

**JOINT STOCK COMPANY
“KAZTELEPORT”-
SUBSIDIARY COMPANY OF
HALYK BANK OF KAZAKHSTAN”**

Condoliated Financial Statements and
Independent Auditor’s Report
For the Year Ended 31 December 2023

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank of Kazakhstan”

Table of Contents

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023	1
INDEPENDENT AUDITOR’S REPORT	2-4
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023:	
Consolidated statement of financial position	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8-9
Notes to the consolidated financial statements	10-42

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank of Kazakhstan”

Statement of Management’s Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended 31 December 2023

Management of Joint Stock Company “Kazteleport” - subsidiary company of Halyk Bank of Kazakhstan” (“the Company”) and its subsidiary (hereinafter jointly – “the Group”) is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2023, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and of cash flows for the year then ended, and of material accounting policies and notes to the consolidated financial statements in compliance with International Financial Reporting Standards (“IFRS”).

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

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

Management is also responsible for:

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

These consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issuance by the Chairman of the Management Board of the Group on 1 March 2024.

On behalf of the Management of the Group:


Kussainbekov K. K.
Chairman




Adylova K. R.
Chief Accountant

1 March 2024
Almaty, Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Joint Stock Company "Kazteleport" - Subsidiary Company of Halyk Bank of Kazakhstan"

Opinion

We have audited the consolidated financial statements of Joint Stock Company "Kazteleport" - Subsidiary Company of Halyk Bank of Kazakhstan" ("the Company") and its subsidiaries (hereinafter jointly – "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 ended, and consolidated 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 ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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



Ivan Mudrichenko
Auditor
Qualification certificate
№MF – 0000415
dated 13 January 2017



Zhangir Zhilybayev
General Director
Deloitte LLP

State license on auditing in
the Republic of Kazakhstan
No. 0000015, type MFU - 2, issued by the
Ministry of finance of
the Republic of Kazakhstan
dated 13 September 2006

1 March 2024
Almaty, Kazakhstan

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank of Kazakhstan”

Consolidated Statement of Financial Position as at 31 December 2023 (in thousands of Kazakhstani Tenge)

	Notes	31 December 2023	31 December 2022
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	5, 27	1,151,146	1,501,613
Restricted cash		74,061	31,376
Trade accounts receivable	6, 27	540,833	381,671
Advances paid	7, 27	439,009	323,597
Withholding tax assets		30,093	14,591
Current income tax assets		29,791	81,968
Inventories	8	271,949	164,089
Assets held for sale		-	5,145
Other current assets	9, 27	367,950	129,703
TOTAL CURRENT ASSETS		2,904,832	2,633,753
NON-CURRENT ASSETS:			
Property and equipment	10	7,617,543	4,571,304
Right-of-use assets	11	22,846	33,428
Intangible assets	12	517,607	592,583
Advances paid	7	51,710	222,912
Deferred tax assets		4,057	-
TOTAL NON-CURRENT ASSETS		8,213,763	5,420,227
TOTAL ASSETS		11,118,595	8,053,980
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
Trade accounts payable	13, 27	498,855	375,439
Short-term portion of borrowings	17, 27	367,871	370,176
Short-term lease liabilities	11, 27	17,245	14,860
Advances received	14, 27	456,084	253,804
Tax payable, other than income tax	16	52,511	154,687
Other current liabilities	14	148,170	102,288
TOTAL CURRENT LIABILITIES		1,540,736	1,271,254
NON-CURRENT LIABILITIES:			
Long-term portion of borrowings	17, 27	598,183	956,044
Lease liabilities	11, 27	8,015	20,702
Deferred tax liabilities	24	206,432	215,054
TOTAL NON-CURRENT LIABILITIES		812,630	1,191,800
TOTAL LIABILITIES		2,353,366	2,463,054
EQUITY:			
Share capital	18	4,595,794	1,595,794
Reserves		91,607	100,403
Additional contribution from the Parent company		76,661	76,661
Retained earnings		4,001,167	3,818,068
TOTAL EQUITY		8,765,229	5,590,926
TOTAL LIABILITIES AND EQUITY		11,118,595	8,053,980

On behalf of the Management of the Group:


Kussainbekov R. K.
Chairman




Adylova K. R.
Chief Accountant

1 March 2024
Almaty, Kazakhstan

The notes on pages 10-42 form an integral part of these consolidated financial statements.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank of Kazakhstan”

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2023 (in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Revenue	19, 27	4,531,582	4,590,860
Revenue from rent of equipment and software	20, 27	1,767,540	1,274,308
Cost of services	21, 27	(4,765,878)	(4,859,910)
GROSS PROFIT		1,533,244	1,005,258
General and administrative expenses	22, 27	(1,221,424)	(850,193)
Rent expenses	23, 27	(133,363)	(101,702)
Net loss on foreign exchange operations		(2,180)	(5,037)
Interest expenses	27	(150,439)	(128,388)
Interest income	27	200,027	99,384
Other income		52,958	166,619
Other expenses		(18,735)	(37,680)
PROFIT BEFORE INCOME TAX EXPENSE		260,088	148,261
Income tax expense	24	(78,630)	(34,592)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		181,458	113,669
Discontinued operations			
GAIN FOR THE YEAR FROM DISCONTINUED OPERATIONS	25	-	159,021
PROFIT FOR THE YEAR		181,458	272,690
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that will not be reclassified subsequently to profit or loss:			
Foreign exchange differences from the translation of foreign operations		(7,155)	(100)
Other comprehensive income for the year, net of income tax		-	79,850
Other comprehensive income		(7,155)	79,750
TOTAL COMPREHENSIVE INCOME		174,303	352,440

On behalf of the Management of the Group:


Kussainbekov K. K.
Chairman

1 March 2024
Almaty, Kazakhstan




Adylova K. R.
Chief Accountant

The notes on pages 10-42 form an integral part of these consolidated financial statements.

**Joint Stock Company “Kazteleport” -
Subsidiary Company of Halyk Bank of Kazakhstan”**

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2023
(in thousands of Kazakhstani Tenge)**

	Notes	Share capital	Property revaluation reserve	Foreign exchange reserve	Additional contribution from the Parent company	Retained earnings	Total equity
As at 31 December 2021		1,428,494	20,775	-	76,661	3,545,256	5,071,186
Net profit for the year		-	-	-	-	272,690	272,690
Other comprehensive income for the year, net of income tax		-	79,850	(100)	-	-	79,750
Total comprehensive income for the period		-	79,850	(100)	-	272,690	352,440
Reclassification to retained earnings	10	-	(122)	-	-	122	-
Issue of share capital	18	167,300	-	-	-	-	167,300
As at 31 December 2022		1,595,794	100,503	(100)	76,661	3,818,068	5,590,926
Net profit for the year		-	-	-	-	181,458	181,458
Other comprehensive income for the year, net of income tax		-	-	(7,155)	-	-	(7,155)
Total comprehensive income for the period		-	-	(7,155)	-	181,458	174,303
Reclassification to retained earnings	10	-	(1,436)	(205)	-	1,641	-
Issue of share capital	18	3,000,000	-	-	-	-	3,000,000
As at 31 December 2023		4,595,794	99,067	(7,460)	76,661	4,001,167	8,765,229

On behalf of the Management of the Group:


Kussainbekov K. K.
Chairman


Adylova K. R.
Chief Accountant

1 March 2024
Almaty, Kazakhstan

The notes on pages 10-42 form an integral part of these consolidated financial statements.

**Joint Stock Company “Kazteleport” -
Subsidiary Company of Halyk Bank of Kazakhstan”**

**Consolidated Statement of Cash Flows
for the Year Ended 31 December 2023
(in thousands of Kazakhstani Tenge)**

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		260,088	352,915
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets	10, 11, 12	696,827	557,245
Accrual allowance on trade accounts receivable, advances paid and inventory		4,551	3,140
Net loss on foreign exchange operations		2,180	5,037
Loss from revaluation property and equipment	10	-	23,238
Loss from disposal of property and equipment and intangible assets		12,356	1,618
Interest income		(200,027)	(99,384)
Interest expenses	27	150,439	128,388
Gain on disposal of discontinued operations	25	-	(23,510)
Other		(7,373)	(3,168)
Cash flows from operating activities before changes in operating assets and liabilities		919,041	945,519
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Restricted cash		(42,685)	(3,004)
Trade accounts receivable		(164,506)	22,032
Other current assets, inventory and advances paid		(355,653)	1,018,951
Increase/(decrease) in operating liabilities:			
Trade accounts payable		124,229	93,270
Advances received		202,280	173,973
Tax payable, other than income tax		(102,176)	(33,545)
Other current liabilities		45,884	(198,100)
Cash inflow from operating activities		626,414	2,019,096
Interest paid on borrowings		(148,768)	(163,685)
Interest paid on lease liabilities		(4,016)	(4,892)
Income tax paid		(54,634)	(59,214)
Net cash inflow from operating activities		418,996	1,791,305
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	10	(3,520,586)	(1,630,125)
Purchase of intangible assets	12	(67,028)	(46,373)
Sale of assets held for sale	25	-	125,753
Interest income received from deposits		200,027	99,384
Net cash outflow from investing activities		(3,387,587)	(1,451,361)

**Joint Stock Company “Kazteleport” -
Subsidiary Company of Halyk Bank of Kazakhstan”**

**Consolidated Statement of Cash Flows (continued)
for the Year Ended 31 December 2023
(in thousands of Kazakhstani Tenge)**

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	17	-	676,685
Repayment of borrowings	17	(361,837)	(316,092)
Repayment of lease liabilities		(17,637)	(17,019)
Issue of share capital	18	3,000,000	167,300
Net cash inflow from financing activities		2,620,526	510,874
<i>Effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency</i>		(2,402)	(5,684)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(350,467)	845,134
CASH AND CASH EQUIVALENTS, beginning of the year	5	1,501,613	656,479
CASH AND CASH EQUIVALENTS, end of the year	5	1,151,146	1,501,613

On behalf of the Management of the Group:


Kussainbekov K. K.
Chairman


Adylova K. R.
Chief Accountant



1 March 2024
Almaty, Kazakhstan

The notes on pages 10-42 form an integral part of these consolidated financial statements.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

1. General information

Joint Stock Company “Kazteleport” - subsidiary company of Halyk Bank of Kazakhstan” (“the Company”) and its subsidiary (the “Group”) was incorporated on 9 November 1999 as a closed joint stock company in accordance with the laws of the Republic of Kazakhstan and was re-registered as a joint stock company on 28 October 2004.

The Group’s registered office is 109 B Abay Avenue, Almaty.

The Company is the subsidiary of JSC Halyk Bank of Kazakhstan (“the Parent company” or “the Bank”). As at 31 December 2023 and 2022, the Bank owns 100% of the common shares of the Group. JSC Halyk Bank of Kazakhstan is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

The primary activities of the Company include providing telecommunication services, data processing centers (DPC), provision of services related to technical support of self-servicing equipment (ATM) of the Bank, maintenance services of containment (germozone). The Company performs delivery of materials and telecommunication equipment, set-up of structured cabling system, systems of video surveillance and firefighting, technical service of DPC equipment and POS-terminals.

The Company operates under licenses issued by the Committee for Construction and Housing and Communal Services of the Ministry of Regional Development of the Republic of Kazakhstan: # 13005408 issued on 5 April 2013 for construction and installation works and the license, # 13005409 issued on 5 April 2013 for project development, and the License issued by National Security Committee of the Republic of Kazakhstan # 191 issued on 15 April 2013 for development and sale (including other transfer) of the tools for cryptographic protection of information.

As of 31 December 2023 and 2022 the Group employed 167 and 156 employees, respectively.

As part of the implementation of strategic tasks to enter the market of the Republic of Uzbekistan, in October 2022, by decision of the meeting of the Board of Directors of JSC Kazteleport No. 35 dated 19 September 2022 a subsidiary Foreign Enterprise TELEPORT DC Limited Liability Company was opened in the Republic of Uzbekistan (hereinafter – subsidiary). The share of ownership of the Company in subsidiary is 100%. As of 31 December 2023 the authorized capital of subsidiary was fully formed in the declared amount. The main activity of the subsidiary is the provision of services in the field of computer programming.

Below is information about subsidiaries as at 31 December:

	Country	Date of initial registration	2023	2022
Limited Liability Company «TELEPORT DC»	Republic of Uzbekistan	26 October 2022	100%	100%

These consolidated financial statements were approved by the Chairman of the Management Board on 1 March 2024.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

2. Adoption of new and revised Standards

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies*
- Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12 *Income Taxes—International Tax Reform—Pillar Two Model Rules*
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

New and revised IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

The Group does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

3. Material accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements are presented in thousands of *Kazakhstani tenge* (“KZT thousand”), unless otherwise indicated.

These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation in the foreseeable future.

Operating environment

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

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

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and block major financial institutions and many state enterprises.

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

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In January 2024, the base rate further decreased to 15.25% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Group is monitoring developments in the economic, political and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Group’s business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group’s operations.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Active market (IFRS 13) is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Exchange rates for the currencies in which the Group transacts were as follows:

	31 December 2023	31 December 2022
Closing exchange rates		
KZT/ 1 U.S. Dollar	454.56	462.65
KZT/ 1 Euro	502.24	492.86
KZT/ 1 Ruble	5.06	6.43

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

The principle of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the companies of the Group are eliminated on consolidation.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Impairment of financial assets

The Group forecasts expected credit losses related to its debt instruments at amortised cost and fair value through other comprehensive income, irrespective of the existence of any indications of impairment.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Trade receivables are grouped based on their materiality level to measure expected credit losses. For short-term trade receivables without a material financing component and with the exception of individually material balances measured individually, the Group applies the simplified approach required by IFRS 9, and estimates a provision for expected credit losses during the loan period from initial recognition of the receivable (portfolio approach). The Group uses a matrix of provisions in which loss provisions are calculated for trade receivables pertaining to various debt periods or overdue periods. An irrevocability analysis has been performed since the Group was created to determine a common payment default coefficient. The value of receivables written off and the balance of outstanding receivables are compared to determine the default level for a specific settlement period interval. Default rates are determined as at the date receivables arise and for each subsequent interval between the overdue payments.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Financial liabilities

Financial liabilities after initial recognition are measured at either amortized cost using the effective interest method or fair value through profit or loss (FVTPL). At the reporting date, the Group had only financial liabilities measured at amortised cost.

Financial liabilities measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other accounts payable

Trade and other accounts payable are measured at costs, which is the fair value of compensation to be paid in the future for goods and services received.

Borrowings and borrowing costs

Borrowings are initially recognised according to the amount received less transaction costs. As a consequence, they are accounted for at amortised costs using the effective interest rate, inclusive of the difference between net receipts and settlements in profit or loss during the entire loan period.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss and other comprehensive income in the period in which they are incurred.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of unrestricted balances on correspondent accounts in banks and short-term deposits in banks with original maturity of less than three months that are free from contractual encumbrances.

Trade accounts receivable

Trade accounts receivable are recognised and carried at original invoice amount less an allowance for any doubtful debts.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Inventory

Inventories of materials and supplies are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The Group creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

Property and equipment

Land and buildings held for the rendering of services are carried in the statement of financial position at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land owned by the Group is not depreciated.

Equipment and other property are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following useful lives:

	Years
Buildings	51
Telecommunication equipment	3-15
Vehicles	7
Computers and peripherals	3.75-9
Other	3-15

Expenses incurred after the equipment was put into operation, or related to repairs, servicing and technical servicing are charged when incurred. When expenses result in increase of economic benefits expected to arise due to using property and equipment over its assessed performance (increase of useful lives, productivity, etc.), such expenses are capitalized as added cost of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Depreciation is calculated on the basis of the straight-line method of depreciation using the following established useful lives:

	Years
Software	5-10
Licenses	3-10

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. If the impairment loss exceeds the surplus from the revaluation of that asset, the additional impairment loss is recognised in profit or loss.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Any increase above this amount is treated as a revaluation surplus.

Trade accounts payable

Trade accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Retirement and pension obligations

In accordance with the requirements of the legislation of the Republic of Kazakhstan the current pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by Integrated Accumulative Pension Fund. The Group does not have any pension arrangements separate from the current pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share capital

Contributions to share capital are recognised at cost.

Dividends on common shares are recognised in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 “Events after the reporting period” and disclosed accordingly.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Group recognises revenue from the following major types of services:

- Services related to technical support of DPC equipment;
- Provision of telecommunication services;
- Provision of service of data processing center (DPC);
- Installation of structured cabling system, systems of video surveillance and firefighting;
- Provision of service of containment area (germozona);
- Equipment sales, the price of which includes a service charge and a manufacturer's warranty included in the price. Manufacturer's warranties cannot be purchased separately, and they serve as an assurance that the products sold comply with agreed-upon specifications of the manufacturer.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reasonably measured. Revenue is recognised net of indirect taxes and is recognised based on invoices issued during the reporting period.

All types of revenue from service provision including revenue from telecommunication services and revenue from set-up of structured cabling system are mainly represented by the amounts of revenue that are agreed by the contracts and which are recognised over a period of time based on monthly acts of work done and invoices formed by the Group.

Revenue from sale of equipment is recognised at the point of transfer of risks and rewards of the ownership of the equipment, normally when the equipment is shipped. If the Group agrees to transport goods to specific location, revenue is recognised when the equipment is passed to the customer at the destination point.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding (excluding interest) and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Expenses recognition

Expenses are recognised at the time the actual receipts of the related goods or services occurs, regardless of when cash and cash equivalent is paid, and are reported in the consolidated financial statements in the period to which they relate.

Leases

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

Operating lease accounting

Group as a Lessee

The group assesses whether a contract is, or contains, a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Group as a Lessor

The group enters into lease agreements as a lessor with respect to some of its investment properties. The group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the group.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

Finance lease accounting

Group as a Lessee

For finance lease agreements under IFRS 16 leases, the Group has the following accounting principles:

- (a) Recognises right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right of use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income;
- (c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (rent free period) are recognised as part of the measurement of the right of use assets and lease liabilities.

Right of use assets tested for impairment in accordance with IAS 36 “*Impairment of Assets*”.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the 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.

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 tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

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

Other taxes

In the Republic of Kazakhstan there are also various other taxes, which are assessed on the Group's activities. These taxes are included as a component of general and administrative expenses in the statement of profit or loss and other comprehensive income.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies the Group's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The below are listed key estimations that the management have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment of trade accounts receivable

Trade accounts receivable are reflected at amortized cost net of an allowance for impairment. The assessment of the allowance for impairment includes a subjective factor. The company evaluates the allowance for impairment to maintain it at a level deemed sufficient by the Company's management to cover losses on trade accounts receivable.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

**Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)**

5. Cash and cash equivalents

	31 December 2023	31 December 2022
Short-term deposits in banks with original maturity less than three months	1,051,598	1,466,188
Cash on current and card-accounts	99,559	35,434
Allowance for expected credit losses	(11)	(9)
Total cash and cash equivalents	1,151,146	1,501,613

As at 31 December 2023 and 2022, all short-term deposits were opened at the Parent company with the annual interest rate of 14.25% and 14.5%, respectively.

The Group monitors all financial assets that are subject to the impairment requirements for a significant increase in credit risk from the date of initial recognition. As at 31 December 2023 and 2022, the Group has not identified any significant increase in credit risk, therefore, it calculates the amount of the expected credit loss based on the amount of credit losses expected during next 12 months.

6. Trade accounts receivable

	31 December 2023	31 December 2022
Trade accounts receivable	556,170	403,524
Allowance for expected credit losses	(15,337)	(21,853)
Total trade accounts receivable	540,833	381,671

The following table details the risk profile of trade accounts receivable based on the Group’s provision matrix as at 31 December 2023 and 2022:

	Trade accounts receivable past due days		
	Not past due	>90	Total
31 December 2023			
Expected credit loss rate	1.7%	100%	
Estimated total gross carrying amount at default	550,186	5,984	556,170
Lifetime expected credit loss	9,353	5,984	15,337
	Trade accounts receivable past due days		
	Not past due	>90	Total
31 December 2022			
Expected credit loss rate	1.7%	100%	
Estimated total gross carrying amount at default	388,272	15,252	403,524
Lifetime expected credit loss	6,601	15,252	21,853

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank” of Kazakhstan”

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023
(in thousands of Kazakhstani Tenge, unless otherwise indicated)

Movements in the allowance for expected credit losses on trade accounts receivable for the years ended 31 December are presented in the table below:

	2023	2022
As at January 1	21,853	27,487
Write-off of trade accounts receivable	(11,060)	(8,767)
Accrual of additional reserves	24,740	26,086
Recovery of reserves	(20,196)	(22,953)
As at 31 December	15,337	21,853

As at 31 December 2023 and 2022, trade accounts receivables were classified into stages 2 and 3 fair value measurement.

7. Advances paid

As at 31 December 2023 and 2022, the Group paid advances for:

	31 December 2023	31 December 2022
Delivery of equipment and materials	254,224	130,997
Deferred expenses	191,168	182,553
Construction works	1,601	222,912
Other	43,726	10,047
Total advances paid	490,719	546,509
Non-current	51,710	222,912
Current	439,009	323,597
	490,719	546,509

8. Inventories

	31 December 2023	31 December 2022
Materials and spare parts at cost	258,324	144,604
Other raw materials	13,625	19,485
Total inventories	271,949	164,089

Materials and spare parts at cost for provision of services consist equipment for the installation of structured cable systems and video surveillance systems, fire extinguishing systems, access control systems, spare parts for maintenance of air conditioners and uninterruptible power supply (UPS).

9. Other current assets

Other assets mainly include input value added tax (VAT) and materials assigned to employees for use on an accountable basis. As of 31 December 2023, input VAT amounted to 228,774 thousand tenge (2022: 49,666 thousand tenge). This change is due to the initiation of construction of data center in Astana; input VAT exceeded the accrued VAT in the second half of 2023 and was reflected as an overpayment of tax. Additionally, as of 31 December 2023, materials assigned to employees for the provision of services to clients amounted to 93,911 thousand tenge (2022: 57,757 thousand tenge). The increase is attributed to the growth in the volume of services provided in 2023.

**Joint Stock Company “Kazteleport” -
Subsidiary Company of Halyk Bank” of Kazakhstan”**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2023

(in thousands of Kazakhstani Tenge, unless otherwise indicated)

10. Property and equipment

	Land	Buildings	Telecom- munication equipment	Computers and peripherals	Vehicles	Construction in progress	Other	Total
At cost/ revalued cost								
31 December 2021	284,914	18,691	2,117,348	937,941	32,810	1,341,763	110,677	4,844,144
Additions	-	4,367	42,600	349,325	-	965,360	89,742	1,451,394
Disposals	-	-	(85,118)	(30,615)	-	-	(9,682)	(125,415)
Reclassification as held for sale	-	-	(5,145)	(12,255)	-	-	(90,275)	(107,675)
Revaluation increase	14,102	62,472	-	-	-	-	-	76,574
Eliminated on revaluation	-	(6,107)	-	-	-	-	-	(6,107)
Transfer	-	663,725	1,612,922	-	-	(2,276,647)	-	-
Reclassification from inventories	-	-	7,793	51,014	-	-	3,145	61,952
31 December 2022	299,016	743,148	3,690,400	1,295,410	32,810	30,476	103,607	6,194,867
Additions	-	-	171,208	182,315	-	3,201,738	12,744	3,568,005
Disposals	-	-	(61,083)	(8,316)	(254)	(5,600)	(7,934)	(83,187)
Reclassification as held for sale	-	-	5,145	-	-	-	-	5,145
Exchange differences	-	-	-	(73)	-	-	-	(73)
Transfer	-	904,002	3,186	(615)	-	(906,573)	-	-
Reclassification from inventories	-	-	8,297	17,854	-	-	-	26,151
31 December 2023	299,016	1,647,150	3,817,153	1,486,575	32,556	2,320,041	108,417	9,710,908
Accumulated depreciation								
31 December 2021	-	(406)	(830,473)	(455,228)	(13,661)	-	(53,167)	(1,352,935)
Charge for the year	-	(19,644)	(223,907)	(137,992)	(5,209)	-	(13,783)	(400,535)
Write-off	-	-	84,090	30,296	-	-	9,414	123,800
Eliminated on revaluation	-	6,107	-	-	-	-	-	6,107
31 December 2022	-	(13,943)	(970,290)	(562,924)	(18,870)	-	(57,536)	(1,623,563)
Charge for the year	-	(23,330)	(321,037)	(179,357)	(5,209)	-	(13,581)	(542,514)
Write-off	-	-	57,052	8,313	254	-	7,093	72,712
31 December 2023	-	(37,273)	(1,234,275)	(733,968)	(23,825)	-	(64,024)	(2,093,365)
Net book value								
31 December 2023	299,016	1,609,877	2,582,878	752,607	8,731	2,320,041	44,393	7,617,543
31 December 2022	299,016	729,205	2,720,110	732,486	13,940	30,476	46,071	4,571,304

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

In 2022, qualified independent appraisers conducted a revaluation of the value of real estate, presented in the form of administrative premises and land plots. Based on market data, the book value of real estate, revalued in total amount to 825,629 thousand tenge. As of 31 December 2023 revaluation gain in 2022 was recognised in the amount of 99,812 thousand tenge (land plots in the amount of 14,102 thousand tenge and buildings in the amount of 85,710 thousand tenge), which was recognised in other comprehensive income in the amount of 79,850 thousand tenge, net of deferred income tax of 19,962 thousand tenge. Loss from revaluation of buildings was recognised in the amount of 23,238 thousand tenge in profit or loss.

The fair value was determined by independent appraisers based on comparative and cost methods. The valuation complies with International Valuation Standards and was based on recent market transactions made on market conditions with similar real estate. When using the cost approach, the actual costs were used with the application of the lifetime of the estimated objects. According to the classification of fair value assessment levels, the hierarchy of the fair value of the assessed objects is determined by Level 2. During the period, there were no changes in the valuation methodology.

If land and buildings were measured at historical cost, their book value would be:

	31 December 2023	31 December 2022
Land	259,108	259,108
Buildings	1,367,206	463,204

As of 31 December, the movements in the property and equipment revaluation reserve are as follows:

	2023	2022
As at January 1	100,503	20,775
Other comprehensive income	-	79,850
Reclassification to retained earnings	(1,436)	(122)
As at 31 December	99,067	100,503

Upon disposal of fixed assets, the part of the reserve, net of taxes, related to the disposal of assets, is reclassified to retained earnings. The revaluation reserve for fixed assets will not be subsequently reclassified to profit or loss.

In 2023, for the construction of a Data Center in Astana, the Company entered into contracts with NEO Stroy KZ LLP and MirAS Engineering LLP. All expenses related to the construction of the Data Center, until the commissioning of the facility, are accounted for as work in progress. As of 31 December 2023, work in progress amounting to 906,573 thousand tenge has been transferred to property, plant, and equipment. As of 31 December 2023, work in progress represents expenses related to the construction of the Data Center in Astana, in total amount of 2,320,041 thousand tenge, where the construction of the data processing center is underway. Completion of construction works for the Data Center in Astana is scheduled for 2024.

As of 31 December 2023, the Group has contractual commitments for the construction of a data center in Astana in total amount of 652,976 thousand tenge.

As of 31 December 2023 and 2022, fully amortised fixed assets were written off in the amount of 72,712 thousand tenge and 129,907 thousand tenge, respectively.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements
for the Year Ended 31 December 2023 (Continued)
(in thousands of Kazakhstani Tenge)

11. Right-of-use assets

In 2023 and 2022, the Group entered into lease agreements for production facilities with the Parent company, for a period of 60 months and 36 months, respectively. According to the terms of the contracts, the Group acts as a tenant of production facilities for the placement of data processing centers in the cities of Astana, Almaty and Aktau.

These contracts have been classified as lease agreements in accordance with IFRS 16 with the recognition of assets in the form of right of use and lease obligations at the present value of lease payments.

As of 31 December 2023, right-of-use assets in the amount of 22,846 thousand tenge and lease obligations in the amount of 25,260 thousand tenge were recognised.

For the year ended 31 December 2023 the Group recognised depreciation of right-of-use assets in the amount of 13,900 thousand tenge (2022: 12,930 thousand tenge) and interest expense on lease obligations in the amount of 4,016 thousand tenge (2022: 4,892 thousand tenge), which are reflected in other expenses. For 2023 and 2022, the calculation of the amount of interest is based on the effective rate of 19.5-18.9% and 14.5%, respectively.

	31 December 2023	31 December 2022
Maturity analysis:		
Year 1	20,832	17,174
Year 2	4,303	16,582
Year 3	4,303	3,912
Year 4	1,434	3,912
Year 5	-	1,504
	30,872	43,084
Less: unearned interest	(5,612)	(7,522)
	25,260	35,562
Analysed as:		
Non-current	8,015	20,702
Current	17,245	14,860
	25,260	35,562

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements
for the Year Ended 31 December 2023 (Continued)
(in thousands of Kazakhstani Tenge)

12. Intangible assets

	Software and licenses	Intangible assets in progress of installation	Total
At cost			
31 December 2021	1,074,725	21,081	1,095,806
Additions	4,065	42,308	46,373
Write-off	(42,420)	-	(42,420)
Assets reclassified as held for sale	(14,353)	-	(14,353)
Transfer	29,884	(29,884)	-
31 December 2022	1,051,901	33,505	1,085,406
Additions	8,206	58,822	67,028
Write-off	(1,881)	-	(1,881)
Transfer	88,648	(88,648)	-
31 December 2023	1,146,874	3,679	1,150,553
Accumulated amortization			
31 December 2021	(391,462)	-	(391,462)
Charge for the year	(143,780)	-	(143,780)
Disposals	42,419	-	42,419
31 December 2022	(492,823)	-	(492,823)
Charge for the year	(140,123)	-	(140,123)
31 December 2023	(632,946)	-	(632,946)
Net book value			
As at 31 December 2023	513,928	3,679	517,607
As at 31 December 2022	559,078	33,505	592,583

13. Trade accounts payable

	31 December 2023	31 December 2022
Trade accounts payable for equipment	204,829	6,331
Trade accounts payable for rent of channels	136,339	223,136
Trade accounts payable for technical maintenance and support	119,874	118,779
Trade accounts payable for short-term rent of offices	6,568	9,860
Trade accounts payable for subcontracted services	-	739
Other	31,245	16,594
Total trade accounts payable	498,855	375,439

14. Other current liabilities

	31 December 2023	31 December 2022
Provision for unused vacation	93,779	78,537
Provision for bonuses to employees	54,391	23,751
Other current liabilities	148,170	102,288

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

15. Advances received

	31 December 2023	31 December 2022
Advances received from the Parent company (Note 27)	442,987	249,761
Advances received from other related and third parties	13,097	4,043
Total advances received	456,084	253,804

16. Tax payable, other than income tax

	31 December 2023	31 December 2022
Pension contribution payable	23,284	17,554
Current personal income tax payable	22,344	20,735
Current value added tax payable	2,076	112,510
Other payables	4,807	3,888
Total tax payable, other than income tax	52,511	154,687

17. Borrowings

As at 31 December, borrowing were presented as follows:

	Currency	Interest rate	Maturity date	2023	2022
JSC Altyn Bank					
№AMACCO2103021	KZT	11.5%	August 2026	186,664	256,233
№AMACCO2102587	KZT	11.5%	August 2026	156,009	214,365
№AMACCO2200533	KZT	14.5%	August 2026	136,789	187,708
№AMACCO2201409	KZT	17%	August 2026	126,546	173,632
№AMACCO2200307	KZT	11.5%	August 2026	90,280	123,906
№AMACCO2102957	KZT	11.5%	August 2026	89,615	123,014
№AMACCO2102920	KZT	11.5%	August 2026	85,388	117,212
№AMACCO2200213	KZT	11.5%	August 2026	60,756	83,453
№AMACCO2102410	KZT	11.5%	August 2026	34,007	46,697
Total borrowings				966,054	1,326,220
Less current portion				(367,871)	(370,176)
				598,183	956,044

The Group entered into a Framework Agreement №AMASSO1902410 dated 20 February 2020 with Altyn Bank JSC in the amount of up to 1,800,000 thousand tenge, valid until 3 August 2026, with a remuneration rate set for each tranche. As of 31 December 2022, the Group received and disbursed 9 tranches totaling 1,649,819 thousand tenge. The loans were issued at market rates.

According to this loan agreement, Altyn Bank JSC obliged the Group to comply with certain financial covenants. As of 31 December 2023, the Group complied with all financial covenants under the loan agreement.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

As of 31 December 2023, the book value of the Group’s pledged property on loans received from Altyn Bank JSC is 2,417,614 thousand tenge and consists of immovable property (land and buildings in the amount of 726,609 thousand tenge) and movable property (cars and equipment in the amount of 1,691,005 thousand tenge).

As of 31 December 2023 loans by maturity were presented as follows:

	JSC Altyn Bank
Current portion	367,871
1-2 years	359,041
2-3 years	239,142
Non-current portion	598,183
Total	966,054

Movement of liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	1 January 2023	Repayment borrowings	Interest expenses	Interest paid on borrowings	31 December 2023
Borrowings	1,326,220	(361,837)	150,439	(148,768)	966,054

18. Share capital

As of 31 December 2023 and 2022, the issued and fully paid authorised capital is presented in the amount of 4,595,794 thousand tenge and 1,595,794 thousand tenge, respectively, net of unpaid capital in the amount of nil tenge and 93,233 thousand tenge, respectively. In 2023, the Parent Company made a share capital payment in the amount of 3,000,000 thousand tenge.

The number of declared and issued shares as of 31 December 2023 and 2022, amounted to 4,595,794 shares and 1,689,027 shares, the nominal value of one share is 1,000 tenge.

In 2023 and 2022, no dividends were declared and paid.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

19. Revenue

	Year ended 31 December 2023	Year ended 31 December 2022
Revenue from provision of telecommunication services	2,824,945	2,588,793
Revenue from set-up of structured cabling systems	920,905	509,577
Revenue from communication services in the data processing center	405,627	179,291
Revenue from supply of equipment	275,461	1,116,571
Revenue from service of containment area (germozone)	56,215	75,095
Other	48,429	121,533
Total revenue	4,531,582	4,590,860

20. Revenue from rent of equipment and software

In 2023 and 2022, the Group received income from the lease of computing resources, data center equipment, cloud services and virtual servers, 1C systems and video conferencing. Cloud services are represented by data storage services, database backup and copying database, provision of internet access. Rental income from equipment and software for the years ended 31 December 2023 and 2022 amounted to 1,767,540 thousand tenge and 1,274,308 thousand tenge, respectively.

21. Cost of services

	Year ended 31 December 2023	Year ended 31 December 2022
Rent of communication channels	1,668,774	1,544,537
Salary and bonuses	832,077	657,452
Materials and supplies	674,938	1,348,322
Depreciation and amortisation of property and equipment and intangible assets	647,772	505,836
License usage	319,402	362,417
Subcontract works	162,261	93,209
Utility costs on the leased areas	143,330	72,830
Repair of property and equipment	113,215	50,527
Utility costs on the leased areas	98,095	141,430
Business trips	20,986	19,509
Transportation costs	5,284	1,387
Other	79,744	62,454
Total cost of services	4,765,878	4,859,910

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements
for the Year Ended 31 December 2023 (Continued)
(in thousands of Kazakhstani Tenge)

22. General and administrative expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Salary and bonuses	867,881	549,820
Professional services	49,260	55,909
Depreciation and amortization of property and equipment and intangible assets	49,055	39,710
Advertisement	37,502	29,952
Technical support	35,423	25,171
Taxes, other than income tax	28,988	21,292
Expenses for cultural events	18,145	5,039
Repair of property and equipment	15,040	2,691
Transportation cost	14,532	11,243
Insurance	14,205	6,867
Security expenses	13,844	8,779
Business trip expenses	13,363	8,953
Representation expenses	12,081	7,874
Materials and supplies	8,792	12,226
Training of personnel	8,176	4,148
Utilities	7,045	25,610
Mail expenses	4,785	10,136
Bank services	4,014	4,532
Fines, penalties	659	957
Other	18,634	19,284
Total general and administrative expenses	1,221,424	850,193

23. Rent expenses

Rental expenses include short-term lease agreements for administrative premises. For the years ended 31 December 2023 and 2022, the Group entered into office lease agreements at a market rate in the amount of 133,363 thousand tenge and 101,702 thousand tenge, respectively (Note 27).

24. Income tax expense

The Group makes tax calculations for the current period based on tax accounting data carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan, which may differ from IFRS.

Due to the fact that some types of income and expenses are not accounted for tax purposes, the Group has certain permanent tax differences.

Deferred tax reflects the net tax effect of temporary differences between the carrying amount of assets and liabilities for consolidated financial reporting purposes and the amount determined for tax purposes. Temporary differences available as of 31 December 2023 and 2022 are mainly related to different methods/terms of accounting for income and expenses, as well as temporary differences arising from differences in the accounting and tax values of certain assets.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) *(in thousands of Kazakhstani Tenge)*

Deferred tax assets/(liabilities) as at 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Deductible temporary differences:		
Provision for unused vacation	93,779	78,537
Provision for bonuses to employees	54,390	23,751
Tax losses of the subsidiary	35,074	-
Lease liabilities	25,260	35,562
Allowance on trade accounts receivable and advances paid	15,337	21,853
Other	-	746
Total deductible temporary differences	223,840	160,449
Taxable temporary differences:		
Property, equipment, and intangible assets	(1,201,227)	(1,193,344)
Right-of-use assets	(22,846)	(33,428)
Discount on borrowings	(4,879)	(8,949)
Total taxable temporary differences	(1,228,952)	(1,235,721)
Net taxable temporary differences	(1,005,112)	(1,075,272)
Net deferred tax liabilities at the statutory tax rate		-
Tax rate 20%	(206,432)	(215,054)
Net deferred tax assets at the statutory tax rate		
Tax rate 15%	4,057	-

The tax rate used to calculate corporate income tax for the years ended 31 December 2023 and 2022 is 20% and 15%, paid by legal entities from the calculation of taxable income in accordance with the tax legislation of the Republic of Kazakhstan.

The movement of deferred tax liabilities for the years ended 31 December 2023 and 2022 is presented as follows:

	2023	2022
As at 1 January	(215,054)	(144,726)
Deferred income tax recovery/(expense) recognised in:		
Statement of profit or loss	8,622	(50,366)
Other comprehensive income	-	(19,962)
As at 31 December	(206,432)	(215,054)

The movement of deferred tax assets for the years ended 31 December 2023 and 2022 is presented as follows:

	2023	2022
As at 1 January	-	-
Deferred income tax recovery recognised in:		
Statement of profit or loss	4,057	-
As at 31 December	4,057	-

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

Relationships between tax expenses and accounting profit for the years ended 31 December 2023 and 2022 are presented as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before income tax expense	260,088	352,915
Tax at the statutory tax rate (20%)	52,017	70,583
Tax effect of non-deductible expenses	26,613	9,642
Total income tax expense	78,630	80,225

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax expense	91,309	29,859
Deferred income tax expense/(recovery)	(12,679)	50,366
Total income tax expense	78,630	80,225

25. DISCONTINUED OPERATION TECHNICAL SUPPORT ATM AND POS-TERMINALS

At the end of February 2022, at a meeting of the Management Board of the Parent Company, it was decided to transfer the services related to technical support of self-servicing equipment ATMs and POS terminals from the Group to the Parent Company from 1 July 2022. Based on this decision, the Group withdrew its staff in the number of 388 employees, sold fixed assets to the Parent Company with a carrying value of 102,243 thousand tenge.

The result from discontinued operations included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Period, ended 1 July 2022
Revenue	1,748,260
Cost of services	(1,457,840)
GROSS PROFIT	290,420
General and administrative expenses	(90,700)
Other income	4,934
Other expenses	-
PROFIT BEFORE INCOME TAX EXPENSE	204,654
Income tax expense	(45,633)
NET PROFIT FOR THE YEAR	159,021
Consideration	125,753
Net assets disposed	(102,243)
Profit from disposal of net assets	23,510
Profit for the year from discontinued operations	182,531

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

The cash flows from discontinued operations are presented as follows:

	Period, ended 1 July 2022
Net cash received from operating activities	514,440
	514,440

26. Financial commitments and contingent liabilities

Lawsuits

In the normal course of business, the Group may be subject to legal proceedings and lawsuits. Management believes that the final liability, if any, arising from these claims will not have a significant negative impact on either the current financial position or the results of the Group's financial and economic activities in the future.

Taxation

Due to the presence of provisions in the commercial and, in particular, in the tax legislation of the Republic of Kazakhstan that may have more than one interpretation, as well as in connection with the practice of tax authorities to make an arbitrary judgment on the Group's activities, if any specific actions based on the interpretation of legislation in relation to the Group's activities by the guidelines will be challenged by the tax authorities, this may lead to the accrual of additional taxes, fines and penalties. The Group believes that all the necessary tax charges have been made, and, accordingly, no reserves have been accrued in the consolidated financial statements. The tax authorities have the right to check the correctness of tax accruals within five years after the end of the tax period.

Pension payments

In accordance with the legislation of the Republic of Kazakhstan, all employees of the Group are entitled to pension provision. As of 31 December 2023 and 2022, the Group had no obligations to its current or former employees for additional pension payments, payment of medical care after retirement, insurance payments or other benefits upon retirement.

27. Transactions with related parties

Related parties, or transactions with related parties, are defined by IAS 24 “*Related party disclosures*”. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

In considering each possible related party, attention is directed to the substance of the relationship, and not merely the legal form. The volumes of related party transactions, outstanding balances as at 31 December 2023 and 2022, and related expenses and incomes for the years then ended are as follows:

	31 December 2023				31 December 2022			
	Parent company	Entities under common control	Other related parties	Total by category per the consolidated financial statements	Parent	Entities under common control	Other related parties	Total by category per the consolidated financial statements
Assets								
Cash and cash equivalents	1,141,928	1,644	7,574	1,151,146	1,470,401	30,994	218	1,501,613
Restricted cash	1,000	-	-	74,061	-	-	-	31,376
Advances paid	-	-	-	439,009	-	-	-	323,597
Trade accounts receivable	181,102	45,002	17,389	540,833	145,599	18,231	6,923	381,671
Other current assets	14,247	9,602	-	367,950	576	6,094	-	129,703
Liabilities								
Trade accounts payable	6,767	3,884	74	498,855	5,947	2,044	-	375,439
Advances received	442,987	8,902	-	456,084	249,761	116	-	253,804
Lease liabilities	25,260	-	-	25,260	35,562	-	-	35,562
Borrowings	-	-	966,054	966,054	-	-	1,326,220	1,326,220
Other current liabilities	-	-	-	148,170	-	-	-	102,288
Revenue and expenses								
Revenue	3,011,664	346,469	31,016	4,531,582	4,884,478	95,730	31,194	6,339,120
Revenue on rent of equipment and software	158,613	319,982	64,728	1,767,540	141,218	197,749	36,427	1,274,308
Cost of services	(136,948)	(3,435)	-	(4,765,878)	(1,095,145)	(20,817)	-	(6,317,750)
General and administrative expenses	(3,311)	(17,965)	(339)	(1,221,424)	(4,608)	(7,674)	(3,209)	(940,893)
Rent expenses	(126,594)	-	-	(133,363)	(96,063)	-	-	(101,702)
Other income	868	-	-	52,958	26,145	3,164	-	171,553
Interest expenses	-	-	(150,439)	(150,439)	-	-	(128,388)	(128,388)
Interest income	200,027	-	-	200,027	99,384	-	-	99,384
Other expenses	(4,016)	-	-	(18,735)	(5,436)	-	-	(37,680)

For the years ended 31 December 2023 and 2022, revenues from the sale, lease of equipment and software received from transactions with related parties amount to 3,932,472 thousand tenge and 5,386,796 thousand tenge, respectively, or 62% and 71% of total revenues, respectively.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

Remuneration of the members of the Management Board of the Group is presented as follows:

	Year ended 31 December 2023	Total category as per consolidated financial statements caption/notes to the financial statements	Year ended 31 December 2022	Total category as per consolidated financial statements caption/notes to the financial statements
Salaries and other short-term benefits	(190,214)	(1,699,958)	(212,148)	(2,104,425)
Total key management compensation	(190,214)	(1,699,958)	(212,148)	(2,104,425)

28. Fair value of financial instruments

IFRS defines fair value as 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.

Since for most of the Group's financial instruments there are no existing available market mechanisms for determining fair value, fair value estimation must use assumptions based on current economic conditions and the specific risks inherent in the instrument.

The fair values of the instruments presented here do not necessarily reflect the amounts that the Group would have received from a market sale of all investments in a particular instrument.

The following methods and assumptions have been used by the Group to calculate the fair value of financial instruments:

- The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature of these financial instruments.
- For assets and liabilities with maturities of less than twelve months, the carrying amount approximates fair value due to the short-term nature of these financial instruments.
- For financial assets and liabilities with maturities greater than twelve months, fair value is the present value of discounted expected future cash flows using market rates at the end of the reporting period.

As at 31 December 2023, the fair value of loans received was 920,876 thousand tenge (2022: 1,242,760 thousand tenge). Loans attracted have fixed rates. Fair value was determined based on market rates at the reporting date for similar maturities.

As of 31 December 2023, the book value of loans received related to level 3 according to the fair value hierarchy.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements
for the Year Ended 31 December 2023 (Continued)
(in thousands of Kazakhstani Tenge)

29. Risk management policy

Management of risk is fundamental to the Group’s business and is an essential element of the Group’s operations. The main risks inherent to the Group’s operations are those related to:

- Market risk;
- Credit risk;
- Liquidity risk.

The Group’s principal financial instruments comprise cash and cash equivalents, trade receivables and payables, bank deposits, borrowings and other financial assets and liabilities. A summary description of the Group’s risk management policies is disclosed below.

Market risk

The main risks associated with the Group's activities are the risks of fluctuations in foreign exchange rates and interest rates (see below).

Interest rate risk

As described in Note 17, in 2022 the Group entered into Framework Agreement with JSC Altyn Bank for the construction of a data center with a fixed fee rate, set for each individual tranche individually. The Group's operations are not subject to interest rate risk as the Group borrows funds at fixed interest rates.

The Group is not exposed to interest rate risk on financial assets as the Group has no financial assets that bear interest, other than short-term bank deposits with original maturities of less than three months.

Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's financial position and cash flows are exposed to fluctuations in foreign exchange rates.

As of 31 December 2023, the consolidated financial assets are denominated in Kazakhstani Tenge, except for cash and cash equivalents, which are also expressed in sums (equivalent to 400 thousand tenge) and dollars (equivalent to 1,245 thousand tenge), and trade receivables, which are also expressed in sums (equivalent to 3,620 thousand tenge) and US dollars (equivalent to 1,366 thousand tenge). All consolidated financial liabilities are denominated in Kazakhstani Tenge, except for one liability denominated in rubles (equivalent to 8,996 thousand tenge) and another in sums (equivalent to 18 thousand tenge).

As of 31 December 2022, the consolidated financial assets are denominated in Kazakhstani Tenge, except for cash and cash equivalents, which are also expressed in sums (equivalent to 5 thousand tenge) and dollars (equivalent to 30,989 thousand tenge). All consolidated financial liabilities are denominated in Kazakhstani Tenge, except for one liability denominated in euros (equivalent to 3,964 thousand tenge).

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

Credit risk

Consolidated financial assets, which potentially subject the Group to credit risk, principally consist of bank deposits and trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable represents the maximum amount exposed to credit risks.

As at 31 December 2023, the amount of balances of receivables, including provision, of the 10 largest counterparties amounted 332,305 thousand tenge or 61% (31 December 2022: 275,667 thousand tenge or 72%) of the total amount of trade receivables. As of 31 December 2023 and 2022 accounts receivable, taking into account the provision, of the Parent Company amounted to 181,102 thousand tenge and 142,845 thousand tenge or 33% and 37%, respectively.

As of 31 December 2023 and 2022, cash and cash equivalent balances attributable to the Parent Company are 99.20% and 99.99%, respectively. As of 31 December 2023 and 2022, cash and cash equivalents are held in JSC "Halyk Bank of Kazakhstan" with an international credit rating of Baa2/stable/NP, Ba1.kz, in accordance with the rating of Moody's, disclosed on the Kazakhstan Stock Exchange.

As of 31 December 2023 and 2022, for consolidated financial assets held on balance sheets, the maximum exposure to credit risk is equal to the carrying amount of those assets, excluding offsets of assets and liabilities and collateral.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Tables on liquidity risk and interest rate risk

The following tables reflect the Group's contractual terms for non-derivative financial assets and liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes cash flows for both interest and principal.

Joint Stock Company “Kazteleport” - Subsidiary Company of Halyk Bank”

Notes to the Financial Statements for the Year Ended 31 December 2023 (Continued) (in thousands of Kazakhstani Tenge)

The following table details the Group’s liquidity analysis as at 31 December 2023:

2023	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1-5 years	Total	As per line items in the statement of financial position
Financial assets							
Trade accounts receivable (Note 6)		556,170	-	(15,337)	-	540,833	540,833
Cash and cash equivalents (Note 5)		1,151,146	-	-	-	1,151,146	1,151,146
Restricted cash		-	74,061	-	-	74,061	74,061
		1,707,316	74,061	(15,337)	-	1,766,040	1,766,040
Financial liabilities							
Loans received (Note 17)	11.5%	-	120,321	344,108	670,466	1,134,895	966,054
Trade accounts payable (Note 13)		-	498,855	-	-	498,855	498,855
Lease obligations (Note 11)	18.9%	-	-	20,832	10,040	30,872	25,260
		-	594,666	290,096	611,019	1,495,781	1,490,169
Net position		1,707,316	(520,605)	(305,433)	(611,019)	270,259	275,871

The following table details the Group’s liquidity analysis as at 31 December 2022:

2022	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1-5 years	Total	As per line items in the statement of financial position
Financial assets							
Trade accounts receivable (Note 6)		403,524	-	(21,853)	-	381,671	381,671
Cash and cash equivalents (Note 5)		1,501,613	-	-	-	1,501,613	1,501,613
Restricted cash		-	31,376	-	-	31,376	31,376
		1,905,137	31,376	(21,853)	-	1,914,660	1,914,660
Financial liabilities							
Loans received (Note 17)	11.5%	-	122,987	379,219	1,134,895	1,637,101	1,326,220
Trade accounts payable (Note 13)		375,439	-	-	-	375,439	375,439
Lease obligations (Note 11)	13.5%	-	-	17,174	25,910	43,084	35,562
		375,439	122,987	396,393	1,160,805	2,055,624	1,737,221
Net position		1,529,698	(91,611)	(418,246)	(1,160,805)	(140,964)	177,439

30. Events after the reporting period

Management is not aware of any significant events after the end of the reporting period.