

Kedentransservice JSC

Consolidated financial statements

*For the year ended 31 December 2023
together with independent auditor's report*

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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


- Properly selecting and applying appropriate 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 requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the group's ability to continue as a going concern.

The Group's management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, across 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 information about the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking all reasonably available measures to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.


These consolidated financial statements for the year ended 31 December 2023 were approved on 20 February 2024 by the management of Kedentransservice JSC.

On behalf of Management of the Group:


N.S. Dyusembinov
Acting General Director/Deputy
General Director of Economics and
Finance



20 February 2024


A.T. Kerimbayeva
Chief Accountant - Accounting
Department Director

20 February 2024



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Independent auditor's report

To the Shareholder and the Board of Directors of Kedentransservice JSC

Opinion

We have audited the consolidated financial statements of Kedentransservice JSC and its subsidiary (hereinafter, 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 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, 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.

Responsibilities of management and the audit committee 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.

The audit committee is 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.

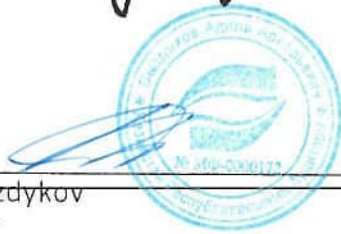
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ 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.
- ▶ 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 the audit committee 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.

Ernst & Young LLP



Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ 0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

20 February 2024



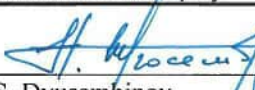
Rustamzhan Sattarov
General Director
Ernst & Young LLP

State Audit License for audit activities on the
territory of the Republic of Kazakhstan:
series МФЮ-2, № 0000003, issued by the
Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

<i>In thousands of tenge</i>	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property and equipment	6	14,961,036	40,223,638
Intangible assets	9	261,558	259,041
Investment property	7	4,453,005	4,504,132
Investments		5,136,468	-
Right-of-use assets	8	326,644	628,429
Other non-current assets		471,831	3,643
Total non-current assets		25,610,542	45,618,883
Current assets			
Inventories	10	1,304,394	796,046
Trade receivables	11	5,586,911	1,735,389
Accounts receivable from related parties	31	5,078,895	1,486,002
Income tax prepaid	29	976,744	581
Advances paid	12	1,160,697	372,872
Advances paid to related parties	31	13,234,471	3,966,728
Taxes recoverable	13	1,298,422	953,300
Other accounts receivable		211,392	124,421
Short-term financial investments	14	394,142	6,992,567
Cash and cash equivalents	15	10,725,733	16,448,381
Total current assets		39,971,801	32,876,287
Total assets		65,582,343	78,495,170
Equity			
Share capital	17	3,401,430	1,255,242
Foreign currency translation reserve		(33,732)	-
Retained earnings		37,505,064	40,509,431
Total equity		40,872,762	41,764,673
Liabilities			
Non-current liabilities			
Non-current bond liabilities	23	-	21,848,328
Deferred income - non-current portion		-	277,791
Non-current liabilities on employee benefits	21	101,401	296,700
Deferred income tax liabilities	29	811,468	2,821,271
Lease liabilities	22	268,076	602,392
Total non-current liabilities		1,180,945	25,846,482
Current liabilities			
Current portion of lease liabilities	22	242,007	240,796
Trade accounts payable	18	3,216,900	2,453,156
Accounts payable to related parties	31	565,866	454,354
Current liabilities on employee benefits	21	12,097	28,449
Current portion of bond liabilities	23	-	533,311
Corporate income tax payable		-	102,222
Taxes payable		176,119	56,462
Deferred income - current portion		-	9,731
Contract liabilities with customers	20	16,430,110	5,054,403
Contract liabilities with related parties		1,300,269	21,994
Other accounts payable and accrued liabilities	19	1,585,268	1,929,137
Total current liabilities		23,528,636	10,884,015
Total liabilities		24,709,581	36,730,497
Total liabilities and equity		65,582,343	78,495,170


N.S. Dyusembinov
Acting General Director/Deputy
General Director of Economics and
Finance




A.T. Kerimbayeva
Chief Accountant - Accounting
Department Director

20 February 2024

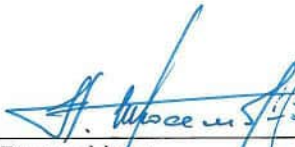
20 February 2024

The explanatory notes to the accounting policies on pages 6 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


For the year ended 31 December 2023

In thousands of tenge	Note	2023	2022
Revenue from operating activities	24	46,339,385	44,016,528
Other operating income		411,097	458,011
Operating expenses	25	(33,000,868)	(26,043,965)
Foreign exchange (loss)/gain		(434,838)	359,692
Finance costs	27	(2,033,973)	(2,296,059)
Finance income	28	1,834,374	513,431
Accrual of provision for expected credit losses	26	(85,135)	(79,009)
Share in loss of an associate		(26,288)	-
Profit before taxes		13,003,754	16,928,629
Income tax expenses	29	(2,653,306)	(3,426,949)
Profit for the year		10,350,448	13,501,680
Other comprehensive income			
<i>Items that will subsequently be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(33,732)	-
<i>Items that will not subsequently be reclassified to profit or loss:</i>			
Reassessment of post-employment benefit obligations		164,689	(21,019)
Other comprehensive income/(loss) for the year, net of taxes		130,957	(21,019)
Total comprehensive income for the year, net of taxes		10,481,405	13,480,661


 N.S. Dyusembinov
 Acting General Director/Deputy
 General Director of Economics and
 Finance



20 February 2024


 A.T. Kerimbayeva
 Chief Accountant - Accounting
 Department Director


20 February 2024

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the year ended 31 December 2023

<i>In thousands of tenge</i>	Note	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
Balance as of 1 January 2022		1,255,242	-	29,751,784	31,007,026
Profit for the year		-	-	13,501,680	13,501,680
Total other comprehensive loss		-	-	(21,019)	(21,019)
Total comprehensive income for the year		-	-	13,480,661	13,480,661
Dividends	17	-	-	(2,723,014)	(2,723,014)
Balance as at 31 December 2022		1,255,242	-	40,509,431	41,764,673
Profit for the year		-	-	10,350,448	10,350,448
Total other comprehensive income		-	(33,732)	164,689	130,957
Total comprehensive income for the year		-	(33,732)	10,515,137	10,481,405
Contribution to the charter capital		2,146,188	-	(17,824)	2,128,364
Dividends	17	-	-	(13,501,680)	(13,501,680)
Balance as at 31 December 2023		3,401,430	(33,732)	37,505,064	40,872,762


N.S. Dyusembinov
Acting General Director/Deputy
General Director of Economics and
Finance

20 February 2024




A.T. Kerimbayeva
Chief Accountant - Accounting
Department Director

20 February 2024

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

<i>In thousands of tenge</i>	Note	2023	2022
Operating activities:			
Profit before taxes		13,003,754	16,928,629
Adjustments for:			
Finance costs	27	2,033,973	2,296,059
Finance income	28	(1,834,374)	(513,431)
Depreciation and amortization	25	2,403,345	2,798,725
Accrual of provision for expected credit losses	26	85,135	79,009
Reversal of provision for unused vacations and bonuses		(538,798)	(115,068)
Loss from impairment of non-financial assets		187,597	94,980
Loss from disposal of property, plant and equipment		133,060	5,946
Employee benefit obligations		-	(21,019)
Share in loss of an associate		26,288	-
Foreign exchange loss/(gain)		434,838	(359,692)
		15,934,818	21,194,138
Adjustments of working capital			
Change in trade receivables and receivables from related parties		(2,960,839)	(362,128)
Changes in advances paid and advances paid to related parties		(10,032,415)	(1,060,157)
Change in taxes recoverable		(242,327)	(133,914)
Change in other accounts receivable		(5,695)	(47,344)
Change in inventories		(666,338)	(68,118)
Change in trade payables and payables to related parties		406,983	674,492
Change in other accounts payable and liabilities charged		166,188	270,011
Change in liabilities under contracts with customers		12,653,982	2,892,406
Change in taxes payable		17,435	(10,155)
Change in other assets		1,151	(14,340)
		15,272,943	23,334,891
Income tax paid		(5,516,146)	(1,304,876)
Interest paid		(2,023,095)	(2,174,505)
Interest received		1,280,230	412,123
Net cash flows from operating activities		9,013,932	20,267,633
Investing activities:			
Purchase of property, plant and equipment and advances paid for property, plant and equipment		(1,900,200)	(1,609,437)
Purchase of intangible assets		-	(119,660)
Financial aid given	14	(2,643,539)	(13,528,120)
Financial aid repaid	14	9,248,996	7,000,000
Investments in an associate		(5,196,488)	-
Proceeds from sale of other non-current assets		-	425,350
Other		-	1,000
Net cash flows used in investing activities		(491,231)	(7,830,867)
Financing activities:			
Dividends paid	17	(13,501,680)	(2,723,014)
Repayment of borrowings		-	(5,064,317)
Repayment of lease liabilities	22	(367,101)	(307,835)
Net cash flows used in financing activities		(13,868,781)	(8,095,166)
Net change in cash and cash equivalents		(5,346,080)	4,341,600
Cash and cash equivalents, beginning		16,448,381	11,659,227
Effect of changes in expected credit loss allowance		247	(14)
Effect of exchange rate changes on balance of cash and cash equivalents in foreign currency		(376,815)	447,568
Cash and cash equivalents, ending		10,725,733	16,448,381

The explanatory notes to the accounting policies on pages 6 to 41 are an integral part of these consolidated financial statements.

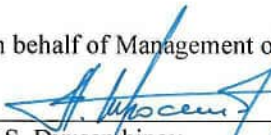
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Non-cash transactions:

During 2023, the Group transferred bond obligations in the amount of 21,848,328 thousand tenge and property and equipment in the amount of 26,502,913 thousand tenge. As a result of this transaction, the Group recognized accounts receivable from related parties in the amount of 4,654,585 thousand tenge (*Notes 6*).


During 2023, the Group received property and equipment with a fair value of 2,128,364 thousand tenge as a contribution to the charter capital (*Note 6 and 17*).

On behalf of Management of the Group:


N.S. Dyusembinov
Acting General Director/Deputy
General Director of Economics and
Finance

20 February 2024




A.T. Kerimbayeva
Chief Accountant - Accounting
Department Director

20 February 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2023****1. GENERAL INFORMATION**

Kedentransservice Joint Stock Company (the “Company”) was incorporated on 11 December 1997 according to resolution of the Government of the Republic of Kazakhstan #1750 in the form of a state republican enterprise. According to resolution of the Government of the Republic of Kazakhstan # 864 dated 26 June 1999 the state republican enterprise was transformed into a closed joint stock company Kedentransservice. On 15 July 2004, the Company was re-registered into a joint stock company.

The Company holds a 100% stake in a subsidiary of Transport Holding of Kazakhstan LLP. The subsidiary provides transshipment services and carries out other activities related to railway transportation in the Republic of Kazakhstan.

The Company and its subsidiary (jointly the “Group”) perform the following types of operating activities:

- Transport and forwarding services;
- Handling of railcars;
- Terminal services;
- Rent;
- Other.

The Company has 14 branches located in Nur-Sultan, Karaganda, Kostanay, Pavlodar, Ust-Kamenogorsk, Shymkent, Atyrau, Kyzyl-Orda, Taraz, Uralsk, Aktobe, Almaty, Dostyk station, Aktogai, 3 representative offices in в XUAR (China) in the Republic of Uzbekistan and in the Republic of Belarus.

The Company is the parent of the subsidiary operating in the Republic of Kazakhstan:

Entity's name	Principal activity	Company's share interest	
		31 December 2023	31 December 2022
Transport holding of Kazakhstan LLP	Activity in the area of the railway industry	100%	100%

As at 31 December 2023 and 2022 NC Kazakhstan Temir Zholy JSC is the Company's sole shareholder. The ultimate controlling party is the Government of the Republic of Kazakhstan.

The Company's head office is at: 18, Dostyk St., Astana, Republic of Kazakhstan.

Operating environment

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of securities in the market. Ongoing political tension in the region, volatility of exchange rate has caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

Additionally, the transport sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control.

War in Ukraine

The war in Ukraine, which began in 2022, triggers a number of IFRS accounting considerations affecting the financial statements. A number of countries have imposed and continue to impose new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus, the situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in, or with Russia, Belarus or Ukraine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)**War in Ukraine (continued)**

The war itself and its direct or indirect effects can affect not only entities directly related to the warring countries, for example, through fluctuations in commodity prices and exchange rates, as well as through a protracted economic downturn. The overall effect of a continuing war and the imposition of new sanctions remains uncertain. Because it is also highly dependent on the nature of the activities of a particular entity, this consolidated special purpose financial information does not provide examples of possible effects.

The management is unable to foresee either the level or the period of changes in Kazakhstan economy, or to assess their possible influence on the financial position of the Group in future. Management believes that it is taking all necessary actions to maintain the sustainability and growth of the Group's business in current circumstances.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Tenge and all monetary amounts are rounded to the nearest thousand tenge, except when otherwise indicated.

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board ("IASB").

Preparation of the consolidated financial statements in accordance with IFRS requires to use certain critical accounting estimates as well as requires the management to use judgements on assumptions in the course of application of the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

Currency of presentation

The presentation currency of the Group is the national currency of the Republic of Kazakhstan - Kazakhstani Tenge ("Tenge"). The tenge exchange rates against other currencies as at 31 December 2023 were as follows: USD/KZT - 454.56, EUR/KZT - 502.24, RUB/KZT - 5.06 (31 December 2022: USD/KZT - 462.65, EUR/KZT - 492.86, RUB/KZT - 6.43).

3. MATERIAL ACCOUNTING POLICY INFORMATION**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent and its subsidiary as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns;

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Basis of consolidation (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Investment in an associate

The Group's share in profit or loss of an associate and a joint venture is shown directly in the statement of profit or loss beyond the operating profit. It represents profit or loss after taxes and accounting of non-controlling interests in subsidiaries of an associate or a joint venture.

~~The financial statements of an associate or a joint venture are prepared for the same reporting period as the Group's financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.~~

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Fair value measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- ▶ Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are revalued in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External appraisers are engaged to evaluate significant assets such as investment properties. Involvement of external appraisers is decided upon annually by the Group's management. Knowledge of the market, goodwill, independence, and conformity with professional standards are used as selection criteria. The Group's management decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

~~At each reporting date the Group's management analyses changes in the cost of assets and liabilities that should be reanalysed or reassessed in accordance with the Group's accounting policy. As a part of such analysis, the management of the Group checks main inputs used at the latest evaluation by comparing information used at evaluation with agreements and other relevant documents.~~

The management of the Group also compares changes in the fair value of each asset and liability with relevant external sources in order to determine the change relevancy. On an interim basis, the Group's management presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 32*.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Financial instruments – initial recognition and subsequent measurement (continued)***Financial assets(continued)**Initial recognition and measurement (continued)*

For a debt financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost include trade receivables, receivables from related parties and a loan to a parent included within other non-current financial investments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments - initial recognition and subsequent measurement (continued)***Financial assets (continued)**Impairment*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group used a provisioning allowance matrix based on its past experience of incurring credit losses, adjusted for forward-looking factors specific to the debtors and the general economic environment.

*Financial liabilities**Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated by the Group as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, payables to related parties, loan and bond liabilities.

Subsequent measurement

For purposes of subsequent measurement financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at amortized cost (loans and borrowings).

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

This category mainly includes interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Financial instruments - initial recognition and subsequent measurement (continued)***Financial liabilities (continued)**Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation. The cost of acquired property, plant and equipment represents the cost of the funds paid for the acquisition of the related assets, as well as other directly attributable costs incurred in delivering the assets and making the necessary preparations for their intended use.

Subsequent costs are recorded in the carrying amount of an asset or recognized as a separate asset accordingly only when it is highly probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Repairs and maintenance costs are charged to expenses of the current period. Expenditures for replacement of large units of components of PPE are capitalized together with simultaneous write-off of components to be replaced.

As at the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of fair value less costs to dispose an asset and its value in use. The carrying amount of an asset is reduced to the recoverable amount; the impairment loss is recorded in profit or loss for the year. An impairment loss recognised for an asset in prior periods is reversed (when necessary) if there has been a change in the accounting estimates used to determine the asset's value in use or its fair value less costs to dispose.

Gains or losses from disposal of property, plant and equipment shall mean the difference between the proceeds from sale and their carrying amounts and are recorded in profit or loss for the year.

Depreciation

Land is not depreciated. Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life of these assets as follows:

	Useful life (years)
Buildings	10-140 years
Constructions	10-100 years
Transfer units	15-59 years
Machinery and equipment	3-35 years
Vehicles, including	
- mobile transport	10-40 years
- automobile transport	4-15 years
Other property, plant and equipment	2-20 years

Construction in progress includes costs directly associated with the construction of property, plant and equipment, including corresponding allocation of directly related variable overhead expenses, incurred during construction. Depreciation of such assets is accrued on the same basis as for other property, plant and equipment and commences upon commissioning. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether impairment losses should be recognized.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Property, plant and equipment (continued)*****Investment property***

An investment property shall be recognised as an asset when, and only when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
- The cost of the investment property can be measured reliably.

An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property.

An investment property shall be measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The cost of self-constructed investment property is the cost as of the date of completion of construction or reconstruction. Earned rental income is reflected in profit or loss for the year as other operating income.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of these assets, which range from 2 to 7 years.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., on the date on which its recipient acquires control), or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net asset disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Impairment of property, plant and equipment and intangible assets

At each reporting date the Group assesses whether there is any evidence of possible impairment of the current value of property, plant and equipment and intangible assets. In case of detection of any evidence, the Group makes an estimate of an asset's recoverable amount to assess the impairment loss (if any). If an estimate of the recoverable value for an individual asset is not possible, the Group determines the recoverable amount of a cash generating unit to which an asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Intangible assets (continued)*****Impairment of property, plant and equipment and intangible assets (continued)***

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its current amount, the current amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is immediately recognized as an expense.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined based on weighted average cost method. Net realizable value is the expected selling price of something, less the costs of completion, marketing, selling, and transportation.

Value added tax (VAT)

Value added tax related to sales is payable to the budget on the earlier of: (a) the date of collection of receivables from customers or (b) the date of delivery of the goods or services to customers. VAT incurred on purchases may generally be recovered through offset against VAT related to sales upon receipt of a vendor's invoice. The tax authorities permit the settlement of VAT on a net basis. VAT payable and VAT paid is disclosed in the consolidated statement of financial position separately within assets and liabilities. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Share capital

~~Common shares for which dividends are declared at the discretion of the sole shareholder are recorded as equity.~~ Incremental costs relating directly to the issue of new shares are recorded in equity as a decrease (net of tax) of the amount received from the issue. Any excess of the fair value of consideration received over the par value of shares issued is recognised in equity as share premium.

Income tax

Income tax has been provided for in these consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. Income tax expenses/(income) comprise current and deferred taxes and are recognized in profit or loss for the year, unless they are required to be recognized in other comprehensive income or directly in equity because they relate to transactions that are also recognized in other comprehensive income or directly in equity in the same or in any other reporting period.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profit or loss for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are approved prior to the filing of the relevant tax returns. Taxes, apart from income tax, are recorded within operating expenses.

Deferred income tax is provided using the liability method on tax losses carry-forward and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilized. Deferred tax assets can be offset against tax liabilities only as part of each separate entity of the Group. Deferred tax assets for all deductible temporary differences and tax loss carry forwards are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their sale. The Group does not recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)***Income tax (continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the tax asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date. Measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, as at the reporting date, to recover or settle the carrying amount of its assets/(liabilities).

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity.

Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a consistent approach to the recognition and measurement of all leases, except for short-term leases and leases of low value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group leases various office premises, railroad platforms and vehicles. The contracts may include both lease and non-lease components. The Group allocates contract consideration between the lease and non-lease components based on their relative stand-alone transaction prices.

Assets arising from lease contracts are initially measured at present value.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs,
- The cost of restoring the asset to the condition required under the terms of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset: If the Group has a reasonable assurance that the purchase option will be exercised, the Group depreciates the right-of-use asset over the useful life of the underlying asset. The Group calculates depreciation of right-of-use assets on a straight-line basis over the estimated useful life, as follows:

	Useful life (years)
Buildings	7
Vehicles	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Right-of-use assets (continued)***Lease liabilities*

Liabilities arising from lease contracts are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a call option, provided that the group has reasonable assurance that the option will be exercised;
- Payments of termination penalties if the lease term reflects the Group's exercise of that option.

A number of the Group's leases include renewal and termination options. These terms are used to provide maximum operational flexibility in managing the assets used by the Group for its operations. Most of the renewal and termination options can only be exercised by the Group and not by the respective lessor. Renewal options (or time period beyond the period specified in the terms of the termination options) are included in the lease term only if there is reasonable assurance that the contract will be renewed (or will not be terminated). The estimate of the liability also includes lease payments to be made under renewal options if the renewal of the lease is reasonably certain.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases held by the Group, the Group uses the incremental borrowing rate, which is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- Where possible, uses information about recent third-party financing received by the Group as a baseline and adjusts it for changes in financing terms over the period since the third-party financing was received;
- Uses a build-up method where the valuation begins with a risk-free interest rate adjusted for credit risk;
- Makes lease-specific adjustments, such as lease term, country, currency and collateral.

The Group is exposed to potential increases in variable lease payments that depend on an index or rate, which are not reflected in the lease liability until they become effective. When changes in the lease payments that depend on an index or a rate become effective, the lease liability is remeasured with an adjustment to the value of the right-of-use asset.

Lease payments are separated into the liability's principal amount and finance costs. Finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments for short-term leases of equipment and vehicles and leases of any low-value assets are recognized as expenses in profit or loss on a straight-line basis. A short-term lease is a lease not exceeding 12 months. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Revenue recognition**

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized to the extent of the transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts and value added tax. In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and cost of sales (*Note 4*).

The Group recognizes revenue when contract liabilities are fulfilled based on the approved documents between the respective parties. On an annual basis, the Group performs an analysis of the effect of revenue recognition as services are provided. The carry-over effect on revenue on an annual basis overlaps incoming and outgoing balances to a greater extent. Management does not believe that this effect has a material impact on these consolidated financial statements.

The Group provides the following types of services:

Freight forwarding services are those that represent multiple performance obligations, in each individual buyer's application, because they are distinct, identifiable and there is no significant integration between them. For third-party services, including transportation services, management believes that the Group acts as an agent in these arrangements. Accordingly, the Group records revenue from customers on a net basis. In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and cost of sales (*Note 4*).

Operation of rolling stock - revenue from providing containers and cars for use is recognized in the reporting period as the services are rendered at the rates (prices) set out in the services agreement. Payment is made by the Customer in accordance with the terms and conditions of the contract for the operation of rolling stock;

~~Transshipment and securing of loads at Dostyk station - ensuring transshipment of cargo between rail cars, adapted for different gauge. Income from transshipment and cargo securing services is recognized in the reporting period, in which the services are provided;~~

Terminal activities - terminal services for cargo in cars and containers, including loading and unloading operations and other services. Income from terminal services are recognized in the reporting period in which the services are provided;

Lease - leasing freight yard infrastructure and railcars. Rental income is recognized in the reporting period in which the services are provided;

Warehousing and storage - provision of storage services for cargo, containers, and railcars at cargo terminals and temporary storage warehouses. Income from the storage of goods is recognized in the reporting period, in which services are provided.

Financing components

The Group does not expect to enter into contracts where the period between the delivery of the promised goods or services to the customer and the payment by the customer exceeds one year. Consequently, the Group does not adjust transaction prices for the effect of the time value of money.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

The Group offers its employees post-employment benefits (lump-sum retirement benefits, financial aid to retired employees) and other long-term employee benefits (financial aid to employees in case of disability, anniversaries and death) in accordance with the provisions of the collective agreement. Eligibility for post-employment benefits is generally based on the length of time remaining until retirement and whether the employee has a minimum number of years of service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)***Employee benefits (continued)***

The Group's post-employment benefits are unfunded defined benefit plans and are measured in accordance with IAS 19 *Employee Benefits*. Actuarial and investment risks for unfunded defined benefit plans are borne by the Group.

When estimating unfunded defined benefit pension plans, the amount of benefits due to employees for their service in the current and prior periods is initially determined and actuarial assumptions are made. The present value of defined benefit obligations and current service cost are then determined using the projected unit credit method.

The Group recognizes in profit or loss;

- Cost of services rendered in the current period;
- The cost of any past services, and the gain or loss arising on the settlement of plan liabilities; and
- Net interest related to liability of defined benefit pension plan.

The Group recognizes actuarial gains or losses on the remeasurement of the net defined benefit liability in other comprehensive income. Eligibility for other long-term employee benefits is contingent on the employee having a minimum length of service. Other long-term employee benefits are measured over the course of the employee's service using the same methodology that is used to calculate unfunded defined benefit pension plans.

In respect of other long-term employee benefits, the Group recognizes current and past service cost, net interest on net liability, actuarial gains or losses (revaluation of net liability) in profit or loss. In accordance with the legislative requirements of the Republic of Kazakhstan, the Group makes payments amounting to 10% of employee benefits, but not more than 350,000 tenge per month from 1 January 2023 to 31 December 2023 (300,000 tenge per month from 1 January 2022 to 31 December 2022), as contributions to the Unified Accumulative Pension Fund. Mandatory pension contributions are withheld from employee benefits. The Group does not have any other obligations on pension payments.

Foreign currencies

The Group's consolidated financial statements are presented in Tenge, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising from repayment or restatement of monetary items are included in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI, or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the current exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts of advance consideration, the Group determines the transaction date for each payment or receipt of advance consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)*New and amended standards and interpretations*

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise specified). The Group has not early applied standards, interpretations or amendments that have been issued but are not yet effective.

- Amendments to IAS 8 – Definition of Accounting Estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*
- 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*
- IFRS 17 *Insurance Contracts*

The above standards and interpretations did not have a material impact on the Group's consolidated financial statements of special purpose.

Standards issued but not yet effective

- Amendments to IFRS 16 - *Lease Liability in a Sale and Leaseback* (effective for accounting periods beginning on or after 1 January 2024);
- Amendments to IAS 1 - *Classification of Liabilities as Current or Non-Current* (effective for accounting periods beginning on or after 1 January 2024);
- Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements* (effective for accounting periods beginning on or after 1 January 2024);

The Group now evaluates the impact of the adoption of the amendments.

Critical accounting estimates and professional judgments in applying accounting policies

The Group uses estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are subject to constant analysis and are based on the past experience of the management and other factors including expectations regarding future events, which, as deemed, are reasonable in the existing circumstances. In applying accounting policies, management also uses judgments, other than those related to estimates. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Recognition of revenue from freight forwarding services

Freight forwarding services are those that represent multiple performance obligations, in each individual buyer's application, because they are distinct, identifiable and there is no significant integration between them. For third-party services, including transportation services, management believes that the Group acts as an agent under these arrangements and on that basis recognizes revenue in the net amount of consideration to which the Group is entitled in exchange for its services as an agent.

In the arrangements where the Group acts as an agent, third party expenses, including railway tariff, are excluded from both revenues and operating expenses. As a result of such accounting, the amount of railway tariff and third party services directly related to these types of services excluded from both revenue and operating expenses was 165,686 thousand tenge for the year ended 31 December 2023 (2022: 42,856,772 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)***Component accounting***

The Group evaluates components of property, plant and equipment for separate accounting purposes based on the principle of materiality of the cost of the component and based on significant differences in the remaining useful life of the component.

According to the instruction for maintenance of railcars and fitting platforms in operation, the Group performs capital repairs on a regular basis, due to the fact that capital repairs to restore serviceability and full or near full recovery of the asset's resource, capital repairs are a capitalizable type of repair. Therefore, costs of capital repairs are recognized as a component of property, plant and equipment when the costs are incurred. The cost of wheelsets is expensed when installed on a fixed asset; such wheelsets are accounted for as inventories in accordance with the Group's accounting policy.

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES***Impairment of non-financial assets***

The Group analyzes indicators of impairment of property, plant and equipment at each reporting date. Indicators of possible impairment of the current value of property, plant and equipment are identified as a result of planned inventories performed before the reporting date by the Group's technical services. In case of detection of any evidence, the Group makes an estimate of an asset's recoverable amount to assess the impairment loss (if any). If an estimate of the recoverable value for an individual asset is not possible, the Group determines the recoverable amount of a cash generating unit to which an asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its current amount, the current amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is immediately recognized as an expense of the period.

Based on the analysis performed the management of the Group did not identify any indicators of impairment of non-financial assets at the level of the cash generating unit as at 31 December 2023, however a loss on specific single impairment in the amount of 187,597 thousand tenge (2022: was recognized: 94,980 thousand tenge).

Determining the lease term of contracts – Group as lessee

The Group defines the lease term as a lease period not prematurely terminated, together with the periods for which the renewal option is provided, if it is reasonably certain that it will be exercised, or the periods for which the termination option is provided, if it is reasonably certain that it will not be exercised.

The Group has several lease contracts that include a termination option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to terminate. That is, it considers all relevant factors that create an economic incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING ESTIMATES AND PROFESSIONAL JUDGEMENTS IN APPLICATION OF ACCOUNTING POLICIES (continued)***Provision for expected credit losses of trade accounts receivable and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Information about the ECL for trade receivables of the Group and the assets under the contract is disclosed in *Note 11*.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of property, plant and equipment at each reporting date and, if expectations differ from previous estimates, the changes are accounted for prospectively as changes in the accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Measurement of financial instruments at fair value

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation models including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. For more details on the discontinued operation refer to *Note 32*.

5. SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The chief operating decision maker is the person or group of persons who allocates resources and assesses the performance for the entity.

(a) Description of products and services from which each reportable segment derives its revenue

The Group has 4 operating segments. These are based on the information contained in reports, which are regularly reviewed by shareholders in order to allocate funds as well as to measure their performance:

- Terminal services;
- Transport and forwarding services;
- Handling of railcars;
- Lease.

(b) Factors that management used to identify the reportable segments

The Group tracks several profitability metrics, including profit before tax. Profit before tax is the measure used for the purpose of resource allocation and assessment of segment performance. Other operations of the Group mainly include the sale of inventory and other support services provided along with transportation services, neither of which is sufficiently material to be presented separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. SEGMENT INFORMATION (continued)****(c) Geographical information**

Analysis of revenue by geographical location of customers:

	2023	2022
Kazakhstan	31,525,563	36,701,153
Germany	14,431,940	1,642,035
Russia	310,770	2,179,772
Lithuania	28,180	112,817
Belarus	25,450	-
Kyrgyzstan	5,965	230,918
Georgia	7,344	207,792
Latvia	-	2,900,433
Other countries	4,173	41,608
Total	46,339,385	44,016,528

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2023 is set out below:

<i>In thousands of tenge</i>	Terminal services	Transport and forwarding services	Handling of railcars	Lease	Other ¹	Total
Revenue from operating activities	13,115,963	3,231,354	28,634,660	1,149,566	207,842	46,339,385
Operating expenses	(11,835,757)	-	(17,779,725)	(46,813)	(3,338,573)	(33,000,868)
Other operating income	-	-	-	-	411,097	411,097
Foreign exchange loss	-	-	-	-	(434,838)	(434,838)
Finance costs	(57,254)	-	(1,894,353)	-	(82,366)	(2,033,973)
Finance income	49,245	-	287,522	-	1,497,607	1,834,374
Loss from impairment of financial assets	-	-	-	-	(85,135)	(85,135)
Share in loss of an associate accounted for under the equity method	-	-	-	-	(26,288)	(26,288)
Profit before taxes	1,272,197	3,231,354	9,248,104	1,102,753	(1,850,654)	13,003,754
Other key segment information						
Depreciation of property, plant and equipment and other non-current assets	(819,257)	-	(1,357,946)	-	(226,142)	(2,403,345)
Capital expenditures	166,229	-	-	-	-	166,229
Loss from impairment of non-financial assets (Note 25)	(187,597)	-	-	-	-	(187,597)

¹ Other segments include retained earnings such as other operating income, foreign exchange difference, which are analyzed at the Group level as a whole and are not allocated to operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. SEGMENT INFORMATION (continued)****(d) Information about reportable segment profit or loss, assets and liabilities (continued)**

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

<i>In thousands of tenge</i>	Terminal services	Transport and forwarding services	Handling of railcars	Lease	Other ²	Total
Revenue from operating activities	13,018,195	3,851,913	25,948,144	1,191,683	6,593	44,016,528
Operating expenses	(10,050,578)	–	(12,823,222)	(264,875)	(2,905,290)	(26,043,965)
Other operating income	–	–	–	–	458,011	458,011
Foreign exchange gain	–	–	–	–	359,692	359,692
Finance costs	(65,276)	–	(2,158,679)	–	(72,104)	(2,296,059)
Finance income	–	–	9,476	–	503,955	513,431
Loss from impairment of financial assets	–	–	–	–	(79,009)	(79,009)
Profit before taxes	2,902,341	3,851,913	10,975,719	926,808	(1,728,152)	16,928,629
Other key segment information						
Depreciation of property, plant and equipment and other non-current assets	(897,681)	–	(1,658,395)	–	(242,649)	(2,798,725)
Capital expenditures	243,677	–	–	–	–	243,677
Loss from impairment of non-financial assets (Note 25)	(94,980)	–	–	–	–	(94,980)

² Other segments include retained earnings such as other operating income, foreign exchange difference, which are analyzed at the Group level as a whole and are not allocated to operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. PROPERTY, PLANT AND EQUIPMENT**

As at 31 December 2023 and 2022, property, plant and equipment comprise the following:

<i>In thousands of tenge</i>	Land	Buildings	Construc- tions	Transfer devices	Machinery and equipment	Railway transport	Motor vehicles	Other	Construc- tion in progress	Total
Cost as at										
1 January 2022	331,230	3,568,415	7,611,447	251,952	6,184,146	31,924,649	1,566,581	339,325	1,115,256	52,893,001
Acquisitions	-	2,871	12,530	-	435,067	-	-	-	687,678	1,138,146
Disposals	-	-	(20,804)	-	(19,047)	-	-	(2,171)	-	(42,022)
Transfer from/to investment property	-	(7,049)	-	-	-	-	-	-	-	(7,049)
Internal transfers	-	-	168,697	-	41,400	33,580	-	-	(243,677)	-
As at 31 December 2022	331,230	3,564,237	7,771,870	251,952	6,641,566	31,958,229	1,566,581	337,154	1,559,257	53,982,076
Accumulated depreciation and impairment										
As at 1 January 2022	-	(813,308)	(2,052,741)	(157,100)	(3,642,362)	(2,335,511)	(982,157)	(222,489)	(1,055,513)	(11,261,181)
Depreciation charge for the year	-	(93,401)	(195,530)	(4,506)	(373,139)	(1,665,054)	(77,660)	(26,236)	-	(2,435,526)
Provision for impairment	-	-	(9,211)	-	(46,819)	-	(43,157)	-	-	(99,187)
Disposals	-	-	2,153	-	18,430	-	-	2,073	-	22,656
Transfer from/to IP	-	1,513	-	-	-	-	-	-	-	1,513
Reversal of impairment	-	-	13,287	-	-	-	-	-	-	13,287
As at 31 December 2022	-	(905,196)	(2,242,042)	(161,606)	(4,043,890)	(4,000,565)	(1,102,974)	(246,652)	(1,055,513)	(13,758,438)
Carrying amount										
As at 31 December 2022	331,230	2,659,041	5,529,828	90,346	2,597,676	27,957,664	463,607	90,502	503,744	40,223,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of tenge</i>	Land	Buildings	Construc- tions	Transfer devices	Machinery and equipment	Railway transport	Motor vehicles	Other	Construc- tion in progress	Total
Cost at										
1 January 2023	331,230	3,564,237	7,771,870	251,952	6,641,566	31,958,229	1,566,581	337,154	1,559,257	53,982,076
Acquisitions	62,697	2,044,331	22,666	-	352,395	-	126,970	157	863,611	3,472,827
Disposals	-	(358,521)	-	-	(40,059)	(31,842,961)	-	(3,725)	(59)	(32,245,325)
Transfer from/to investment property	(1,737)	-	-	-	-	-	-	-	-	(1,737)
Internal transfers	-	10,900	-	-	155,330	-	-	-	(166,230)	-
As at 31 December 2023	392,190	5,260,947	7,794,536	251,952	7,109,232	115,268	1,693,551	333,586	2,256,579	25,207,841
Accumulated depreciation and impairment										
As at 1 January 2023	-	(905,196)	(2,242,042)	(161,606)	(4,043,890)	(4,000,565)	(1,102,974)	(246,652)	(1,055,513)	(13,758,438)
Depreciation charge for the year	-	(58,880)	(171,749)	(3,914)	(358,069)	(1,364,464)	(84,386)	(26,590)	-	(2,068,052)
Provision for impairment	-	-	(1,145)	-	(11,233)	-	-	-	(17,230)	(29,608)
Disposals	-	278,270	-	-	33,596	5,293,742	-	3,685	-	5,609,293
As at 31 December 2023	-	(685,806)	(2,414,936)	(165,520)	(4,379,596)	(71,287)	(1,187,360)	(269,557)	(1,072,743)	(10,246,805)
Carrying amount										
As at 31 December 2023	392,190	4,575,141	5,379,600	86,432	2,729,636	43,981	506,191	64,029	1,183,836	14,961,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

In November 2023, the Company's share capital was increased by 42,142 shares (*Note 17*). Property, plant and equipment in the amount of 2,128,364 thousand tenge were transferred from branches of NC KTZ-Directorate of the Main Network JSC to pay for the purchased shares.

On 20 December 2023, the Group purchased a self-propelled wheeled loader for 257,349 thousand tenge.

On 4 December 2023, KTZ NC JSC, KTZ Express JSC and the Group signed an agreement on the transfer of the Group's obligations in the amount of 21,848,328 thousand tenge to KTZ Express JSC and the transfer of fitting platforms in the number of 4,401 units with a carrying amount of 26,502,913 thousand tenge. As a result of this transaction, the Group recognized accounts receivable from related parties in the amount of 4,654,585 thousand tenge.

During 2023, the Group capitalized the costs for reconstruction of PM-4 transshipment sites in the amount of 154,338 thousand tenge, for capital repairs of container yard at Altynkol station in the amount of 74,789 thousand tenge, for capital repairs of the administrative building in the amount of 463,344 thousand tenge, as well as for other capital repairs of tracks, fences and gantry cranes from other contractors.

As at 31 December 2023, the cost of fully depreciated property, plant and equipment amounted to 1,794,430 thousand tenge (31 December 2022: 2,113,372 thousand tenge).

7. INVESTMENT PROPERTY

<i>In thousands of tenge</i>	Buildings
Carrying amount as at 1 January 2022	4,905,114
Transfer from PPE	7,049
Carrying amount as at 31 December 2022	4,912,163
Accumulated depreciation as at 1 January 2022	(353,768)
Accrued for the year	(52,750)
Disposals	(1,513)
Accumulated depreciation as at 31 December 2022	(408,031)
Carrying amount as at 31 December 2022	4,504,132

<i>In thousands of tenge</i>	Land	Buildings	Total
Carrying amount as at 1 January 2023	-	4,912,163	4,912,163
Transfer from PPE	1,737	-	1,737
Internal transfers	-	59	59
Carrying amount as at 31 December 2023	1,737	4,912,222	4,913,959
Accumulated depreciation as at 1 January 2023	-	(408,031)	(408,031)
Accrued for the year	-	(52,923)	(52,923)
Accumulated depreciation as at 31 December 2023	-	(460,954)	(460,954)
Carrying amount as at 31 December 2023	1,737	4,451,268	4,453,005

The Group's investment property comprises commercial real estate in Astana and Almaty, as well as warehousing facilities in the Group's branches.

The largest investment property is a business center in Astana, which is not currently occupied, but is held for operating lease. Investment property in Almaty comprises a business center that is leased to the U.S. Consulate General by AP Property Management Company, based on a real estate trust management agreement dated 28 September 2018.

The Group engaged an accredited independent external appraiser Business Partner Consult LLP, who determined the market value of assets in the amount of 7,289,037 thousand tenge as at 31 December 2023 (31 December 2022: 6,924,363 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. INVESTMENT PROPERTY (continued)**

Profit from investment properties for the year ended 31 December 2023 is as follows:

<i>In thousands of tenge</i>	2023	2022
- Proceeds from lease of investment property	1,149,564	864,339
- Direct operating expenses (including repairs and maintenance) that resulted in rental income (included in the cost of sales)	(73,245)	(80,077)
- Direct operating expenses (including repairs and maintenance) that did not result in rental income (included in the cost of sales)	(123,830)	(124,278)
Profit from investment property	952,489	659,984

No restrictions on the sale of its investment property is imposed on the Group. The Group has contractual obligations for the improvement of investment property, namely, the Group incurred costs for capital repair of business center in Astana in the amount of 493,935 thousand tenge, the repairs are still ongoing as at 31 December 2023.

Information on fair value hierarchy with respect to the investment property is disclosed in *Note 32*.

8. RIGHT-OF-USE ASSETS

The Group leases various office premises and vehicles, which normally have lease terms of 7 years.

Movement of right-of-use assets for the year ended 31 December 2022 is presented as follows:

<i>In thousands of tenge</i>	Buildings
Carrying amount as at 1 January 2022	854,597
Disposals	(21,245)
Modification	3,478
Depreciation	(208,401)
Carrying amount as at 31 December 2022	628,429

Movement of right-of-use assets for the year ended 31 December 2023 is presented as follows:

<i>In thousands of tenge</i>	Buildings
Carrying amount as at 1 January 2023	628,429
Disposals	(111,737)
Modification	14,496
Depreciation	(204,544)
Carrying amount as at 31 December 2023	326,644

9. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2022 is presented as follows:

<i>In thousands of tenge</i>	Computer software	Other	Total
Cost			
1 January 2022	989,166	1,923	991,089
Disposals	(3,293)	-	(3,293)
As at 31 December 2022	985,873	1,923	987,796
Accumulated depreciation and impairment			
1 January 2022	(628,077)	(1,923)	(630,000)
Accrued for the year	(102,048)	-	(102,048)
Disposals	3,293	-	3,293
As at 31 December 2022	(726,832)	(1,923)	(728,755)
Carrying amount			
As at 31 December 2022	259,041	-	259,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. INTANGIBLE ASSETS (continued)**

Movement of intangible assets for the year ended 31 December 2023 is presented as follows:

<i>In thousands of tenge</i>	Computer software	Other	Total
Cost			
1 January 2023	985,873	1,923	987,796
Additions	80,343	-	80,343
As at 31 December 2023	1,066,216	1,923	1,068,139
Accumulated depreciation and impairment			
1 January 2023	(726,832)	(1,923)	(728,755)
Accrued for the year	(77,826)	-	(77,826)
As at 31 December 2023	(804,658)	(1,923)	(806,581)
Carrying amount			
As at 31 December 2023	261,558	-	261,558

10. INVENTORIES

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Materials	1,039,086	659,332
Fuel	119,732	50,207
Spare parts	56,072	13,838
Goods for sale	4,014	1,952
Other	85,490	70,717
Total inventory	1,304,394	796,046

11. TRADE ACCOUNTS RECEIVABLE

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Trade accounts receivable	7,630,304	3,647,722
Less: provision for expected credit losses	(2,043,393)	(1,912,333)
Total trade accounts receivable	5,586,911	1,735,389

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

<i>In thousands of tenge</i>	Loss rate	Gross carrying amount	Lifetime expected credit losses
As at 31 December 2023			
Trade accounts receivable			
- current	-	-	-
- less than 30 days overdue	1.16%	5,072,353	(58,912)
- 30 to 60 days overdue	2.03%	184,741	(3,750)
- 60 to 90 days overdue	3.97%	188,104	(7,468)
- over 90 days overdue	49.15%	2,185,106	(1,973,263)
Total		7,630,304	(2,043,393)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. TRADE ACCOUNTS RECEIVABLE (continued)**

<i>In thousands of tenge</i>	Loss rate	Gross carrying amount	Lifetime expected credit losses
As at 31 December 2022			
Trade accounts receivable			
- current	–	–	–
- less than 30 days overdue	1.70%	982,447	(14,485)
- 30 to 60 days overdue	2.48%	186,931	(7,417)
- 60 to 90 days overdue	4.15%	338,368	(11,864)
- over 90 days overdue	36.7%	2,139,976	(1,878,567)
Total		3,647,722	(1,912,333)

Changes in the provision for expected credit losses of trade accounts receivable and contract assets are presented below:

<i>In thousands of tenge</i>	2023	2022
As at 1 January	(1,912,333)	(1,785,391)
Accrued for the year	(364,203)	(692,359)
Recovered	233,143	565,417
As at 31 December	(2,043,393)	(1,912,333)

As at 31 December 2023 and 31 December 2022, trade accounts receivable are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Tenge	1,249,081	1,258,906
US dollars	4,335,424	446,510
Russian rouble	2,406	29,973
Total trade accounts receivable	5,586,911	1,735,389

12. ADVANCED PAID

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
For provision of services	1,200,353	460,171
For purchase of goods	26,256	1,770
Less: provision for impairment of advances paid	(65,912)	(89,069)
Total advances paid	1,160,697	372,872

As at 31 December 2023 and 31 December 2022, the change in the provision for advances paid is as follows:

<i>In thousands of tenge</i>	2023	2022
As at 1 January	(89,069)	(120,051)
Accrued for the year	(58,178)	(2,069)
Recovered	81,335	33,051
As at 31 December	(65,912)	(89,069)

13. TAXES RECOVERABLE

As at 31 December 2023 and 31 December 2022 taxes recoverable comprise the following:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
VAT	1,282,120	937,637
Property tax	6,911	7,473
Social tax	3,280	1,633
Tax on vehicles	2,552	944
Individual income tax	617	601
Land tax	68	1,688
Other	2,874	3,324
Total taxes recoverable	1,298,422	953,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. SHORT-TERM FINANCIAL INVESTMENTS**

The parent company manages the free cash resources of the group's companies through cash pulling, which is represented by receipt and provision of refundable financial aid between the parent company and its subsidiaries.

As at 31 December 2023, the Company's short-term financial investments are a financial aid issued to the parent company at 0.01% per annum.

During the year ended 31 December 2023, the Group provided refundable financial aid to the parent company in the amount of 2,643,539 thousand tenge and received a refund of the provided financial aid in the amount of 9,248,996 thousand tenge (2022: 13,528,120 thousand tenge provided, 7,000,000 thousand tenge received).

15. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Cash on current bank accounts, US dollars	9,370,906	572,889
Short-term bank deposits, tenge	1,115,744	10,549,486
Cash on current bank accounts, tenge	211,161	5,316,534
Cash on current bank accounts, Russian roubles	24,424	4,289
Cash in transit	3,226	4,582
Cash on hand	807	390
Cash on current bank accounts, Uzbek Sum	53	212
Cash on current bank accounts, Chinese Yuan	15	849
Provision for expected credit losses	(603)	(850)
Total cash and cash equivalents	10,725,733	16,448,381

As at 31 December 2023, the average interest rate on short-term bank deposits was 15.2%, and current account balances was 2%, respectively (31 December 2022: 16.2% and 7%, respectively).

16. INVESTMENTS IN ASSOCIATES

As part of the implementation of the Memorandum on Joint Development of Terminal Activities dated 1 March 2023 between JSC National Company Kazakhstan Temir Zholy and Xi'an Free Trade Port Construction and Operation Co., Ltd, concluded in order to develop terminal facilities in the territory of the Republic of Kazakhstan and the People's Republic of China, a decision was made to establish a joint enterprise China-Kazakhstan Trade and Logistics Company LLC in Xi'an, China. The purpose of the establishment of the China-Kazakhstan Trade and Logistics Company LLC is the construction and operation of a cargo terminal, the provision of multimodal transportation and terminal services.

The Group has a 49% ownership share in the China-Kazakhstan Trade and Logistics Company LLC. The Group's share in China-Kazakhstan Trade and Logistics Company LLC is accounted for in the consolidated financial statements using the equity method.

The table below contains summary of financial information on the Group's investments in China-Kazakhstan Trade and Logistics Company LLC:

	31 December 2023
Current assets	10,516,438
Non-current assets	-
Current liabilities	33,850
Non-current liabilities	-
Equity	10,482,588
The Group's share in equity - 49%	5,136,468
Goodwill	-
Carrying amount of the Group's investment	5,136,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. INVESTMENTS IN ASSOCIATES (continued)**

	31 December 2023
Revenue from contracts with customers	152,532
Cost of sales	(152,532)
Administrative expenses	(54,232)
Finance income	611
Other expenses	(27)
Loss before taxes	(53,648)
Income tax expense	-
Loss for the year (continuing operations)	(53,648)
Other comprehensive loss that will be reclassified to profit or loss in subsequent periods, net of tax	-
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax	-
Total comprehensive loss for the year (continuing operations):	(53,648)
Share of the Group in loss for the year	(26,288)

As at 31 December 2023, the current assets of China-Kazakhstan Trade and Logistics Company LLC included assets in the form of debt from the second participant in the amount of 4,273,860 thousand tenge, since at the reporting date the second participant had not contributed its share to the charter capital.

17. SHARE CAPITAL

In 2023, the Company issued additional 42,142 shares, including 42,141 shares with a par value of 50 thousand tenge each, with a total value of 2,107,050 thousand tenge, and 1 share with a par value of 39,138 thousand tenge. The shareholder transferred property, plant and equipment in the amount of 2,128,364 thousand tenge, and the right to use land plots in the amount of 17,824 thousand tenge for account of payment.

The Company did not recognize the asset associated with the right to use land plots and recognized the corresponding effect within retained earnings (Note 5).

As at 31 December 2023 and 31 December 2022 the authorised, issued and fully paid share capital of the Group consisted of common shares of 1,297,384 (31 December 2022: 1,255,242 shares with a par value of 1,000 each).

Dividends

In 2023, the Company declared and paid dividends for 2022 in the amount of 13,501,680 thousand tenge (2022: 2,723,014 thousand tenge).

18. TRADE ACCOUNTS PAYABLE

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
For the services	2,920,168	2,397,733
For the goods	186,723	21,843
For property and equipment and intangible assets	110,009	33,580
Total trade accounts payable	3,216,900	2,453,156

As at 31 December 2023 and 31 December 2022, trade accounts payables are expressed in the following currencies:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
US dollars	1,823,649	1,159,206
Tenge	1,386,544	1,293,316
Russian rouble	5,695	120
Belorussian rouble	1,007	7
Uzbek Sum	5	507
Total trade accounts payable	3,216,900	2,453,156

Trade accounts payable are non-interest bearing and as a rule are settled on 50 day term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Provision for unused vacations	653,801	340,327
Provision for bonuses	437,610	1,289,882
Short-term warranty obligations	216,084	128,691
Liabilities on other obligatory and voluntary payments	201,195	104,418
Payables to employees	70,346	61,783
Other accounts receivable	6,232	4,036
Total other accounts payable and accrued liabilities	1,585,268	1,929,137

20. CONTRACTS LIABILITIES WITH CUSTOMERS

Contract liabilities with customers represent an advance payment received for the provision of freight forwarding services, operating services, transshipment and terminal activities. The Company expects this prepayment will be recognized as revenue over the next 12 months.

21. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are represented by post-employment benefit obligations and other defined benefit obligations.

The movements in the employee benefit obligations for the years ended 31 December 2023 and 31 December 2022 are as follows:

<i>In thousands of tenge</i>	2023	2022
Total obligations as at 1 January	325,149	196,115
Current cost of services	13,656	18,485
Benefits paid	(32,867)	(36,070)
Actuarial revaluation recognized in other comprehensive loss	(164,689)	21,019
Actuarial loss recognized in profit and loss for the period	(62,217)	105,204
Interest expenses	34,466	20,396
Total obligations at the end of the year	113,498	325,149
Including obligations maturing within one year	12,097	28,449
Obligations that mature after one year	101,401	296,700
Total obligations as at 31 December	113,498	325,149

The main assumptions used to determine defined pension and health benefit obligations for the Group's programs are listed below:

<i>In percentage terms</i>	2023	2022
Discounting rate	11.91%	10.6%
Inflation rate	6.6%	4.87%
Staff turnover	8.2%	8.5%

22. LEASE LIABILITIES

Movement of lease liabilities for the years ended 31 December 2023 and 31 December 2022 is presented as follows:

<i>In thousands of tenge</i>	2023	2022
Carrying amount as at 1 January	843,188	1,079,978
Interest expenses on lease (Note 27)	130,367	126,414
Payments	(367,101)	(307,835)
Disposal	(111,737)	(29,124)
Other	15,366	(26,245)
Carrying amount at 31 December	510,083	843,188

All lease liabilities for 2023 and 2022 relate to leases of buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. LEASE LIABILITIES (continued)**

Below are amounts recognised in profit or loss:

<i>In thousands of tenge</i>	2023	2022
Right-of-use assets depreciation expenses	(204,544)	(208,401)
Interest expense on lease liabilities (Note 27)	(130,367)	(126,414)
Finance income from lease modifications (Note 28)	49,245	9,619
Total	(285,666)	(325,196)

23. BONDS PAYABLE

On 4 December 2023, KTZ NC JSC, KTZ Express JSC and Kedentransservice JSC signed an agreement No.83-JSC on the transfer of Kedentransservice JSC obligations in the amount of 21,848,328 thousand tenge to KTZ Express JSC and the transfer of fitting platforms in the number of 4,401 units with a carrying amount of 26,502,913 thousand tenge.

The difference between the carrying amount of the transferred fitting platforms and the carrying amount of the transferred bond obligations in the amount of 4,654,585 thousand tenge was recognized as accounts receivable. Management expects that the accounts receivable will be covered through the transfer of property, offset of counterclaims and/or reimbursement of the specified amount in other legal way by 31 December 2024 subject to separate agreements between Kedentransservice JSC and KTZ Express JSC. As at 31 December 2023 this amount was recognized in accounts receivables from related parties.

In addition, the amount of accrued interest on bonds for the period from 26 September 2023 in the amount of 404,194 thousand tenge is subject to transfer to KTZ Express by 25 September 2024. As at 31 December 2023, this amount was recognized as accounts payable to related parties.

On 7 December 2023, the issuer of the bond issue was replaced from JSC Kedentransservice to JSC KTZ Express, and the transaction was registered on the AIFC Exchange - Astana International Exchange Ltd (AIX).

On 13 December 2023, the Group terminated the Listing Agreement (the "Agreement") signed on 25 January 2021 with the AIFC Exchange - Astana International Exchange Ltd (AIX).

For the year ended 31 December 2023, accrued interest amounted to 1,891,853 thousand tenge (2022: 2,020,970 thousand tenge). The Group paid accrued interest for the year ended 31 December 2023 and 31 December 2022.

The table below represents the movement in bonds payable as at 31 December 2023:

<i>In thousands of tenge</i>	Platform	As at 31 December 2022	Interest costs	Payment of interest	Transfer of liabilities	Balance as at 31 December 2023
Loan	AIX	22,381,639	1,891,853	(2,020,970)	(22,252,522)	-
Total loans		22,381,639	1,891,853	(2,020,970)	(22,252,522)	-

The table below represents the movement in bond liabilities as at 31 December 2022:

<i>In thousands of tenge</i>	Platform	At 31 December 2021	Interest costs	Payment of interest	Balance as at 31 December 2022
Loan	AIX	22,381,639	2,020,970	(2,020,970)	22,381,639
Total loans		22,381,639	2,020,970	(2,020,970)	22,381,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. REVENUE FROM OPERATING ACTIVITIES**

<i>In thousands of tenge</i>	2023	2022
Rolling stock operation	28,443,700	25,637,441
Reloading and fastening of freights related to international carriage	9,159,574	9,382,776
Transport and forwarding services	3,231,354	3,851,913
Terminal services	2,642,875	2,530,700
Cargo warehousing and storage	1,313,514	1,104,719
Operating leases	1,149,566	957,984
Income from use of railcars	190,960	544,402
Transportation fines, received and paid	155,139	-
Other operating income	52,703	6,593
Total operating income	46,339,385	44,016,528

During the year ended 31 December 2023 and 2022, all revenue from contracts with customers was recognized over time. All contract liabilities are due to be settled within 12 months after the reporting date.

Income from operation of rolling stock is presented in the operating segment "operation of rolling stock", income from transshipment services, cargo securing, terminal activities, warehousing and storage - in the segment "terminal services", income from transportation and forwarding services - in the segment "transportation and forwarding services", income from lease - in the segment "lease" (Note 5).

25. OPERATING EXPENSES

<i>In thousands of tenge</i>	2023	2022
Payroll expenses	8,306,772	7,174,304
Third party services related to principal activities*	7,044,659	5,592,137
Repair and maintenance	4,662,357	4,006,230
Lease expenses	3,817,852	1,347,372
Works and services for freight transportation and handling	2,489,868	1,591,441
Depreciation	2,403,345	2,798,725
Materials	1,596,066	1,316,584
Taxes other than income tax	789,829	452,458
Security services	349,667	324,058
Advisory and information services	332,643	217,420
Utilities	238,619	240,057
Loss from impairment of non-financial assets	187,597	94,980
Expenses on disposal of other non-current assets	133,060	-
Other	648,534	888,199
Total operating expenses	33,000,868	26,043,965

* Services of third parties mainly comprised the payment of carriage charges for local and international destinations.

26. ACCRUAL OF PROVISION FOR EXPECTED CREDIT LOSSES

<i>In thousands of tenge</i>	2023	2022
Accrual provision for expected credit losses on accounts receivable	(92,414)	(71,979)
Reversal/(accrual) of provision for expected credit losses on financial aid issued	7,032	(7,019)
Reversal/(accrual) of provision for expected credit losses on cash and cash equivalents	247	(11)
Total accrual of provision for expected credit losses	(85,135)	(79,009)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. FINANCE COSTS**

<i>In thousands of tenge</i>	2023	2022
Interest expenses on bonds (Note 23)	1,891,853	2,020,970
Interest expenses on lease liabilities (Note 22)	130,367	126,414
Other finance costs	11,753	8,636
Loan interest (Note 23)	-	137,709
Write-off of investments of Transevraziya JSC	-	2,330
Total finance costs	2,033,973	2,296,059

28. FINANCE INCOME

<i>In thousands of tenge</i>	2023	2022
Interest on deposits	1,370,584	36,386
Income from government grants	287,522	9,476
Interest on current bank accounts	124,523	457,950
Income from modification of lease	49,245	9,619
Other finance income	2,500	-
Total finance income	1,834,374	513,431

During 2023, the Company wrote off deferred income from government grants in the amount of 287,522 thousand tenge due to the transfer of fitting platforms (Note 6).

29. INCOME TAX EXPENSE

The income tax rate in the Republic of Kazakhstan, where the Group operates, was 20% for the year ended 31 December 2023. Effective interest rate is 20.2%.

The Group's income tax expense for the year ended 31 December 2023 and 31 December 2022 comprised:

<i>In thousands of tenge</i>	2023	2022
Current income tax expense	4,604,378	2,720,025
Current income tax expenses for previous years	58,731	-
Deferred income tax (benefit) / expenses	(2,009,803)	706,924
Income tax expense	2,653,306	3,426,949

The following is a reconciliation of corporate income tax at the rate of 20% to the actual amount of corporate income tax recorded in the Group's consolidated statement of profit or loss and comprehensive income:

<i>In thousands of tenge</i>	2023	2022
Profit before taxes	13,003,754	16,928,629
Tax at statutory rate of 20%	2,600,751	3,385,726
Adjustments for:		
Current income tax expenses for previous years	58,731	-
Non-deductible expenses in determining taxable income	(6,176)	41,223
Income tax expense	2,653,306	3,426,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. INCOME TAX EXPENSE (continued)**

<i>In thousands of tenge</i>	Consolidated statement of financial position		Recognized in profit or loss	
	31 December 2023	31 December 2022	2023	2022
Deferred tax assets				
Provision for expected credit losses	442,335	419,222	23,113	26,791
Due to employees	218,282	326,041	(107,759)	23,012
Provision for illiquid inventory	6,148	7,184	(1,036)	(841)
Taxes payable	14,203	7,396	6,807	769
Lease liabilities	102,017	168,638	(66,621)	(47,358)
Other	–	4,184	(4,184)	(921)
Deferred tax liabilities				
Property, plant and equipment, investment property and other non-current assets	(1,594,453)	(3,753,936)		
Deferred tax expenses			2,159,483	(708,376)
Net deferred tax liabilities	811,468	2,821,271	(2,009,803)	706,924

Reconciliation of deferred tax liabilities, net

<i>In thousands of tenge</i>	2023	2022
As at 1 January	2,821,271	2,114,347
Deferred tax (benefit)/expenses recognized within profit or loss	(2,009,803)	706,924
As at 31 December	811,468	2,821,271

30. CONTINGENT AND CONTRACTUAL COMMITMENTS**Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Volatility in crude oil prices and the ongoing devaluation of the Kazakhstani tenge continue to have an impact on the Kazakh economy. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. The management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. Instances of inconsistent opinions between local, regional and national tax authorities regarding IFRS interpretation of recognition of revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe.

Fines are generally 80% of any taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2023. The management believes that as at 31 December 2022 its interpretation of the relevant legislation is appropriate and it is probable that the Group's tax positions will be sustained, except as provided for in these consolidated financial statements.

Legal issues

The Group was and continues to be subject to legal proceedings and complaints, none of which, individually or collectively, had a significant effect on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. CONTINGENT AND CONTRACTUAL COMMITMENTS (continued)****Capital commitments**

As at 31 December 2023, the Group has capital commitments in the amount of 1,331,792 thousand tenge, including VAT (31 December 2022: 172,230 thousand tenge, including VAT). Most of this amount constitutes commitments under the agreement with BaikonurStroySnab LLP for the reconstruction of the PM-4 transshipment site in the amount of 1,096,271 thousand tenge.

31. RELATED PARTY TRANSACTIONS

The parties are generally considered to be related if they are under common control, or one party has the ability to control the other party or can significantly influence or exercise joint control over the other party's financial and business decisions. When considering relationships with each of the possible related parties, the economic content of such relationships is taken into account, and not just their legal form.

For the year ended 31 December 2023 and 31 December 2022 related party transactions were entered into on the terms and conditions agreed between the related parties, which may differ from market terms and conditions. Transactions with related parties and the amounts of such transactions for the specified year are presented as follows:

<i>In thousands of tenge</i>		Sales to related parties	Purchases from related parties	Due from related parties*	Due to related parties*
Parent entity (Note 14 and 23)	2023	-	-	394,142	-
	2022	-	-	6,992,567	22,381,639
Entities within the group of the Company's parent entity	2023	2,589,339	1,529,833	18,313,366	1,866,135
	2022	4,111,430	6,610,592	5,452,730	476,348

* These amounts include accounts receivable from related parties, advances paid to related parties and accounts payable to related parties and commitments under agreements with related parties.

Services provided by related parties primarily include carriage and other fees and charges associated with the carriage of goods and other costs of providing services. Services provided to related parties mainly include loading and unloading operations. Sales to related parties and acquisitions from related parties are based on market prices.

As at 31 December 2023 amounts due from related parties are presented net of provision for expected credit losses in the amount of 21,378 thousand tenge (2022: 37,513 thousand tenge). The movement in the provision for expected credit losses on related party receivables is as follows:

<i>In thousands of tenge</i>	2023	2022
At 1 January	(37,513)	(42,279)
Accrued for the year	(196,665)	(100,563)
Recovered	212,800	105,329
As at 31 December	(21,378)	(37,513)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

<i>In thousands of tenge</i>	Loss rate	Gross carrying amount	Lifetime expected credit losses
As at 31 December 2023			
Trade accounts receivable			
- current	-	-	-
- less than 30 days overdue	1,70%	4,803,111	(712)
- 30 to 60 days overdue	2,48%	96,919	(95)
- 60 to 90 days overdue	4,15%	125,029	(7,411)
- over 90 days overdue	36,7%	32,458	(13,160)
Total		5,057,517	(21,378)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousands of tenge</i>	Loss rate	Gross carrying amount	Lifetime expected credit losses
As at 31 December 2022			
Trade accounts receivable			
- current	-	-	-
- less than 30 days overdue	1.70%	1,243,488	(21,139)
- 30 to 60 days overdue	2.48%	216,925	(5,380)
- 60 to 90 days overdue	4.15%	47,427	(1,968)
- over 90 days overdue	36.7%	15,675	(9,026)
Total		1,523,515	(37,513)

Compensation to key management personnel of the Group

Key management personnel include the CEO, deputy CEOs and members of the Board of Directors of the Group, a total of 9 persons for the year ended 31 December 2023 (2022: 7 persons). Total remuneration of the Group's key management personnel included in salary expenses in this consolidated financial statement of profit or loss and other comprehensive income amounted to 274.048 thousand tenge for the year ended 31 December 2023 (2022: 86,775 thousand tenge). Compensation paid to key management personnel primarily consists of contractual salary expenses and other payments based on the achieved performance results.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management function of the Group is carried out in relation to financial, operational and legal risks. Financial risks include market risk (consisting of currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Operational and legal risk management should ensure the proper functioning of the internal policies and procedures in order to mitigate these risks. The Group's senior management oversees the management of these risks.

Credit risk

Credit risk is the risk that the Group will incur financial losses because the counterparty will not meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities including deposits with banks and financial institutions, currency transactions and other financial instruments.

Credit risk arising from the default of the counterparties with respect to the Group's financial instruments is generally limited by amounts, if any, the counterparties liabilities exceed the Group's liabilities to these counterparties. It is the Group's policy to enter into financial instrument transactions with creditworthy counterparties. Maximum credit risk exposure equals to the carrying amount of each financial asset. The Group considers its maximum exposure to be the sum of trade receivables (*Note 11*), other receivables and related party receivables (*Note 31*), as well as the sum of short-term financial investments (*Note 14*) and cash and cash equivalents (*Note 15*), less provisions for expected credit losses recorded at the reporting date.

Concentrations of credit risk may arise from exposures 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.

The Group has a policy stipulating continuous monitoring to ensure that transactions are executed with the customers having an adequate credit history and do not exceed the established crediting limits. Due to the fact that liabilities of counterparties are mainly represented by liabilities from related parties, the Group believes that these liabilities will be settled on demand. The Group does not act as a guarantor for the liabilities of the third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

The following table presents an analysis of cash and cash equivalents by credit quality as at 31 December 2023 and 31 December 2022:

<i>In thousands of tenge</i>	Ratings		31 December	31 December
	2023	2022	2023	2022
Halyk Bank JSC	BBB- Fitch Ratings	BBB- Fitch Ratings	8,959,770	10,584,113
ForteBank JSC	BB Fitch Ratings	-	960,105	-
Altyn Bank JSC	BBB Fitch Ratings	BBB- Fitch Ratings	799,491	5,857,487
Cash in transit	Not available	Not available	3,226	4,582
KazPost JSC	Baa3 Moody's rating	-	2,483	988
Cash in hand	Not available	Not available	807	390
National Bank for Foreign Economic Activity of Uzbekistan	BB- Fitch Ratings	BB- Fitch Ratings	439	822
Bank of China	A Fitch Ratings	A Fitch Ratings	15	849
Provision for credit losses			(603)	(850)
Total cash and cash equivalents			10,725,733	16,448,381

Capital risk management

The Group manages its capital risk to ensure that the Group can continue as a going concern while maximizing return for shareholders by optimizing the debt and equity balance.

The capital structure of the Group includes share capital, retained earnings as disclosed in the consolidated statement of changes in equity.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency).

With respect to currency risk, management sets limits on the level of exposure by currency and in general. The table below summarizes the Group's exposure to changes in foreign exchange rates at the end of the reporting period.

<i>In thousands of tenge</i>	Increase / decrease in US Dollar rate	Effect on profit before income tax
2023	+14.15%	2,380,902
2022	-14.15%	(2,380,902)
	21.00%	280,610
	-21.00%	(280,610)

Movements in the effect on profit before taxes are due to changes in U.S. dollar-denominated monetary assets and liabilities.

Market risk

Market risk relates to possible fluctuations in the value of financial instruments due to changes in market interest rates. Due to the fact that the Group holds a dominant position on the market, the risk of possible fluctuations in the value of a financial instrument as a result of changes in market prices is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk**

The ultimate responsibility for liquidity risk management rests with the Group's shareholders who have established the necessary liquidity risk management system for the Group's management in accordance with requirements for managing liquidity and short-term, medium-term and long-term financing. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

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

<i>In thousands of tenge</i>	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2023							
Trade and other payables		3,203,048	4,447	4,111	5,294	-	3,216,900
Accounts payable to related parties		153,701	6,477	405,688	-	-	565,866
Lease liabilities	15.4%-20.58%	30,284	60,568	272,557	385,034	-	748,443
		3,387,033	71,492	682,356	390,328	-	4,531,209

<i>In thousands of tenge</i>	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2022							
Trade and other payables		1,733,561	719,595	-	-	-	2,453,156
Accounts payable to related parties		414,358	39,996	-	-	-	454,354
Lease liabilities	11.70%-20.20%	27,981	55,962	251,829	691,185	-	1,026,957
Bond liabilities	9.25%	-	-	2,020,970	24,149,989	-	26,170,959
		2,175,900	815,553	2,272,799	24,841,174	-	30,105,426

Fair value of financial instruments

The Company uses the following hierarchy for determining the fair value of financial instruments broken down by valuation models: (i) Level 1 includes evaluations on quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 includes evaluations obtained using valuation techniques in which all used significant inputs are directly or indirectly observable for the asset or liability (i.e., price derivatives), and (iii) assessment of Level 3, which are evaluations not based on observable market data (i.e. based on unobservable inputs). Management uses judgment in classifying financial instruments in the fair value hierarchy.

If the fair value measurement uses observable inputs that require a significant adjustment, it is classified as Level 3. The significance of the data used is assessed for the collective fair value measurement.

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. Since no readily available market mechanisms for determining fair value exist for a large part of the Company's financial instruments, assumptions based on current economic conditions and the specific risks attributable to the instrument must be used in measuring the fair value.

As at 31 December 2023, the fair value of financial assets and financial liabilities, excluding loans and debt securities issued, did not differ materially from their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair value of financial instruments (continued)**

The carrying and fair values of financial assets and financial liabilities as at 31 December 2023 and 31 December 2022 were as follows:

<i>In thousands of tenge</i>	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loan liabilities	-	-	-	-
Bond liabilities	-	-	22,381,639	18,921,894

The table below discloses the measurement hierarchy for assets and liabilities of the Group at the fair value.

Fair value hierarchy as at 31 December 2023

<i>In thousands of tenge</i>	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Investment property	-	-	7,289,037	7,289,037
Total	-	-	7,289,037	7,289,037
Liabilities for which fair values are disclosed				
Lease liabilities	-	-	652,250	652,250
Total	-	-	652,250	652,250

Fair value hierarchy as at 31 December 2022

<i>In thousands of tenge</i>	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Investment property	-	-	6,924,363	6,924,363
Total	-	-	6,924,363	6,924,363
Liabilities for which fair value are disclosed				
Lease liabilities	-	-	810,717	810,717
Bonds payable	-	-	18,921,894	18,921,894
Total	-	-	19,732,611	19,732,611

For the years ended 31 December 2023 and 31 December 2022, there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

Fair value measurement of financial instruments

At 31 December 2023 and 31 December 2022, management determined that the fair value of the Group's financial instruments, such as trade and other receivables and payables, cash and cash equivalents, short-term financial investments, approximate their carrying amount, mainly due to short-term maturities of these instruments.

Fair value measurement

The fair value of the loan, lease and bond obligations as at 31 December 2023 is the present value of future cash flows discounted at market interest rates of 19.47% (2022: 19.84%)

33. SUBSEQUENT EVENTS

In January 2024, the Specialized Interdistrict Economic Court of Astana has accepted and is considering a civil case in which AGM-Trans LLP is claiming that the Group recover lost profits in the amount of 208,620 thousand tenge for storing railcars in the repair depot.