials	329	313
Employee benefit expenses and other long-term employee benefits (Note 17)	328	398
Other expenses	9,400	7,699
	106,494	**93,063**

(in millions of tenge, unless stated otherwise)

26. FINANCE INCOME AND COSTS

Finance income	**2023**	**2022**
Interest on cash and cash equivalents	12,209	10,059
Interest income on derivative financial instruments recognised at fair value through profit or loss (Note 31)	10,491	-
Interest rate state subsidies on financial liabilities	2,220	31,398
Guarantees issued	1,427	647
Income from written-off non-amortised portion of the premium on early repayment of bonds	-	16,890
Other finance income	5,874	2,105
	32,221	**61,099**

Finance costs	**2023**	**2022**
Interest costs and loan discount amortisation	161,945	133,660
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	35,182	564
Lease interest expenses	8,995	8,321
Other finance costs	2,243	2,315
	208,365	**144,860**

27. EARNINGS PER SHARE

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

	2023	**2022**
Weighted average of common shares	496,692,677	496,692,666
Profit for the year attributable to the Shareholder (million tenge)	133,508	34,887
Earnings per common share (tenge)	**269**	**70**
Net assets excluding intangible assets, goodwill and non-controlling interests	1,712,208	1,416,903
Quantity of common shares in circulation (registered)	496,693,666	496,692,666
Carrying amount of one share (tenge)[6]	**3,447**	**2,853**

28. FINANCIAL AND CONTINGENT LIABILITIES

Investment liabilities

As at 31 December 2023, the Group had investment liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC, overhaul of railway tracks and carriages, acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives, passenger carriages for a total amount of 1,867,649 million tenge (31 December 2022: 1,881,358 million tenge).

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

Liabilities under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform carriages for 29,700 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, platform carriages with a total value of 23,984 million tenge had not been delivered. The Group is working on the addendum to the lease agreement to reduce the volume of supply to the actually delivered quantity as at 31 December 2023 in the amount of 5,716 million tenge.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform carriages for 47,391 million tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered platform carriages was 5,077 million tenge.

In September 2023, the Group, represented by its subsidiary Passenger transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,796 million tenge. The lease term is 15 years, with an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered passenger carriages was 40,947 million tenge.

In August 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125 million tenge. The lease term is 14 years, with an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered open wagons was 81,016 million tenge.

Other contractual liabilities

As at 31 December 2023, the Group, represented by its subsidiary KTZ Express JSC, has an agreement in place to provide freight handling and freight storage services in the future. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 2023, the outflow of resources embodying economic benefits under this agreement is not highly probable.

Contingent liabilities

Litigation

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

Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 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 Group’s management believes that its interpretation of the Kazakhstan relevant legislation is appropriate and the Group’s tax positions will be sustained. However, tax authorities may take a different position on the interpretation of the effective Kazakhstan tax legislation, which may have a significant impact on the Group’s consolidated financial statements.

Insurance

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

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 Group's assets that belongs to rail track infrastructure into the second category. The sea port assets in Aktau city were also classified to the second category. The remaining assets of the Group were classified into the third and fourth categories. The Group’s management believes that its interpretation of the relevant legislation of the Republic of Kazakhstan is appropriate.

(in millions of tenge, unless stated otherwise)

No provision has been made in these consolidated financial statements as the Group's management assesses that there are no potential asset retirement and land reclamation obligations that could have a material effect on the consolidated financial position, results of operations or cash flows of the Group.

Guarantees

As at 31 December 2023, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,125
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernization in Astana	28 March 2018	until 2033	22,408
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	1,497

Note 21 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.

Financial guarantee 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 terms have been met.

(in millions of tenge, unless stated otherwise)

29. SUBSIDIARIES

Information on the composition of the Group is provided below:

			Ownership interest, %	
Subsidiary[7]	**Activities**	**Country**	**31 December 2023**	**31 December 2022**
1. Kaztemirtrans JSC	Freight carriage operation	Kazakhstan	100	100
2. Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4. KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
5. Kedentransservice JSC	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan	100	100
6. Temirzholsu JSC	Utilities	Kazakhstan	100	100
7. Militarised Railway Security LLP	Security	Kazakhstan	100	100
8. Aktau Sea Commercial Port National Company JSC [8]	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9. Port Kuryk LLP	Freight transhipment and vessel servicing	Kazakhstan	100	100
10. KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	100
11. KTZ Finance LLC	Bond issues to finance KTZ Group projects and operations	Russia	-	100

In January 2023, the Group completed the liquidation of its subsidiary KTZ Finance LLC.

30. RELATED PARTY TRANSACTIONS

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

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

[7] First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

[8] In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

(in millions of tenge, unless stated otherwise)

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

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties[9]
Amounts due from related parties for goods, services and non-current assets, including	2023	-	3,374	146	3,214
advances paid	2022	-	2,178	1,192	31
including allowances for expected credit losses	*2023*	-	*(425)*	*(100)*	*(60)*
and impairment of advances paid	*2022*	-	*(1,657)*	*(95)*	*(1)*
Amounts due to related parties for goods, services and non-current assets, including	2023	-	14,217	38,903	13,399
advances received	2022	-	21,927	4,845	14,437
Cash on current accounts	2023	-	-	112,141	-
	2022	-	-	162,854	-
Restricted cash	2023	-	-	-	202
	2022	-	-	-	208
Loans received	2023	768,615	-	-	125,449
	2022	588,984	-	-	74,949
Lease liabilities	2023	-	9,831	-	58,445
	2022	-	13,865	-	32,677
Financial guarantee	2023	-	19	-	15,315
contract liabilities	2022	-	381	-	15,549

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

(in millions of tenge, unless stated otherwise)

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

		Shareholder	Associates	Joint ventures	Companies making up the Shareholder group	Other related parties[9]
Sale of goods, services and non-current assets	2023	-	72,316	-	22,635	83,862
	2022	-	118,984	-	12,795	58,680
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	*2023*	-	1,233	-	(4)	(12)
	2022	-	(1,623)	-	(82)	-
Purchase of goods, services and non-current assets	2023	-	33,215	-	124,842	33,999
	2022	-	26,978	-	50,571	9,842
Receipt of loans	2023	336,309	-	-	-	-
	2022	603,762	-	-	-	-
Repayment of loans received	2023	1,175	-	-	-	4,629
	2022	31,175	-	-	-	1,077
New lease agreements (Group as lessee)	2023	-	1,121	-	-	23,213
	2022	-	95	-	-	6,928
Lease payments	2023	-	20,944	-	-	3,675
	2022	49	15,827	-	-	6,926
Finance income	2023	-	362	-	-	234
	2022	-	143	-	-	59
Finance costs	2023	34,564	2,523	-	-	14,482
	2022	14,561	2,632	-	-	11,387
Dividends due	2023	-	2,891	-	-	-
	2022	-	8,726	-	-	-
Share capital contribution	2023	24,310	5,196	1,116	-	-
	2022	239	-	58	-	-

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

In 2023, the Group issued bonds in favour of the Shareholder in the amount of 173,709 million tenge (Note 15) (2022: 882,978,000 US Dollars (410,903 million tenge) and 162,859 million tenge).

As at 31 December 2022, the Group has borrowings from Industrial Development Fund JSC, Development Bank of Kazakhstan JSC and EDB for a total of 125,449 million tenge (31 December 2022: 74,949 million tenge).

As at 31 December 2023 and 2022, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 21 and 28).

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

Transactions with Shareholder group companies, associates and joint ventures and other related parties mainly comprise transactions with KazMunaiGas National Company JSC (diesel fuel and gasoline), 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). The Group also provides freight transportation services and lease of rolling stock to Shareholder group companies, associates and joint ventures, as well as other related parties.

Compensation to key management personnel of the Group

As at 31 December 2023, key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 persons (31 December 2022: 16 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 790 million tenge for the year ended 31 December 2023 (2022: 577 million tenge). Compensation to key management personnel mainly consists of contractual salary costs, including related taxes and contributions, unused vacation allowance and other performance-based payments.

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

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

Capital risk management

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

There are no mandatory minimum capital requirements for the Group.

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

(in millions of tenge, unless stated otherwise)

Financial risk management objectives

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

Market risk

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

Interest rate risk

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

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

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

	31 December 2023		31 December 2022	
	Interest rate increase / (decrease) in basis points [10]	**Effect on pre-tax profit/equity**	**Interest rate increase / (decrease) in basis points[9]**	**Effect on pre-tax profit/equity**
Tenge borrowings	397/(397)	(11,483)/11,483	245/(245)	(7,786)/7,786
Euros borrowings	397/(397)	(5,461)/5,461	-	-
Swiss Francs borrowings	397/(397)	(10,124)/10,124	-	-

Currency risk

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

[10] 1 basis point 0.01%

(in millions of tenge, unless stated otherwise)

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US$, Swiss Francs and Euros. A change in the tenge value against the US$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2023, the Group incurred a foreign exchange loss of 14,124 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2022: 34,143 million tenge).

The following table reflects the sensitivity of the Group's profit before tax and equity to potential changes in the US$, Euro, Russian Rouble, Swiss Francs and other exchange rates, provided all other parameters remain 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**
US$	14%/(14%)	(50,417)/50,417	21%/(21%)	(76,838)/76,838
Euros	13%/(13%)	(25,100)/25,100	18%/(18%)	(10,616)/10,616
Russian Roubles	29%/(29%)	(14,311)/14,311	22%/(22%)	624/(624)
Swiss Francs	17%(17%)	(43,048)/43,048	25%/(25%)	(31,511)/31,511
In other currencies	17%/(17%)	(569)/569	25%/(25%)	207/(207)

In October-November 2022, the Group 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 Group 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 Group 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 (8,146 million tenge) and 4,485,525 Swiss Francs (2,345 million 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 (35,719 million tenge) was recognised within non-current liabilities (31 December 2022: within other long-term assets of 58,693 US Dollars (27 million tenge) and within non-current liabilities of 1,220,034 US Dollars (564 million tenge)). The change in fair value of derivative financial instruments for the year ended 31 December 2023 was recognised in finance costs of 35,182 million tenge.

Credit risk

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

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

As at 31 December 2023, cash held by the Group on current accounts in Kazpost JSC, a related party of the Group (54.8% 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' (26.2% of cash and cash equivalents).

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

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

Liquidity risk

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

As at 31 December 2023, the Group has credit lines available in Halyk Bank of Kazakhstan JSC and ForteBank JSC with undrawn balances totalling 131,000 million tenge (31 December 2022: in Halyk Bank of Kazakhstan JSC and ForteBank JSC for the total amount of 95,500 million tenge).

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

(in millions of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months–1 year	1-5 years	Over 5 years	Total
2023						
Interest-free:						
Accounts payable	190,389	195	10,385	-	-	200,969
Other liabilities	15,511	36,225	15,059	-	-	66,795
Interest-bearing:						
Borrowings	44,504	14,034	412,197	1,258,817	2,257,050	3,986,602
Lease	3,250	1,310	13,901	47,066	100,304	165,831
Derivative financial instruments	-	-	(10,364)	49,442	-	39,078
Financial guarantees	-	3,064	3,783	35,314	36,728	78,889
	253,654	**54,828**	**444,961**	**1,390,639**	**2,394,082**	**4,538,164**
2022						
Interest-free:						
Accounts payable	106,170	745	10,292	-	-	117,207
Other liabilities	10,006	28,712	6,854	-	-	45,572
Interest-bearing:						
Borrowings	28,341	14,723	319,327	1,241,732	1,512,975	3,117,098
Lease	3,556	4,523	6,887	39,458	62,242	116,666
Derivative financial instruments	-	-	(6,626)	8,280	-	1,654
Financial guarantees	-	2,088	3,839	33,353	45,938	85,218
	148,073	**50,791**	**340,573**	**1,322,823**	**1,621,155**	**3,483,415**

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

(in millions of tenge, unless stated otherwise)

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

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity[11]	Total
2023						
Interest-bearing:						
Short-term deposits	67,233	-	-	-	7	67,240
Interest on short-term deposits	106	-	-	-	-	106
Cash and cash equivalents	1,110	-	-	-	9	1,119
Loans issued	777	-	3,615	1,191	3,092	8,675
Interest-free:						
Cash and cash equivalents	136,220	-	-	-	-	136,220
Restricted cash	-	-	6,788	14,175	1	20,964
Trade accounts receivable	15,107	1,184	35	26	3,964	20,316
	220,553	**1,184**	**10,438**	**15,392**	**7,073**	**254,640**

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity[10]	Total
2022						
Interest-bearing:						
Short-term deposits	68,123	-	-	-	24	68,147
Interest on short-term deposits	330	-	-	-	-	330
Cash and cash equivalents	6,327	-	-	-	10	6,337
Loans issued	-	-	-	5,562	3,113	8,675
Interest-free:						
Cash and cash equivalents	192,466	-	-	-	-	192,466
Restricted cash	-	-	6,096	14,010	-	20,106
Trade accounts receivable	14,212	509	52	39	7,593	22,405
	281,458	**509**	**6,148**	**19,611**	**10,740**	**318,466**

Fair value of financial instruments

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

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

Cash and cash equivalents

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

[11] Amounts with unspecified maturities represent the amounts which were provided for expected credit losses

(in millions of tenge, unless stated otherwise)

Financial assets and liabilities

For assets and liabilities maturing within 12 months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

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

Derivative financial instruments

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 Group's bank loans are mostly provided by international financial institutions and foreign banks. Although interest rates on these borrowings are lower than interest rates of private commercial credit institutions in Kazakhstan, they are treated as the market interest rate for this lender category. The fair value of debt securities issued (bonds) has been determined based on market prices at the reporting date.

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

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

	2023		**2022**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans issued	4,577	4,257	3,752	2,895
Other financial assets	22,037	20,320	21,202	21,250
Borrowings	851,990	821,326	453,174	411,124
Debt securities	1,265,557	1,182,596	1,234,157	1,214,807

(in millions of tenge, unless stated otherwise)

Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	4,257	-	4,257
- other financial assets	-	20,247	-	20,247
Financial assets recognised at fair value through profit of loss:				
- other financial assets	-	-	73	73
Total	**-**	**24,504**	**73**	**24,577**
Financial liabilities recognised at amortised cost:				
- debt securities	-	564,075	-	564,075
- debt securities from the Shareholder	-	618,521	-	618,521
- bank loans	-	752,077	-	752,077
- loans from the Shareholder	-	69,249	-	69,249
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	35,719	-	35,719
Total	**-**	**2,039,641**	**-**	**2,039,641**

(in millions 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	-	2,895	-	2,895
- other financial assets	-	21,177	-	21,177
Financial assets recognised at fair value through profit of loss:				
- other financial assets	-	27	73	100
Total	**-**	**24,099**	**73**	**24,172**
Financial liabilities recognised at amortised cost:				
- debt securities	-	695,718	-	695,718
- debt securities from the Shareholder	-	519,089	-	519,089
- bank loans	-	349,888	-	349,888
- loans from the Shareholder	-	61,236	-	61,236
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	564	-	564
Total	**-**	**1,626,495**	**-**	**1,626,495**

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 Group 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 Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated 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 Group, represented by 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 million 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 Group recorded the transaction as a derecognition of the original financial liability and recognition of a new financial liability.

In February-March 2024, the Group, represented by the subsidiary KTZ-Freight transportation LLP, under a loan agreement with EDB concluded on 11 May 2023, to finance the purchase freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles, borrowed 2,334,466,200 Russian Roubles (11,547 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

In February 2024, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with Societe Generale and Natixis under the guarantee of export credit agency BPIfrance dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total amount of 627,110,893 Euros, borrowed 35,650,241 Euros (17,386 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.