# CENTRAL-ASIAN ELECTRIC-POWER CORPORATION JOINT STOCK COMPANY AND ITS SUBSIDIARIES

Consolidated Financial Statements and
Independent Auditor's Report
for the year ended 31 December 2019

## CONTENTS

**CENTRAL-ASIAN ELECTRIC-POWER CORPORATION JOINT STOCK COMPANY AND ITS SUBSIDIARIES**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Central-Asian Electric-Power Corporation Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 31 December 2019, the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the year then ended, 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 consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the management of the Group on 30 June 2020.

**Signed on behalf of Group management:**

| | |
|---|---|
| **S.V. Kan** | **N.V. Buksha** |
| **President** | **Chief Accountant** |
| 30 June 2020 | 30 June 2020 |
| Nur-Sultan, Republic of Kazakhstan | Nur-Sultan, Republic of Kazakhstan |

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# Independent Auditor's Report

To the Shareholders and Board of directors of Central-Asian Electric-Power Corporation JSC

## Our qualified opinion

In our opinion, except for the effects and possible effects of the matters set forth in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Central-Asian Electric-Power Corporation JSC (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Basis for qualified opinion

As described in Note 2 of the consolidated financial statements, the Group did not apply IFRS 16 "Leases" in respect of the leased land, from its mandatory adoption date of 1 January 2019. As a result, by applying the modified retrospective method for adoption of IFRS 16 "Leases", right-of-use assets and lease liability in the consolidated statement of financial position as at 31 December 2019 are understated by Tenge 921,531 thousand and Tenge 952,172 thousand, respectively, and the retained earnings in the consolidated statement of changes in equity for the year ended 31 December 2019 are overstated by Tenge 30,641 thousand.

As described in Note 4 of the consolidated financial statements, the Group accounts for property, plant and equipment based on a revaluation model in accordance with IAS 16 "Property, Plant and Equipment". As at 31 December 2019 and 31 December 2018 the Group did not perform the revaluation of property, plant and equipment as required by IAS 16 "Property, Plant and Equipment", and the Group did not perform an impairment test of property, plant and equipment, as required by IAS 36 "Impairment of Assets", although there were factors indicating that the fair value of property, plant and equipment could have changed significantly.

As a result, we were unable to determine whether any adjustments would have been necessary to the corresponding amounts in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018, 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 31 December 2019 and 31 December 2018, respectively.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Independence**

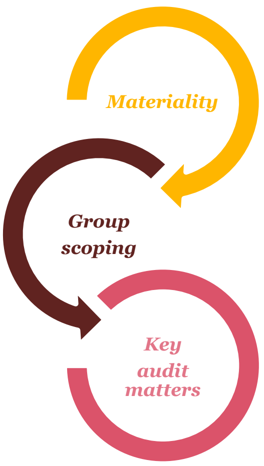
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## Material uncertainty relating to going concern

We draw your attention to Note 6 in the consolidated financial statements, which states that as at 31 December 2019 the Group's current liabilities exceeded current assets by Tenge 91,577,101 thousand. This fact, along with other matters as set forth in Note 6 indicates that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as going concern. Our opinion is not modified in respect of this matter.

## Our audit approach

**Overview**




- Overall Group materiality: 1,200 million of Kazakhstani Tenge, which represents approximately 0.9% of revenue for the year ended 31 December 2019.

- We conducted audit procedures over the Company and all its subsidiaries.
- Our audit scope addressed in full all assets and net profit of the Group.

- In addition to matters set forth in sections "Basis for qualified opinion" and "Material uncertainty relating to going concern", we determined the following key audit matter: accounting and impairment of financial assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

| | |
|---|---|
| **Overall materiality** | Tenge 1,200 million |
| **How we determined it** | approximately 0.9% of revenue |
| **Rationale for the materiality benchmark applied** | We chose revenue as the benchmark for materiality determination. We did not use profit before tax due to its fluctuation. Instead, we used revenue, which is less volatile and is also used by the Shareholders to assess the Group's performance. We believe that revenue aligns with the principal considerations of the users of the consolidated financial statement. We have established materiality at the level of approximately 0.9% of revenue which is, in accordance with our professional judgment, consistent with quantitative materiality thresholds. |

**Key audit matters**

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

In addition to matters set forth in sections “Basis for qualified opinion” and “Material uncertainty relating to going concern”, we determined the following key audit matter:

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Accounting and impairment of financial assets* | |
| *See Notes 6 and 12 to the consolidated financial statements.* | |
| During 2018, as a result of liquidation of EximBank, the Group has obtained right for the loans issued to a number of companies by EximBank in exchange of the Group’s funds (cash and deposits) in the Bank. The Group has entered into loan agreements with these borrowers for the total gross amount of Tenge 10,595 million.<br><br>During 2019 the Group also provided financial aid to its parent company in the amount of Tenge 10,196 million and a loan to ATP Invest in the amount of Tenge 783 million.<br><br>The assessment of recoverability of these financial assets requires significant judgement.<br><br>The management of the Group performed the analysis of terms of the loan agreements, and revisions of such terms implemented during the year. Management has also assessed expected credit losses in respect of each of the borrower. Management applied significant judgements in its estimates, in particular, assessment of market interest rates, value of collateral received and probability of default of the borrowers.<br><br>We considered these matters to be key audit matters due to their significance to the consolidated financial statements. | As part of our audit, we focused our attention on examining terms of loan agreements, as well as on estimates and assumptions used by the management of the Group to record initial recognition and subsequent modification and measurement of respective financial assets.<br><br>Our procedures included the following:<br><br>• review of the terms of loan agreements;<br>• checking the accounting for transactions as of the initial recognition date and subsequent measurement of financial assets;<br>• receipt of confirmation letters from borrowers for the principal debt and interest accrued;<br>• assessment of the analysis performed by the management of the Group on the measurement of expected credit losses and recoverable amount with respect to financial assets;<br>• assessment of the analysis performed by the management of the Group on classification of borrowers by the levels of the probability of default and determination of the exposure at default to measure expected credit losses;<br>• conducting interviews with the management of the Group to obtain sufficient understanding of basis for estimates and assumptions used to measure expected credit losses and recoverable amount with respect to financial assets;<br>• review of respective disclosures in the consolidated financial statements. |

**How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors, including other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group consolidated financial statements as a whole.

The assets and operations of the Group are spread amongst the Company and its four subsidiaries (components). We have identified the Company and its four subsidiaries as material components.

For material components, we with involvement of component auditors, as mentioned above, carried out a full scope audit of the financial information of the components, which the Group uses for the preparation of the consolidated financial statements. We have discussed with component auditors the key assumptions and methodology, received independence and compliance with IESBA Code requirements confirmations.

In general, the scope of our audit covered all assets, revenue and absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

## Other information

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

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

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

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

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

30 June 2020
Almaty, Kazakhstan

| | |
|---|---|
| Approved by: | Signed by: |
| Dana Inkarbekova<br>Managing Director<br>PricewaterhouseCoopers LLP<br>(General State License of the RK Ministry of Finance No.0000005 dated 21 October 1999) | Baurzhan Burkhanbekov<br>The engagement partner on the audit resulting in this independent auditor's report and Auditor in charge (Auditor's Qualification Certificate No.0000586 dated 30 October 2006) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

*(in thousands of Tenge)*

| | Note | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 8 | 263,940,484 | 260,133,112 |
| Goodwill | 9 | 1,405,202 | 1,687,141 |
| Intangible assets | 10 | 1,764,085 | 1,979,566 |
| Deferred tax assets | 37 | 983,455 | 1,640,086 |
| Loans receivable | 12 | 11,065,201 | 4,074,492 |
| Other financial assets | 13 | 539,413 | 86,249 |
| Advances given | 11 | 1,236,850 | 4,716,792 |
| Other non-current assets | 16 | 8,162,459 | 2,397,150 |
| **Total non-current assets** | | **289,097,149** | **276,714,588** |
| CURRENT ASSETS: | | | |
| Inventories | 14 | 5,099,159 | 4,751,626 |
| Trade receivables | 15 | 15,023,978 | 15,435,390 |
| Advances given | 11 | 1,602,348 | 2,197,762 |
| Income tax prepaid | | 772,431 | 809,345 |
| Other current assets | 16 | 3,165,560 | 7,428,544 |
| Loans receivable | 12 | 2,903,462 | 4,499,930 |
| Other financial assets | 13 | 652,418 | 950,152 |
| Cash and cash equivalents | 17 | 894,566 | 1,301,811 |
| **Total current assets** | | **30,113,922** | **37,374,560** |
| **TOTAL ASSETS** | | **319,211,071** | **314,089,148** |
| **EQUITY AND LIABILITIES** | | | |
| EQUITY: | | | |
| Share capital | 18 | 46,043,272 | 46,043,272 |
| Additional paid-in capital | 19 | 1,348,105 | 1,348,105 |
| Revaluation reserve for property, plant and equipment | | 36,607,620 | 38,998,854 |
| Retained earnings | | 52,342,715 | 58,274,754 |
| **Total equity** | | **136,341,712** | **144,664,985** |
| NON-CURRENT LIABILITIES: | | | |
| Bonds issued | 20 | 13,244,969 | 19,410,835 |
| Deferred revenue | 24 | 6,885,923 | 7,242,625 |
| Lease liabilities | 25 | 1,380,582 | 1,717,330 |
| Deferred tax liabilities | 37 | 38,029,150 | 38,675,054 |
| Provision for asset retirement obligations | 23 | 1,192,343 | 1,745,140 |
| Employee benefit obligations | | 114,368 | 116,367 |
| Other long-term payables | | 331,001 | 367,414 |
| **Total non-current liabilities** | | **61,178,336** | **69,274,765** |
| CURRENT LIABILITIES: | | | |
| Current portion of bonds issued | 20 | 5,963,431 | 473,473 |
| Loans | 21 | 82,374,864 | 72,461,789 |
| Trade payables | 26 | 23,463,760 | 17,076,140 |
| Advances received | 27 | 2,405,256 | 2,524,568 |
| Current portion of provision for asset retirement obligations | 23 | 927,879 | 61,665 |
| Current portion of employee benefit obligations | | 14,586 | 11,905 |
| Current portion of lease liabilities | 25 | 551,609 | 500,583 |
| Financial guarantees | 22 | 1,872,553 | 2,090,875 |
| Other liabilities and accrued expenses | 28 | 4,117,085 | 4,948,400 |
| **Total current liabilities** | | **121,691,023** | **100,149,398** |
| **TOTAL EQUITY AND LIABILITIES** | | **319,211,071** | **314,089,148** |

**Signed on behalf of Group management:**

**S.V. Kan**
**President**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

**N.V. Buksha**
**Chief Accountant**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

Акционерное общество "Центрально-Азиатская Электроэнергетическая Корпорация" CAEPCO

The notes on pages 14-77 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-8.

## CENTRAL-ASIAN ELECTRIC-POWER CORPORATION JOINT STOCK COMPANY AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

*(in thousands of Tenge)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| REVENUE | 29 | 137,195,299 | 143,880,232 |
| COST OF SALES | 30 | (116,317,593) | (114,309,584) |
| **GROSS PROFIT** | | **20,877,706** | **29,570,648** |
| General and administrative expenses | 31 | (8,656,614) | (10,262,996) |
| Selling expenses | 32 | (2,428,287) | (2,404,415) |
| Finance costs | 33 | (10,207,280) | (8,268,842) |
| Finance income | 34 | 2,104,129 | 1,416,338 |
| Impairment of financial instruments, net | | (4,311,747) | (538,029) |
| Foreign exchange loss, net | 35 | (10,033) | (5,479,440) |
| Impairment of goodwill | 9 | (281,939) | - |
| Other expenses, net | 36 | (300,116) | (201,415) |
| **(LOSS)/PROFIT BEFORE TAXATION** | | **(3,214,181)** | **3,831,849** |
| INCOME TAX EXPENSE | 37 | (1,829,363) | (2,231,737) |
| **(LOSS)/PROFIT FOR THE YEAR** | | **(5,043,544)** | **1,600,112** |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, net of income tax | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Loss on revaluation of property, plant and equipment | | - | (15,750) |
| Changes in estimates related to provision for asset retirement obligations | | (34,061) | - |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | **(5,077,605)** | **1,584,362** |
| (Loss)/earnings per share | | | |
| **(Loss)/earnings per share for the year, in KZT** | 41 | **(136.49)** | **43.30** |

**Signed on behalf of Group management:**

**S.V. Kan**
**President**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

**N.V. Buksha**
**Chief Accountant**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

Қазақстан Республикасы Нұр-Сұлтан қ. "Орталық-Азия Электроэнергетикалық Корпорациясы" Акционерлік қоғамы
Республика Казахстан г.Нур-Султан Акционерное общество "Центрально-Азиатская Электроэнергетическая Корпорация"
CAEPCO

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

*(in thousands of Tenge)*

| | Share capital | Additional paid-in capital | Revaluation reserve for property, plant and equipment | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **At 31 December 2017** | **46,043,272** | **1,348,105** | **41,413,587** | **60,979,619** | **149,784,583** |
| Adjustment of opening balance IFRS 9 (Note 2) | - | - | - | (2,665,526) | (2,665,526) |
| **Restated balance at 1 January 2018** | **46,043,272** | **1,348,105** | **41,413,587** | **58,314,093** | **147,119,057** |
| Profit for the year | - | - | - | 1,600,112 | 1,600,112 |
| Other comprehensive loss for the year | - | - | (15,750) | - | (15,750) |
| **Total comprehensive (loss)/income for the year** | **-** | **-** | **(15,750)** | **1,600,112** | **1,584,362** |
| Amortisation of revaluation reserve on property, plant and equipment | - | - | (2,398,983) | 2,398,983 | - |
| Financial guarantees (Note 22) | - | - | - | (1,672,700) | (1,672,700) |
| Shareholder operation | - | - | - | (237,914) | (237,914) |
| Dividends declared | - | - | - | (2,127,820) | (2,127,820) |
| **At 1 January 2019** | **46,043,272** | **1,348,105** | **38,998,854** | **58,274,754** | **144,664,985** |
| Loss for the year | - | - | - | (5,043,544) | (5,043,544) |
| Other comprehensive loss for the year | - | - | (34,061) | - | (34,061) |
| **Total comprehensive loss for the year** | **-** | **-** | **(34,061)** | **(5,043,544)** | **(5,077,605)** |
| Amortisation of revaluation reserve on property, plant and equipment | - | - | (2,357,173) | 2,357,173 | - |
| Shareholder operation | - | - | - | (2,445,613) | (2,445,613) |
| Dividends declared | - | - | - | (800,055) | (800,055) |
| **At 31 December 2019** | **46,043,272** | **1,348,105** | **36,607,620** | **52,342,715** | **136,341,712** |

**Signed on behalf of Group management:**

**S.V. Kan**
**President**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

**N.V. Buksha**
**Chief Accountant**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

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**CENTRAL-ASIAN ELECTRIC-POWER CORPORATION JOINT STOCK COMPANY AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**
*(in thousands of Tenge)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | |
| (Loss)/profit before taxation | | (3,214,181) | 3,831,849 |
| Adjustments for: | | | |
| Depreciation and amortisation | 8, 10 | 13,000,529 | 11,825,056 |
| Finance costs | 33 | 10,207,280 | 8,268,842 |
| Impairment of financial instruments, net | 39 | 4,311,747 | 538,029 |
| Impairment provision for obsolete and slow-moving inventories | 14 | 173,433 | 83,345 |
| Loss on disposal of property, plant and equipment | 36 | (213,173) | 830,672 |
| Loss on impairment of goodwill | | 281,939 | - |
| Accrual of provision for unused vacations | | 92,911 | 176,605 |
| Foreign exchange loss, net | 35 | 10,033 | 5,479,440 |
| Finance income | 34 | (2,104,129) | (1,416,338) |
| Gain on write-off of accounts payable | | (58,911) | (21,718) |
| Loss on impairment of CIP items | | 346,387 | 88,251 |
| Provision for asset retirement obligations | | 38,272 | 572,007 |
| Other | | - | (244,880) |
| **Operating cash flow before movement in working capital** | | **22,872,137** | **30,011,160** |
| Changes in inventories | | (520,966) | 45,464 |
| Changes in trade receivable | | 86,479 | 1,397,946 |
| Changes in advances given | | (245,914) | (639,661) |
| Changes in other current assets | | 3,214,217 | (201,648) |
| Changes in other non-current assets | | (2,573,394) | 2,295 |
| Changes in other trade receivables | | 160,067 | (2,060,350) |
| Changes in trade payables | | 6,446,531 | 585,653 |
| Changes in deferred revenue | | (356,702) | (109,970) |
| Changes in advances received | | (119,312) | 301,587 |
| Changes in other liabilities and accrued expenses | | (1,136,355) | 2,295,646 |
| Changes in provision for asset retirement obligations | | (137,962) | (270,294) |
| Changes in employee benefit obligations | | 205,482 | (53,362) |
| **Cash from operating activities** | | **27,894,308** | **31,304,466** |
| Income tax paid | | (1,949,409) | (2,389,522) |
| Interest paid | 20,21, 25 | (9,170,338) | (7,389,567) |
| **Net cash from operating activities** | | **16,774,561** | **21,525,377** |

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**
*(in thousands of Tenge)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| **INVESTING ACTIVITIES:** | | | |
| Acquisition of property, plant and equipment | | (12,573,481) | (22,238,457) |
| Acquisition of intangible assets | | (141,629) | (274,222) |
| Placement of deposits | | (30,953,689) | (22,190,081) |
| Cash withdrawn from deposits | | 30,921,691 | 38,714,726 |
| Proceeds from interest accrued on placed deposits | | 128,141 | 367,570 |
| Receipt of interest accrued on loans receivable | | 43,945 | 32,748 |
| Proceeds from disposal of property, plant and equipment | | - | 31,248 |
| Cash given to EcoAlternativa LLP | 16 | (3,300,000) | (3,200,000) |
| Loans given | 12, 39 | (89,500) | (10,595,609) |
| Repayment of loans issued | 12, 39 | 1,518,090 | 704,812 |
| Acquisition of financial assets | | 36,999 | (300,731) |
| Cash returned from guarantee fees | | (23,178) | (23,715) |
| Cash given to shareholders | | (10,195,820) | (894,720) |
| Cash returned from shareholders | | 90,500 | 800,000 |
| **Net cash used in investing activities** | | **(24,537,930)** | **(18,668,440)** |
| **FINANCING ACTIVITIES:** | | | |
| Proceeds from loans | 21 | 80,710,056 | 30,827,798 |
| Repayment of loans | 21 | (70,803,838) | (30,577,328) |
| Proceeds from issuance of bonds | 20 | - | 1,440,568 |
| Bond redemption | 20 | (1,134,684) | (2,732,325) |
| Dividends paid | 18 | (532,072) | (2,489,124) |
| Proceeds from government grants | 24 | (800,055) | 20,333 |
| Lease payments | 25 | - | (424,119) |
| **Net cash from/(used in) financing activities** | | **7,439,407** | **(3,934,197)** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(323,963)** | **(1,077,260)** |
| **Cash and cash equivalents at the beginning of the year** | 17 | **1,301,811** | **2,368,075** |
| Effect of exchange rate changes on cash balances in foreign currencies | 35 | (15,510) | 93,319 |
| Expected credit losses for cash and cash equivalents | | (67,772) | (82,323) |
| **Cash and cash equivalents at the end of the year** | 17 | **894,566** | **1,301,811** |

**Signed on behalf of Group management:**

**S.V. Kan**
**President**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

**N.V. Buksha**
**Chief Accountant**

30 June 2020
Nur-Sultan, Republic of Kazakhstan

The notes on pages 14-77 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-8.

*(in thousands of Tenge)*

## 1. GENERAL INFORMATION

Central-Asian Electric-Power Corporation Joint Stock Company (hereinafter "the Company" or "CAEPCo") was incorporated on 8 August 2008 (registration certificate number 93550-1910-AO, business identification number: 080840005767).

As at 31 December 2019 and 31 December 2018, the shareholders of the Company are CAPEC JSC (92.75%), and other shareholders (7.25%) (Note 18)

The ultimate controlling shareholders of the Company as at 31 December 2019 together are Mr. S. Kan and Mr. A. Klebanov, residents of the Republic of Kazakhstan, who are the immediate owners of CAPEC JSC.

The Company's legal address: 2, 5 floor, Business Center SAAD, Dostyk street, Nur-Sultan city, Republic of Kazakhstan.

The Company is the parent of the following subsidiaries (hereinafter jointly as "the Group"):

| Subsidiaries | Direct owner | Location | Ownership interest 2019 | Ownership interest 2018 | Principal activity |
|---|---|---|---|---|---|
| PAVLODARENERGO JSC | CAEPCo JSC | Pavlodar region | 100% | 100% | Production of heat and power |
| Pavlodar Regional Electric Distribution Company JSC | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Transmission and distribution of electric energy |
| Pavlodar Heating Networks LLP | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Transmission and distribution of heat energy |
| Pavlodarenergosbyt LLP | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Sales of heat and power |
| Ekibastuzteploenergo LLP | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Production, distribution and transmission of heat energy |
| Energetic Rest Home LLP | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Health resort, children's camp |
| Energetic Health Care Centre LLP | PAVLODARENERGO JSC | Pavlodar region | 100% | 100% | Health care centre |
| SEVKAZENERGO JSC | CAEPCo JSC | North-Kazakhstan region | 100% | 100% | Production of heat and power |
| North-Kazakhstan Regional Electric Distribution Company JSC | SEVKAZENERGO JSC | North-Kazakhstan region | 100% | 100% | Transmission and distribution of electric energy |
| Petropavlovsk Heating Networks LLP | SEVKAZENERGO JSC | North-Kazakhstan region | 100% | 100% | Transmission and distribution of heat energy |
| Sevkazenergosbyt LLP | SEVKAZENERGO JSC | North-Kazakhstan region | 100% | 100% | Sales of heat and power |
| Akmola Electricity Distribution Company JSC | CAEPCo JSC | Akmola region | 100% | 100% | Transmission, distribution, and sale of electric energy |
| AEDC-ENERGOSBYT LLP | Akmola Electricity Distribution Company JSC | Akmola region | 100% | 100% | Sales of power |
| Astanaenergosbyt LLP | CAEPCo JSC | Nur-Sultan | 100% | 100% | Sales of heat and power |

The principal activity of the Group is production, transmission, distribution, and sale of the heat and power in Pavlodar and North-Kazakhstan regions, sale of heat and power in Nur-Sultan city, transmission, distribution, and sale of the power in Akmola region.

The Company holds all required licenses for the performance of activity on production, transmission, and distribution of electric power and heat energy. The Group's total headcount as at 31 December 2019 and 2018 was 10,553 and 11,063 employees, respectively.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

**IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).** The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard, with the exception of land for which the Group has not applied the requirements of the new standard. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

## 2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on 1 January 2019 was 13.55%.

The Group has lease agreements for administrative and industrial buildings. Prior to the adoption of IFRS 16, the Organization classified each lease (under which it was a lessee) at the inception of the lease as an operating lease.

As a result of the application of IFRS 16 "Leases", the Group began to use a single approach to the recognition and measurement of all leases, except for short-term leases, leases of low-value assets and leases of land.

The Group has decided not to apply the requirements of IFRS 16 "Leases" in respect of the leased land.

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

## 3. NEW AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

***IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group expects to apply the standard to performance guarantees that it issues and is currently assessing the impact of the new standard on its consolidated financial statements.

***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).***The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

***Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).***The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

## 3. NEW AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

***Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).*** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

***Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).*** The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies in respect of financial assets and liabilities and revenue recognition applied till 31 December 2018 are presented in Note 5.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. Actual results could differ from these estimates.

### Basis of preparation

The Group's consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment and financial instruments that are measured at revalued amounts or fair values as of the reporting date.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account. Fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for instruments, which IFRS 2 apply to, lease contracts regulated by IFRS 16, and estimates comparable but not equal to the fair value (for example, net realizable value on measurement of inventories under IAS 2 or value in use on measurement of impairment under IAS 36).

In addition, for financial reporting purposes, fair value measurements are categorised into levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs:

- 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, 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.

### Functional and presentation currency

The functional currency of the Group and the presentation currency of these consolidated financial statements is Tenge.

### Segment reporting

Based on the information contained in the reports, which are reviewed by chief operating decision maker for the purpose of allocation of resources and assessment of performance, as well as having analysed aggregation criteria, the Group identifies the following operating segments, which are production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power, and other.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

### Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business less accumulated impairment losses, if any.

*(in thousands of Tenge)*

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in a Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests adjusted to reflect the changes in their relative interests in a subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received recognised directly in equity.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Foreign currencies transactions**

Transactions in currencies other than the functional currency of the Group are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates prevailing on reporting date. Non-monetary items recorded at historical cost denominated in foreign currency are not translated. Foreign exchange gains and losses on these operations are recorded in profit or loss, except for exchange differences on loans in foreign currency relating to items of construction in progress, which are included into the cost of these items.

The following table summarises foreign currency exchange rates for Tenge at:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| US Dollar | 381.18 | 384.20 |
| Russian Ruble | 6.17 | 5.52 |

Weighted-average exchange rates for the years ended 31 December, for Tenge were as follows:

| | 2019 | 2018 |
|---|---|---|
| US Dollar | 382.87 | 344.90 |
| Russian Ruble | 5.92 | 5.50 |

**Property, plant and equipment**

Property, plant and equipment are initially recorded at acquisition cost. Cost of acquired property, plant and equipment represents cost of funds paid on acquisition of respective assets and other directly related costs incurred in delivery of assets to the facility and necessary preparation for their planned utilisation.

After the initial recognition property, plant and equipment is recorded at revalued amount which represents the fair value at the date of revaluation less accumulated depreciation and any subsequent impairment loss. The revaluation of property, plant and equipment is conducted on a regular basis so that the possible difference between the carrying value and estimated fair value at the reporting date would be immaterial. The accumulated depreciation at the date of revaluation is eliminated against the total carrying value of the asset, after which the carrying value is recalculated to its revalued amount.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the carrying amount is increased as a result of revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading revaluation reserve on property, plant and equipment. However, such increase should be recognised in profit or loss to the extent that it reverses devaluation of the same asset previously recognised in profit or loss.

If the carrying amount of an asset as a result of revaluation decreases, the amount of such a decrease is included in profit or loss. Nevertheless, this decrease should be recognised in other comprehensive income in the amount of existing credit balance, if any, reflected in revaluation reserve on property, plant and equipment in respect of that asset. The decrease, as recognised in other comprehensive income, reduces the amount accumulated in equity under the heading of revaluation surplus.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to profit or loss as incurred.

Depreciation on revalued property, plant and equipment is recorded in profit or loss. Depreciation of construction-in-progress commences when the assets are put into operation. Deprecation is calculated on a straight-line basis during the useful lives, which approximate the following:

| | |
|---|---|
| Buildings and constructions | 5-70 years |
| Machinery and production equipment | 3-40 years |
| Vehicles | 3-15 years |
| Other | 3-25 years |

Carrying amount of asset, useful life and methods are reviewed and adjusted, if needed, at the end of each financial year.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets is made on the same basis as for property, plant and equipment, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is required.

Gain or loss arising on disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets**

Intangible assets are accounted at cost, less accumulated amortisation. Amortisation is charged on a straight-line basis over the assets' estimated useful lives, which is 6-15 years.

**Impairment of non-current assets**

At each reporting date, 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). Where 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. An intangible asset with an undeterminable useful life is tested for impairment annually and when there is an indication that the asset can be impaired.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense. Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**Right-of-use assets**

The Group leases various offices, equipment and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives.

| | |
|---|---|
| Buildings and constructions | 3 – 5 years |
| Machinery and equipment | 3 – 40 years |

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct cost of materials and, where applicable, direct labor and overheads incurred to bring inventories to their current location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Lease liabilities**

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed, and adjusted if appropriate, to reflect actual residual values achieved on comparable assets and expectations about future prices.

### Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 39).

*Cost* is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost ("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

(ii) Financial assets

*Measurement categories*. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The *business model* reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

*Cash flow characteristics*. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment: credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Group measures ECL and recognises net impairment losses at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

*Financial assets – write-off.* Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event.

*Financial assets – derecognition.* The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

*Financial assets – modification.* The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

(iii) Financial liabilities

*Measurement categories.* Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

*Financial liabilities – derecognition*. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Financial guarantees are recognised when a premium is paid or in case of premium-free guarantees (intra company guarantees) when the borrower receives the money from the financing entity. When the Company issues a premium-free guarantee or a guarantee at a premium different from market premium, fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest-rate differentials, etc.).

Losses at initial recognition of a financial guarantee liability are recognised in profit or loss for the year within finance costs. Financial guarantee liabilities are amortised on a straight line method basis over the life of the guarantees with respective income presented within finance income. At the end of each reporting period, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) amount of allowance for guarantee losses measured using ECL model.

Trade and other receivables

Trade and other receivables, except for taxes prepaid and advances to suppliers, are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Prepaid taxes are stated at actual amounts paid less impairment provision.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and cash at current bank accounts. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets; cash restricted from being used for more than three months, but less than twelve months after the reporting period are included in other current assets.

**Finance lease receivables**

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date measurement of the net investment in the lease comprises fixed payments (including in-substance fixed payments), less any lease incentives payable.

Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate implicit in the lease to measure net investment in the lease.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within finance income in the consolidated statement of profit or loss for the year.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Financial liabilities and equity***

Financial liabilities and equity instruments issued by the Group are classified according to the nature of the contractual arrangements entered into and the definitions of financial liabilities and equity instruments. An equity instrument is any contract that evidences residual interest in the Group's assets after all of its liabilities are deducted. The accounting policy accepted for specific financial liabilities and equity instruments is discussed below.

**Loans and debt securities**

Loans and debt securities, after initial recognition, are recorded at the amortised cost using effective interest rate method.

When loans from shareholders are accounted for under non-market terms, the Group records income/(loss) from initial recognition in equity as capital contribution/(capital allocation). Accounting procedure, which records economic nature of transaction, is applied consistently to all similar transactions and disclosed in the consolidated financial statements.

**Provision for assets retirment obligation**

Provision for assets retirment obligation is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump restoration costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated restoration costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related waste occurs based on the net present value of estimated future costs. Provision for assets retirment obligation does not include any additional obligations which are expected to arise from current or future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration of waste polygons. The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the performance results in each reporting period. The amortisation of the discount is shown as a finance cost.

**Trade and other payables and other liabilities**

Trade and other payables and other liabilities are recognised initially at fair value and subsequently carried at AC using the effective interest method.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying 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.

Borrowing costs also include exchange differences arising as a result of loans in foreign currency to the extent they are considered an adjustment of interest payments. The amount of the exchange difference capitalised in the form of an adjustment of interest expenses does not exceed the amount of interest expenses, which the Group would have capitalised, had the loan been taken in local currency. Any excess in exchange differences is charged to profit or loss.

Income received as a result of temporary investment of the received borrowings till their disbursement for acquisition of qualified assets is deducted from borrowing costs.

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

Interest rate on EBRD loan agreements in Tenge includes all-in cost. All-in-cost represents the cost of financing the loan (fees, commissions, etc.), which are paid by the Group during the term of the loan, in accordance with loan agreements.

### Revenue recognition

Revenue is income arising in the course of the Group’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods. Revenue is recognised net of value added tax and discounts. Revenue from sales of electric power is recognised over the period.

The main share of the Group’s consolidated revenue is attributed to revenue from sale and transmission of electric and heat energy, as well as from production of hot water. The sale of each type of services/goods is executed by a separate, identifiable contract with an individual purchaser.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

According to the terms of contracts for the sale and transmission of electric power and heat energy of the Group's subsidiaries, performance obligations are identified as of contract execution date. Contracts for the sale and transmission of electric power and heat energy within the Group do not include accompanying and/or additional services.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

According to the contract for sales and transmission of electric power and heat energy, contract amount represents price for sold or transmitted volume of electric power and heat energy that is an independent object of service/good.

*Production and sale of electric power and heat energy*

Revenue is measured based on actual volumes of sold electric power and heat energy to the Group's power stations. Revenue amount is determined based on tariffs approved by the authorised body.

Revenue from sales of heat and power is recognised at the moment of transfer of control over electric and heat energy, i.e. at the moment of transfer of electric and heat energy to consumers at the point of delivery, which is the point of the Group's station connection to the power and heat energy transmission networks.

In cases where, during the reporting period, the actual records of metering devices for the consumer were not accounted, the revenue is estimated by calculation on the basis of historical data on energy consumption by the consumer or, in their absence, on the basis of consumption rates for this consumer category.

A receivable is recognised when electric and heat energy is delivered at the point of the Group's station connection to the power and heat energy transmission networks as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The actual volume of transmitted electric and heat energy for the estimated period is confirmed by electricity supply act/heat energy reconciliation act. Invoices are issued to consumers on a monthly basis.

Revenues from the sale of electric power regulation services

The Group provides services for the regulation of electric power. Revenues from the provision of services for the regulation of electric capacity are recognized in the reporting period when these services were provided. Revenue is determined on the basis of the actual volume of services received by the buyer on the basis of monthly reports on the supply of power regulation services from the system operator of the unified electric network.

The contract provides for payment for one kW of regulated capacity per month, and revenue is recognized in the amount to which the Group has the right to invoice. Based on the act signed for the reporting month, the Group issues invoices to customers on a monthly basis.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from electric power readiness maintenance services

Also, the Group provides a service to maintain the availability of electric capacity. Revenues from the provision of services to maintain the availability of electric capacity are recognized in the reporting period when these services were provided. The revenue is determined on the basis of the actual available electric capacity, on the basis of monthly reports on the availability of electric capacity from the Single Purchaser in accordance with the Rules of the capacity market.

The contract provides for payment for one kW of supported power per month, and revenue is recognized in the amount to which the Group is entitled to invoice. Based on the act signed for the reporting month, the Group issues invoices to the Single Purchaser on a monthly basis.

*Transmission and distribution of electric energy*

The Group provides services under fixed-price per 1 kWh of transmitted and distributed electric energy based on tariffs approved by the authorised body.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual volume of electric energy transmitted over the reporting period because the customer receives and uses the benefits simultaneously.

The actual volume of transmitted and distributed electric energy for the reporting period is confirmed by reconciliation acts for the volumes of transmitted and distributed electric energy, which are executed and signed with consumers based on commercial meter readings on a monthly basis. Invoices are issued to consumers on a monthly basis as of the last date of each month, and consideration is payable after invoice issue within 5 working days.

A receivable is recognised when invoice is issued as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*Sale of electric energy*

The Group sells electric power under contracts signed with individuals and legal entities based on tariffs approved by the authorised body.

Revenue from sales to legal entities is recognised in the reporting period, when electric power was consumed according to meter readings. Contract for legal entities provides for making payments within 5 working days after the date of payment document issue. Contract for legal entities financed from state budget provides for making payment by the 15$^{th}$ day following the settlement date.

Revenue from sales to individuals is recognised in the reporting period, when electric power was consumed. Revenue under contracts with individuals includes revenue for the last several days of a month after taking meter readings, which is proportional to the total volume of sold electric power for the settlement month. Contract for individuals provides for making payments by the 25$^{th}$ day of a month following the settlement month based on a payment document issued by the Company. The settlement period is one calendar month.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Income tax expense represents the sum of current tax due and deferred tax.

Current tax due is based on taxable profit for the year, taxable profit differs from profit before tax as reported in profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates effective on the reporting date.

Deferred tax is the tax recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other claims and liabilities in transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred taxes are charged or credited to profit or loss, except when they relate to items charged or credited directly to other comprehensive income or equity.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

### Social tax

The Group pays social tax according to the existing legislation of the Republic of Kazakhstan. The effective rate of social tax for the Group during 2019 and 2018 was approximately 6% of gross income of employees. The social tax and salary of the personnel are expensed in the period as accrued.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pension contributions**

The Group also withholds 10% form the salary of its employees as contributions to the cumulative pension fund but not more than 212,500 Tenge per month in 2019 (2018: not more than 212,130 Tenge per month). According to the legislation of the Republic of Kazakhstan, pension contributions are obligations of the employee, and the Group carries no current or future obligations on pension contributions after their retirement.

**Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are revised at each reporting date and adjusted to reflect the best current estimate.

Where the impact of time value of money is significant, the amount of the provision is calculated as the current value of expenses which are expected to settle the obligations. Where the discounting is used, the increase in the provision reflecting the period of past time is recognised as finance cost.

**Contingent liabilities and contingent assets**

Contingent liabilities are not recognised in the consolidated financial statements, except when an outflow of resources representing economic benefits is probable to repay liabilities and the amount of such liabilities can be measured reliably.

A contingent asset is not recognised in the consolidated financial statements, but disclosed when an inflow of economic benefits related to such assets is probable.

**Related party transactions**

In preparation of these consolidated financial statements, the following parties were considered as related parties:

A party is related if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i). controls, is controlled by, or is under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
   (ii). has an interest in the Group that gives it significant influence over the Group; or
   (iii). has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party represents a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party, attention is directed to the substance of the relationship and not merely its legal form.

## 5. ACCOUNTING POLICIES BEFORE 1 JANUARY 2019

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, Leases, are as follows.

***Operating leases.*** Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

***Finance lease liabilities.*** Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires Group management to use estimates and assumptions that influence the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Due to the uncertainty of such estimations, actual results reflected in subsequent periods might differ from initial estimations made.

The key assumptions concerning future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### Going concern

Management prepared these consolidated financial statements on a going concern basis. This management's judgement is based on review of the Group's financial position, its current plans, operation profitability and access to financial resources.

At 31 December 2019, the Group and some of its subsidiaries breached certain covenants of loans agreements. The Group did not receive waivers of rights to claim on an immediate repayment of the debt from relevant banks before 31 December 2019, and accordingly at 31 December 2019, the borrowings were classified as short term and recorded as current liabilities in the statement of financial position. As a result, as at 31 December 2019, the amount of current liabilities of the Group exceeded the amount of current assets by Tenge 91,577,101 thousand. The Group is also a co-guarantor on CAPEC's liabilities (Note 22).

These factors indicate that there is a material uncertainty, which might cast significant doubts about the Group's ability to continue as a going concern.

The following factors were considered in evaluating the Group's ability to continue as a going concern:

- The Group and its subsidiaries timely served its borrowings, including interest payments and they did not receive any notifications from banks about immediate settlement of loans despite of covenants breaches;

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

- In 2019, net cash from operating activities amounted to Tenge 16,774,561 thousand (2018: Tenge 21,525,377 thousand). In 2020, the Group forecasts to receive Tenge 15,587,068 thousand from operating activities;
- In 2019, the Group submitted revised cost estimate to the Ministry of Energy of the Republic of Kazakhstan and as a result electricity tariffs are increased from 6.1kzt/kwh to 6.6 kzt/kwh to cover increased cost based on the order of the Minister of Energy of the Republic of Kazakhstan. During 2019 the Group won litigation against Ministry of Energy of the Republic of Kazakhstan, the court rules in favor of the Power Plants and 0% fixed income tariff is considered as illegal.
- After approval by the Order of the Ministry of Energy of the Republic of Kazakhstan dated May 22, 2020 No. 205 of the Methodology for the determination of fixed income, applied when marginal tariffs for electricity and balancing electricity, the Ministry of Energy of the Republic of Kazakhstan will revise tariffs for the second half of 2020 by including a fixed income of 11.79% (up to 2021) in accordance with the Law on Electricity and a court decision. On June 29, 2020, by order of the Ministry of Energy of the Republic of Kazakhstan, a tariff of 8.38 Tenge per kWh for the sale of electricity was approved, which will be effective from July 1, 2020.
- The Group has proven history of relationships with creditors. All payments of principal and interest were in accordance with the debt schedules as well during 6 months 2020. There is a history of non-compliance with debt covenants however no one from banks did request immediate repayment.
- Management is negotiating sales of certain assets of the Group, as a result of which the Group would receive additional liquidity.
- The Group is a monopoly in the area of generation, transmission, distribution and sales of electricity in Pavlodar and Northern Kazakhstan regions, which indicates a strategic significance of the Group for the region;
- Management has neither an intention, nor a need to liquidate or significantly reduce the scope of the Group's operations.
- Management received a comfort letter on support from the parent company.

Management believes that it has access to sufficient resources to continue its operating activities in the foreseeable future, and that the preparation of these financial statements based on the assumption of a going concern is appropriate and accordingly the Group will be able to realize its assets and repay its liabilities in the ordinary course of business.

The consolidated financial statements disclose all the issues related to the Group's ability to continue as a going concern, including all the material terms and events, mitigating factors and plans of the Group.

These consolidated financial statements do not include any adjustments in the carrying amount of assets and liabilities, income and expenses, and classification of the statement of financial position, which would be required in case of the inability to apply the going concern assumption.

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

**Revaluation of property, plant and equipment**

According to the Group's accounting policies, property, plant and equipment are subject to revaluation at market value with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

A significant portion of the Group's property, plant and equipment relates to specialised property, and its alternative use for the performance of other types of activities is impossible; moreover, the replacement of consumers is even impossible. There are no transactions with assets similar to the valued ones. Moreover, such assets may be the subject of transaction only within business, where their fair value is created.

All groups of property, plant and equipment, including land, buildings and constructions, transmission lines and equipment, machinery and equipment, construction in progress and other property, plant and equipment were revalued for reduction to the fair value as at 31 December 2014 for the following reasons:

- The fair value of real estate, land plots for production purposes, where TPPs are located, and vehicles, office equipment and computer machinery were measured using market value based on the analysis of comparative sales;
- Remaining property, plant and equipment were measured using cost approach (depreciated replacement cost method);
- The reasonableness of the fair value measurement was determined by appraiser through the analysis of discounted future cash flows prepared on the following basis:
- Forecast period: by 2026;
- Cash flow forecasts were translated to Tenge with translation to US Dollars at the forecast rate;
- Application of the discount rate of 13%.
- As a result, final conclusion on the cost of the Group's property, plant and equipment was made based on the results of valuation using income approach.

As at 31 December 2019 and 2018, management analysed changes in legislation, market of electric and heat energy and other key assumptions applied to measure the fair value of property, plant and equipment and concluded that results of valuation performed as of 31 December 2014 are relevant. In addition, management considered the following factors: a) cost of property, plant and equipment was determined based on valuation using income approach; b) the Group's assets are specialised and cannot be used for any other purposes; c) the industry of electric and heat energy is strongly regulated and is not subject to quick changes.

**Impairment of property, plant and equipment**

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the asset's fair value less costs to sell. Estimation of recoverable amount requires management to apply estimates and professional judgments.

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

As at 31 December 2019 and 2018, management reviewed property, plant and equipment and respective construction in progress for impairment, including expected market changes, expected tariff and available evidences on obsolescence of assets. When estimating the fair value of assets, management has determined the ability of subsidiaries to generate economic benefits due to the expected increase in tariffs for electricity production, as well as tariffs for balancing electricity, which ensures the effective operation of power stations that produce and sell electricity in accordance with the methodology for the inclusion of fixed income approved by the authorized body from 01 July 2020.

In testing for impairment, management considered conclusions on revaluation of property, plant and equipment provided above and did not identify any indications of the impairment of property, plant and equipment.

**Provision for asset retirement obligations**

For production purpose, the Group uses ash disposal areas. At the end of the useful life, these ash disposal areas should be restored. In order to determine the amount of the restoration liability of these ash disposal areas management of the Group is required to conduct the evaluation of future cost of restoration of ash disposal areas. The management estimates liabilities on restoration of ash disposal areas at amortised cost using effective interest rate of 8.35%-8.66%, discount rate represents current market estimates of the time value of cash, as well as risks on liabilities which have not been considered within best estimates of costs.

As at 31 December 2019, the carrying amount of ash dump restoration provision was 2,120,222 thousand Tenge (2018: 1,806,805 thousand Tenge).

**Accounting for financial assets obtained as a result of restructuring of deposits at Exim Bank JSC and impairment of financial assets.**

During 2018, as a result of liquidation of EximBank, the Group has obtained right for the loans issued to a number of companies by EximBank in exchange of the Group's funds (cash and deposits) in the Bank. The Group has entered into loan agreements with these borrowers for the total gross amount of Tenge 10,595,609 thousand.

During 2019, the Group also provided financial aid to its parent company in the amount of Tenge 10,195,820 thousand and a loan to ATP Invest LLP in the amount of Tenge 782,801 thousand.

An estimate of the recoverable amount of these financial assets requires significant judgment.

The assessment of recoverability of these financial assets requires significant judgement.

The management of the Group performed the analysis of terms of the loan agreements, and revisions of such terms implemented during the year. Management has also assessed expected credit losses in respect of each of the borrower. Management applied significant judgements in its estimates, in particular, assessment of market interest rates, value of collateral received and probability of default of the borrowers. (Note 39).

Due to the fact that, at the reporting date, the Group's official credit rating for 2020 was not published by international rating agencies, the Group's management used the Fitch ratings "B-" (outlook "stable") assigned to the Group on March 7, 2019. Management believes that this rating reasonably reflects the credit risks of the counterparties for which the rating was used to assess the expected credit losses.

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Property, plant and equipment in trust management

The Group received property, plant and equipment for trust management from the state organisations – Finance Department of Pavlodar region and Finance Department of Pavlodar city. The trust management agreement is considered a concession agreement, since the Government regulates the activity of the Group and controls property, plant and equipment in trust management. Property, plant and equipment received under trust management are not recorded in the consolidated statement of financial position of the Group and income from use of property, plant and equipment is determined at the fair value of the consideration received or receivable and represents the amounts receivable from the supply of heat energy, which are included in profit or loss at the moment of delivery to consumers. The expenses are recognised as incurred and reflected in profits or loss in the period to which they relate.

### Recognition of revenue from sale of power

The Group recognises revenue at the moment of delivery of power as per meters of the power consumers. The data from the meters are provided by consumers on a monthly basis and checked by the Group for accuracy on a sample basis. If the data is not available for current month, the Group recognises revenue from power sold from the moment of the last metering based on an estimate. As per this method, the daily volume of power consumed is determined according to the data of the previous month, which is multiplied by the tariff.

### Impairment of goodwill

As at December 31, 2019, impairment of goodwill was identified for Pavlodarenergosbyt LLP and its carrying amount was fully impaired (December 31, 2018: no impairment was found). In 2019, the impairment loss amounted to 281,939 thousand Tenge (Note 9).

For the impairment assessment, goodwill was allocated to the following cash-generating units:

- Sales of heat and electricity (Pavlodarenergosbyt LLP);

- Transmission and distribution of electric energy (Pavlodar Distribution Grid Company JSC).

The recoverable amount of these cash-generating units is defined as the value of use, calculated on the basis of the expected cash flows according to five-year financial plans and a discount rate of 11.7% (December 31, 2018: 12.00%) approved by the management of the Group.

The cash flow projections for the planning period (5 years) are based on the expected rate of return and inflation of prices for services and materials during the planning period. Cash flows after the 5 years period time are extrapolated on the basis of a constant growth rate of 3.61% per annum (December 31, 2018: 2.98%). Management believes that any reasonably possible change in the key assumptions in the calculation of the recoverable amount will not lead to the excess of the book value of the units that generate cash over their recoverable value.

The book value of cash-generating units, to which the goodwill relates, will be equal to the value in use, if the discount rate is 13.73% per annum.

### Fair value of financial guarantees

The fair value of financial guarantees issued by the Group without premiums is determined using valuation techniques. The Group applies its judgment to determine the fair value of the issued financial guarantees. The Group uses the credit swap method to determine the fair value of financial guarantees.

## 6. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The fair value of the financial guarantee liability is calculated as the credit default swap rate multiplied by the guaranteed loan amount and discounted using the effective guaranteed loan rate. For loan agreements under which the Group bears joint and several liability with other guarantors, the market commission is determined taking into account credit default swaps, and is distributed among the guarantors. This represents the best estimate by management of the Group's exposure to credit risk associated with guarantees issued.

In the fair value assessment of the financial guarantee liability, the Group used a credit swap rate of 1.54%, which is an approximate characteristic of organizations operating in the simillar industry with credit ratings "B / B-" at the time the liability is recognized. The discount rate is equal to the discount rate of the guaranteed loan VTB obtained at the parent company 11.1% -13.1%.

As at the reporting date, expected credit losses are calculated based on the expected credit loss model, taking into account the borrower's credit rating and the maturity of the guaranteed loan.

The stage is determined depending on the likelihood of default of the borrower. As at December 31, 2019 and December 31, 2018, the Group applied stage 3 to calculate expected credit losses due to the violation of a number of financial and non-financial covenants for the guaranteed loan.

As of December 31, 2019, financial guarantees were accounted for at the highest of the amortized cost and estimated credit losses. The amount of the estimated reserves for expected credit losses did not exceed the book values of financial guarantees.

## 7. SEGMENT REPORTING

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

Information reported to the President of the Group, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

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

The Group is organised on the basis of five main business segments:

- production of heat and power,
- transmission and distribution of power,
- transmission and distribution of heat,
- sale of heat and power,
- other

## 7. SEGMENT REPORTING (CONTINUED)

### *(b) Performance of operating segments*

The CODM monitors the multiple profitability ratios such as: profit before tax, profit for the year and gross profit. Despite this, the profit for the year is the ratio used for the purpose of resource allocation and assessment of segment performance.

### *(c) Revenue Analysis by Products and Services*

Analysis of the Group's revenue by products and services is presented in Note 29 (revenue). The main part of sales is carried out in Kazakhstan.

### *(d) Major customers*

During the year ended December 31, 2019 and December 31, 2018, there were no customers for whom the Group's sales volumes represented more than 10% of the total revenue. Group revenues are accounted for over the period, as liabilities are fulfilled, in accordance with IFRS 15.

*(in thousands of Tenge)*

## 7. SEGMENT REPORTING (CONTINUED)

| | For the year ended 31 December 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Key operational activities** | **Production of heat and power** | **Transmission and distribution of power** | **Transmission and distribution of heat** | **Sale of heat and power** | **Other** | **Elimination** | **Total** |
| Revenue from third parties, recognized over time | 30,589,229 | 12,653,379 | 1,715 | 93,950,976 | - | - | **137,195,299** |
| Intrasegment revenue | 33,383,798 | 11,801,729 | 7,620,475 | 4,779,783 | - | (57,585,785) | **-** |
| Cost of sales | (51,487,909) | (18,723,658) | (6,337,021) | (96,932,451) | - | 57,163,446 | **(116,317,593)** |
| General and administrative expenses | (3,317,413) | (2,484,304) | (1,331,942) | (1,206,464) | (1,030,544) | 714,053 | **(8,656,614)** |
| Selling expenses | (10,985) | - | - | (2,493,870) | - | 76,568 | **(2,428,287)** |
| Finance cost | (5,499,631) | (1,464,170) | (1,043,647) | (555,702) | (2,404,632) | 760,502 | **(10,207,280)** |
| Finance income | 1,013,532 | 91,198 | 119,680 | 120,927 | 5,009,025 | (4,250,233) | **2,104,129** |
| Foreign exchange (loss)/gain, net | (44,038) | (24,282) | 29,905 | 35,938 | (7,556) | - | **(10,033)** |
| Other (expenses)/income, net | (805,278) | (126,512) | 859,916 | 369,756 | (306,832) | (291,166) | **(300,116)** |
| Impairment of goodwill | (281,939) | - | - | - | - | - | **(281,939)** |
| (Impairment loss)/ recovery of financial instruments | (1,225,788) | (167,095) | 256,449 | (716,641) | (2,573,709) | 115,037 | **(4,311,747)** |
| Income tax expense | (296,072) | (370,084) | (193,000) | (465,334) | (561,446) | 56,573 | **(1,829,363)** |
| **Profit/(loss) for the year** | **2,017,506** | **1,186,201** | **(17,470)** | **(3,113,082)** | **(1,875,694)** | **(3,241,005)** | **(5,043,544)** |
| **Other key segment information** | | | | | | | |
| Capital expenditure on property, plant and equipment | 7,428,310 | 7,051,255 | 2,115,526 | 113,570 | 123,509 | - | **16,832,170** |
| Depreciation of property, plant and equipment | 7,960,625 | 3,344,381 | 1,119,211 | 113,376 | 126,198 | - | **12,663,791** |

*(in thousands of Tenge)*

## 7. SEGMENT REPORTING (CONTINUED)

| | For the year ended 31 December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Key operational activities** | **Production of heat and power** | **Transmission and distribution of power** | **Transmission and distribution of heat** | **Sale of heat and power** | **Other** | **Elimination** | **Total** |
| Revenue from third parties, recognized over time | 32,187,045 | 13,075,066 | 10,419 | 98,593,149 | 14,553 | - | **143,880,232** |
| Intrasegment revenue | 35,748,762 | 11,863,588 | 9,465,204 | 7,546,521 | 78,801 | (64,702,876) | **-** |
| Cost of sales | (49,890,349) | (18,290,277) | (7,342,546) | (102,821,857) | - | 64,035,445 | **(114,309,584)** |
| General and administrative expenses | (5,178,823) | (2,619,434) | (1,919,742) | (1,412,402) | (1,941,974) | 2,809,379 | **(10,262,996)** |
| Selling expenses | (11,038) | - | - | (2,478,120) | - | 84,743 | **(2,404,415)** |
| Finance cost | (3,493,758) | (899,409) | (1,126,780) | (375,507) | (2,438,216) | 64,828 | **(8,268,842)** |
| Finance income | 497,834 | 78,340 | 192,232 | 19,709 | 4,145,276 | (3,517,053) | **1,416,338** |
| Foreign exchange (loss)/gain, net | (2,361,980) | (2,381,800) | (444,261) | 1,376 | (292,775) | - | **(5,479,440)** |
| Other income/ (expenses), net | 121,339 | 479,506 | 870,746 | 473,261 | 157,720 | (2,303,987) | **(201,415)** |
| (Impairment loss)/ recovery of financial instruments | (20,505) | (12,643) | (289,883) | 15,486 | (230,484) | - | **(538,029)** |
| Income tax expense | (2,133,493) | (238,717) | (195,063) | 1,689 | 333,847 | - | **(2,231,737)** |
| **Profit for the year** | **5,465,034** | **1,054,220** | **(779,674)** | **(436,695)** | **(173,252)** | **(3,529,521)** | **1,600,112** |
| **Other key segment information** | | | | | | | |
| Capital expenditure on property, plant and equipment | 10,678,164 | 7,486,945 | 1,596,384 | 115,014 | 1,241,080 | - | **21,117,587** |
| Depreciation of property, plant and equipment | 7,044,606 | 3,050,542 | 1,235,932 | 107,799 | 63,667 | - | **11,502,546** |

*(in thousands of Tenge)*

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Land, buildings and constructions | Machinery and production equipment | Vehicles | Other | Construction in progress | Right of use assets | Total |
|---|---|---|---|---|---|---|---|
| **Revalued cost** | | | | | | | |
| **At 1 January 2018** | **37,661,728** | **224,007,511** | **1,497,384** | **416,116** | **18,205,827** | **-** | **281,788,566** |
| Additions | 1,520,853 | 1,123,947 | 406,882 | 61,708 | 18,004,197 | - | 21,117,587 |
| Internal transfers | 15,666,750 | 3,803,929 | 146,550 | 535,814 | (20,153,043) | - | - |
| Disposals | (118,819) | (406,637) | (83,632) | (10,022) | (674,683) | - | (1,293,793) |
| Other | 192,201 | (89,222) | (1,044) | (42,208) | 13,509 | - | 73,236 |
| **At 31 December 2018** | **54,922,713** | **228,439,528** | **1,966,140** | **961,408** | **15,395,807** | **-** | **301,685,596** |
| Effect of new IFRS 16 standard | | (2,010,944) | | | | 2,152,630 | 141,686 |
| **Adjusted amount on 1 January 2019** | **54,922,713** | **226,428,584** | **1,966,140** | **961,408** | **15,395,807** | **2,152,630** | **301,827,282** |
| Additions | 534,150 | 430,191 | 252,082 | 61,187 | 15,554,560 | - | 16,832,170 |
| Internal transfers | 1,883,148 | 9,659,101 | 3,942 | 3,371 | (11,549,562) | - | - |
| Disposals | (10,663) | (613,934) | (5,542) | (12,515) | (92,448) | - | (735,102) |
| Other | 178,855 | 478 | - | (26) | (346,387) | - | (167,080) |
| **At 31 December 2019** | **57,649,889** | **235,904,420** | **2,216,622** | **1,013,425** | **18,961,970** | **2,152,630** | **317,757,270** |

*(in thousands of Tenge)*

## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Land, buildings and constructions | Machinery and production equipment | Vehicles | Other | Construction in progress | Right of use assets | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | | | |
| **At 1 January 2018** | **(6,485,741)** | **(23,227,085)** | **(546,806)** | **(175,055)** | **(12,028)** | **-** | **(30,446,715)** |
| Depreciation charge | (2,760,694) | (8,478,641) | (183,718) | (79,493) | - | - | (11,502,546) |
| Internal transfers | (1,429,905) | 1,576,520 | (40,626) | (105,989) | - | - | - |
| Disposals | 29,007 | 127,604 | 47,014 | 10,688 | - | - | 214,313 |
| Other | 18,184 | 111,152 | 10,959 | 42,169 | - | - | 182,464 |
| **At 31 December 2018** | **(10,629,149)** | **(29,890,450)** | **(713,177)** | **(307,680)** | **(12,028)** | **-** | **(41,552,484)** |
| Effect of new IFRS 16 standard | - | 202,648 | - | - | - | (202,648) | - |
| **Adjusted amount on 1 January 2019** | **(10,629,149)** | **(29,687,802)** | **(713,177)** | **(307,680)** | **(12,028)** | **(202,648)** | **(41,552,484)** |
| Depreciation charge | (3,299,996) | (8,952,583) | (216,215) | (76,099) | - | (118,898) | (12,663,791) |
| Internal transfers | - | - | - | - | - | - | - |
| Disposals | 4,158 | 383,042 | 996 | 10,701 | - | - | 398,897 |
| Other | (18,402) | 18,956 | - | 38 | - | - | 592 |
| **At 31 December 2019** | **(13,943,389)** | **(38,238,387)** | **(928,396)** | **(373,040)** | **(12,028)** | **(321,546)** | **(53,816,786)** |
| **Carrying amount At 31 December 2019** | **43,564,814** | **197,666,032** | **1,288,226** | **640,385** | **18,949,942** | **1,831,084** | **263,940,484** |
| **At 31 December 2018** | **44,293,564** | **198,549,078** | **1,252,963** | **653,728** | **15,383,779** | **-** | **260,133,112** |

*(in thousands of Tenge)*

## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Carrying amount of each class of property, plant and equipment, which would be recognised in the consolidated financial statements, had property, plant and equipment been recorded at cost less accumulated depreciation and accumulated provision for impairment losses, would be presented as follows:

| | Land, buildings and constructions | Machinery and production equipment | Vehicles | Other | Construction in progress | Right of use assets | Total |
|---|---|---|---|---|---|---|---|
| At 31 December 2019 | 36,193,652 | 157,451,691 | 946,961 | 696,854 | 18,249,223 | 1,831,084 | **215,369,465** |
| At 31 December 2018 | 35,046,679 | 148,801,410 | 776,469 | 250,405 | 15,907,931 | 15,907,931 | **200,782,894** |

During 2019, the Group capitalized to the cost of property, plant and equipment interest on bank borrowings and foreign exchange loss from revaluation of foreign-currency borrowings less interest income from cash placed on deposits for the total amount of 201,601 thousand Tenge (2018: 1,598,571 thousand Tenge). The average capitalisation rate for interest costs is % 11.49% (2018: 7,96%).

As at 31 December 2019 and 2018, the carrying amount of pledged property, plant and equipment was 127,976,385 thousand Tenge and 130,802,610 thousand Tenge, respectively (Note 40).

As at 31 December 2019 and 2018, property, plant and equipment fully depreciated at revalued amount were 3,512,112 thousand Tenge and 1,549,712 thousand Tenge, respectively.

**Depreciation charges**

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Cost of sales | 30 | 12,230,547 | 11,075,695 |
| General and administrative expenses | 31 | 432,108 | 379,161 |
| Selling expenses | 32 | 86,686 | 64,148 |
| Other | 36 | 251,188 | 306,052 |
| Total depreciation and amortization | | 13,000,529 | 11,825,056 |
| Less: amortization of intangible assets | 10 | (336,738) | (322,510) |
| **Total depreciation charges** | | **12,663,791** | **11,502,546** |

## 9. GOODWILL

The carrying amount of goodwill has been allocated to the following cash-generating units:

| | Transmission and distribution of heat energy | Sale of heat and power | Total |
|---|---|---|---|
| Goodwill recognised at 31 December 2019 | 1,405,202 | - | **1,405,202** |
| Goodwill recognised at 31 December 2018 | 1,405,202 | 281,939 | **1,687,141** |

Goodwill has been allocated to the following cash-generating units:

- Sale of heat and power (Pavlodarenergosbyt LLP);
- Transmission and distribution of power (Pavlodar Regional Electric Distribution Company JSC).

*(in thousands of Tenge)*

## 9. GOODWILL (CONTINUED)

As at December 31, 2019 the impairment of goodwill amounted to 281,939 thousand Tenge (December 31, 2018: no impairment was found). The results of impairment tests, key assumptions and sensitivity analysis are disclosed in Note 6.

## 10. INTANGIBLE ASSETS

| | **Licenses** | **Software** | **Other** | **Total** |
|---|---|---|---|---|
| Initial cost | | | | |
| **Cost at 1 January 2018** | **46,539** | **1,605,826** | **742,808** | **2,395,173** |
| Additions | 7,954 | 71,263 | 227,240 | 306,457 |
| Disposals | - | (2,115) | (82,418) | (84,533) |
| Internal transfers | - | 68,256 | (68,256) | - |
| **Cost at 31 December 2018** | **54,493** | **1,743,230** | **819,374** | **2,617,097** |
| Additions | 12,940 | 56,392 | 72,297 | 141,629 |
| Disposals | - | (5,819) | (23,871) | (29,690) |
| Internal transfers | - | 16,012 | (16,012) | - |
| **Cost at 31 December 2019** | **67,433** | **1,809,815** | **851,788** | **2,729,036** |
| Accumulated amortisation and depreciation | | | | |
| **Carrying amount at 1 January 2018** | **(11,877)** | **(208,034)** | **(178,075)** | **(397,986)** |
| Depreciation charges | (2,846) | (232,322) | (87,342) | (322,510) |
| Disposals | - | 1,879 | 81,086 | 82,965 |
| **Carrying amount at 31 December 2018** | **(14,723)** | **(438,477)** | **(184,331)** | **(637,531)** |
| Depreciation charge | (3,931) | (243,068) | (89,739) | (336,738) |
| Disposals | - | 3,844 | 5,474 | 9,318 |
| **Carrying amount at 31 December 2019** | **(18,654)** | **(677,701)** | **(268,596)** | **(964,951)** |
| **Net book value** | | | | |
| **At 31 December 2019** | **48,779** | **1,132,114** | **583,192** | **1,764,085** |
| **At 31 December 2018** | **39,770** | **1,304,753** | **635,043** | **1,979,566** |

As at 31 December 2019 and 2018, intangible assets included software ("Ellipse") on automated management system for production assets in the amount of 782,242 thousand Tenge and 877,183 thousand Tenge, respectively.

*(in thousands of Tenge)*

## 11. ADVANCES GIVEN

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| For property, plant and equipment | 1,732,580 | 5,098,673 |
| For services | 1,101,061 | 1,659,654 |
| For inventories | 509,783 | 526,734 |
| Other | 41,838 | 38,304 |
| **Total advances given (Book Value)** | **3,385,262** | **7,323,365** |
| Impairment provision | (546,064) | (408,811) |
| **Total advances given** | **2,839,198** | **6,914,554** |
| Non-current | 1,236,850 | 4,716,792 |
| Current | 1,602,348 | 2,197,762 |
| **Total** | **2,839,198** | **6,914,554** |

## 12. LOANS RECEIVABLE

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Third party loans receivables | 7,334,020 | 7,955,264 |
| Related parties loans receivables | 8,880,421 | 904,897 |
| Interest receivable | 1,006,526 | 307,038 |
| | **17,220,967** | **9,167,199** |
| Provision for expected credit loss | (3,252,304) | (592,777) |
| **Total loans receivables** | **13,968,663** | **8,574,422** |
| Non-current | 11,065,201 | 4,074,492 |
| Current | 2,903,462 | 4,499,930 |
| **Total** | **13,968,663** | **8,574,422** |

During 2018, as a result of liquidation of EximBank, the Group has obtained right for the loans issued to a number of companies by EximBank in exchange of the Group’s funds (cash and deposits) in the Bank. The Group has entered into loan agreements with these borrowers for the total gross amount of Tenge 10,595,609 thousand.

During 2019, the Group also provided financial aid to its parent company in the amount of Tenge 10,195,820 thousand and a loan to ATP Invest LLP in the amount of Tenge 782,801 thousand.

Financial aid issued to JSC “CAPEC” was initially reflected at fair value calculated using the interest rate on long-term loans with similar terms, 12.5% per annum. As a result, the Group recognized a fair value adjustment in the concolidated statemenet of changes in equity in the amount of 2,445,613 thousand Tenge. Related income from unwinding of discount was recognized in the consolidated statement of profit or loss and comprehensive income in the amount of 317,175 thousand Tenge.

The loan issued to “ATP Invest” LLP is short-term, and therefore, the Group did not recognize a loss at initial recognition.

## 12. LOANS RECEIVABLE (CONTINUED)

The Group estimated expected credit losses on loans issued at the reporting date. Due to lack of sufficient information from external sources on third parties and on “ATP Invest” LLP, in calculating the expected credit loss model, the Group assigned internal ratings to the companies. Thus the last available rating “B-” was assigned in relation to to the parent company JSC “CAPEC”, which was assigned to the CAEPCO JSC by the international rating agency “Fitch ratings” dated March 7, 2019. Based on the assessment results, the Group accrued additional reserves in the amount of 2,659,527 thousand Tenge.

Note 39 discloses the changes in the provision for expected credit losses and the gross carrying amount of loans issued measured at amortized cost.

*(in thousands of Tenge)*

## 13. OTHER FINANCIAL ASSETS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Deposits | 912,807 | 852,352 |
| Redeemable bonds | 279,001 | 316,000 |
| Interest receivable | 1,450 | 1,336 |
| | **1,193,258** | **1,169,688** |
| Provision for expected credit loss | (1,427) | (133,287) |
| **Total other financial assets** | **1,191,831** | **1,036,401** |
| Current assets | 652,418 | 950,152 |
| Non-current assets | 539,413 | 86,249 |
| From them: | | |
| *Restricted cash:* | | |
| Restricted cash for debt services | 604,058 | 474,269 |
| Minimum deposit balance | 72,225 | 24,140 |
| | **676,283** | **498,409** |

In 2019, the Group recognised interest income totalling to 142,700 thousand Tenge (2018: 341,892 thousand Tenge) (Note 34).

During 2019 and 2018, interest rates on deposits in Tenge and US dollars were 1.5%-8.3% and 0%-0.01%, respectively.

Other financial assets as of December 31, 2019 and 2018 were denominated in the following currencies:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Tenge | 1,184,224 | 801,858 |
| US dollars | 7,607 | 234,543 |
| | **1,191,831** | **1,036,401** |

## 14. INVENTORIES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Spare parts and materials for maintenance | 3,898,727 | 3,138,287 |
| Coal and fuel oil | 1,318,055 | 1,526,845 |
| Other | 392,198 | 422,882 |
| | **5,608,980** | **5,088,014** |
| Provision for obsolete and slow-moving inventories | (509,821) | (336,388) |
| | **5,099,159** | **4,751,626** |

*(in thousands of Tenge)*

## 14. INVENTORIES (CONTINUED)

For the years ended 31 December, movement in provision for obsolete and slow-moving inventories was as follows:

| | 2019 | 2018 |
|---|---|---|
| At 1 January | (336,388) | (253,043) |
| Accrued | (173,433) | (83,345) |
| Written-off against previously created provision | - | - |
| **At 31 December** | **(509,821)** | **(336,388)** |

## 15. TRADE RECEIVABLES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Sale and transmission of heat and power | 18,205,828 | 18,277,945 |
| Other | 735,803 | 751,550 |
| | **18,941,631** | **19,029,495** |
| Provision for expected credit loss | (3,917,653) | (3,594,105) |
| **Total trade receivables** | **15,023,978** | **15,435,390** |

Major part of trade receivables as at 31 December 2019 and 2018 includes receivable from consumers of heat and power energy. The Group's customer database is diverse and includes households and industrial consumers. As at 31 December 2019 and 2018, average period of trade receivables origination is 60 days.

The Group applies provision matrix for calculation of expected credit losses on receivables. For assessment of expected credit losses, trade receivables were classified based on the general characteristics of credit risk and past due days. The Group recognise a provision as a percentage, depending on the creations date of receivables.

The movement in the provision for expected credit loss was as follows:

| | 2019 Trade receivables | 2018 Trade receivables |
|---|---|---|
| Provision for expected credit loss at 1 January | (3,594,105) | (1,603,980) |
| Changes in opening balance according to IFRS requirements | - | (2,118,423) |
| Accrual for expected credit loss provision | (343,597) | (263,840) |
| Receivables written-off during the year | 20,049 | 392,138 |
| **Provision for expected credit loss at 31 December** | **(3,917,653)** | **(3,594,105)** |

The concentration of credit risks is limited due to the fact that the Group's customer base is diverse and includes households (40%) and legal entities (60%).

As at 31 December 2019 and 2018, trade receivables were denominated in Tenge.

*(in thousands of Tenge)*

## 16. OTHER ASSETS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Other non-current assets** | | |
| "EcoAlternativa" LLP receivables | 6,500,000 | - |
| Taxes recoverable and taxes prepaid | 1,242,040 | 1,879,578 |
| Energocompany – PV" LLP receivables | 259,680 | - |
| Lease receivable | 120,831 | 211,844 |
| Other | 39,908 | 305,728 |
| | **8,162,459** | **2,397,150** |
| **Other current assets** | | |
| "EcoAlternativa" LLP receivables | 395,638 | 3,595,638 |
| "Energocompany – PV" LLP receivables | 450,000 | 888,038 |
| Taxes recoverable and taxes prepaid | 1,884,028 | 1,422,741 |
| Receivables on court proceedings and penalties accrued | 1,266,510 | 1,241,709 |
| Receivables from employees | 533,886 | 517,116 |
| Lease receivable | 130,492 | 266,103 |
| Deferred expenses | 57,549 | 72,765 |
| Other | 626,801 | 571,540 |
| | **5,344,904** | **8,575,650** |
| Provision for expected credit loss | (2,179,344) | (1,147,106) |
| **Total other current assets** | **3,165,560** | **7,428,544** |

As at 31 December 2019 and 2018, receivables on court proceedings and penalties accrued are represented by fines and penalties for untimely performance of the terms of contracts for delivery of materials, construction works and purchase of power and heat.

*(in thousands of Tenge)*

## 16. OTHER ASSETS (CONTINUED)

For the years ended 31 December, movement in Provision for expected credit loss was as follows:

| | 2019 | 2018 |
|---|---|---|
| At 1 January | (1,147,106) | (508,836) |
| Changes in opening balance according to IFRS requirements | - | (771,845) |
| Accrued | (1,191,891) | 118,036 |
| Written off against previously created allowance | 159,653 | 15,539 |
| **At 31 December** | **(2,179,344)** | **(1,147,106)** |

During 2018, the Group entered into a mortgage agreement, according to which, to secure proper execution by the debtor (EcoAlternativa LLP) of its obligations under a loan agreement with a financial institution (“bank”), the Group transfers the subject of the mortgage to the bank - money in the amount of 3,595,638 thousand Tenge. As of December 31, 2018, the Group repaid liabilities under the loan agreement between EcoAlternativa LLP and the bank, as a result of which accounts receivable from EcoAlternativa LLP arose. At the time of repayment of the debt to the bank, the Group signed an additional agreement with the debtor, according to which the debtor undertakes to repay the debt to the Group by November 1, 2019.

In 2019, the Group provided a cash advance in the amount of Tenge 3,300,000 thousand in order to redeem the share of EcoAlternativa LLP in the authorized capital of CAPEC Green Energy LLP in the future.

In 2019, the Group recognized a discount of Tenge 178,358 thousand. The receivable is expected to be redeemed no later than October 25, 2021.

The management of the Group plans to complete the purchase of the share of shares of CAPEC Green Energy LLP in 2020. According to the agreements of intent concluded by the Group on the acquisition of the share of CAPEC Green Energy LLP from EcoAlternativa LLP, the receivable from EcoAlternativa LLP will be accounted for as an advance, and accordingly the receivable from EcoAlternativa LLP under the collateral agreement was partially classified into long-term assets, and the provision for impairment was reversed. Due to the absence at the time of issuing the financial statements of the main contract for sale of the share capital of CAPEC Green Energy LLP, these assets are carried at historical cost, as the advance for acquisition of the share in share capital of CAPEC Green Energy LLP.

The receivable as at 31 December 2018 from Energocompany PV LLP in the amount of 888,038 thousand Tenge represents a claim on the Energocompany PV LLP for payment by the Group of accounts payable to Energocompany PW LLP, as part of the debt transfer agreement. In 2019, the Group recognized an impairment lossin the amount of 178,358 thousand Tenge. The debt is expected to be repaid no later than October 25, 2021.

In 2019, taxes recoverable and taxes prepaid include the long-term portion of VAT receivable in the amount of 1,242,040 thousand Tenge (2018: 1,376,053 thousand Tenge) accrued upon the acquisition of assets of Ekibastuzteploenergo LLP from subsidiaries of the Group.

*(in thousands of Tenge)*

## 17. CASH AND CASH EQUIVALENTS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Cash at bank accounts | 982,432 | 1,298,755 |
| Cash on hand | 30,307 | 61,966 |
| Cash in transit | 31,922 | 23,413 |
| | **1,044,661** | **1,384,134** |
| Provision for expected credit loss | (150,095) | (82,323) |
| | **894,566** | **1,301,811** |

As at 31 December 2019 and 2018, cash and cash equivalents were denominated in the following currencies:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Tenge | 894,454 | 1,301,524 |
| Russian Rubles | 112 | - |
| US dollars | - | 287 |
| | **894,566** | **1,301,811** |

## 18. SHARE CAPITAL

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Share | Number of shares | Share | Number of shares |
| CAPEC JSC | 92.75% | 34,272,706 | 92.75% | 34,272,706 |
| Others | 7.25% | 2,678,427 | 7.25% | 2,678,427 |
| **Total** | **100%** | **36,951,133** | **100%** | **36,951,133** |
| Shares declared but not issued | - | 13,048,867 | - | 13,048,867 |
| | **100%** | **50,000,000** | **100%** | **50,000,000** |

The Group's authorised share capital is 50,000,000 common shares.

As at 31 December 2019 and 2018, fully paid common shares amounted to Tenge 46,043,272 thousand.

As at 31 December 2019 and 2018, the number of unplaced shares is 13,048,867.

In 2018, EBRD and KAZ HOLDINGS COOPERATIEF U.A. entered into shares repurchase agreement with the parent company, CAPEC JSC. In December 2018, according to repurchase agreement, CAPEC JSC fully purchased shares from EBRD and KAZ HOLDINGS COOPERATIEF U.A - 8,352,201 and 3,877,825 shares, respectively.

*(in thousands of Tenge)*

## 18. SHARE CAPITAL (CONTINUED)

Following dividends were declared and paid during the year:

| | 2019 | 2018 |
|---|---|---|
| Dividends payable at 1 January | - | 381,914 |
| Dividends declared during the year | 800,055 | 2,127,820 |
| Dividends paid during the year | (800,055) | (2,489,124) |
| Retained tax | - | (20,610) |
| **Dividends payable at 31 December** | - | **-** |
| **Dividends per share declared during the year** | **21,65** | **57.58** |

## 19. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2019 and 2018, additional paid-in capital of 1,348,105 thousand Tenge included:

- the difference between net book value of property, plant and equipment received by the Group under the finance lease agreement and minimum value of discounted lease payments under this lease. During finance lease period, the founder has transferred a part of property, plant and equipment under the lease agreement to the Group's share capital, while additional paid-in capital has been adjusted accordingly;
- income from factoring operations related to the acquisition and further sale of the right to claim at a price higher than the actual cost of this right from a related party based on the decision of the Shareholder.

## 20. BONDS ISSUED

| | Maturity date | Coupon rate, per annum | 31 December 2019 | 31 December 2018 |
|---|---|---|---|---|
| KZ2C0Y10D695 | 10 January 2020 | 12.5% | 5,494,690 | 7,996,483 |
| KZ2P01Y10E533 | 17 November 2023 | 6% | 9,979,559 | 9,979,559 |
| KZ2P02Y10E531 | 24 June 2025 | 6% | 5,000,000 | 5,000,000 |
| KZ2C0Y10F369 | 6 September 2026 | 12.5% | 1,935,000 | 1,935,000 |
| Accrued interest | | | 427,897 | 430,822 |
| Premium | | | 40,846 | 90,229 |
| Discount | | | (2,534,908) | (3,045,992) |
| Redemption of bonds | | | (1,134,684) | (2,501,793) |
| | | | **19,208,400** | **19,884,308** |
| Long-term | | | 13,244,969 | 19,410,835 |
| Current portion | | | 5,963,431 | 473,473 |
| **Total** | | | **19,208,400** | **19,884,308** |

As at 31 December 2019 and 2018, bonds issued were denominated in Tenge.

*(in thousands of Tenge)*

## 20. BONDS ISSUED (CONTINUED)

The table below sets out an analysis of the amount of net debt and the movements in the Group's bonds issued from financing activities for each of the periods presented. The items of these liabilities, excluding interest/coupon paid, are those that are reported as financing in the consolidated statement of cash flows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| At 1 January | 19,884,308 | 20,760,281 |
| Bonds issued | - | 1,440,568 |
| Accrued interest | 2,184,037 | 2,298,552 |
| Coupon paid | (1,679,047) | (1,898,261) |
| Redemption of bonds | (1,134,684) | (2,732,325) |
| Other | (46,214) | 15,493 |
| **Total** | **19,208,400** | **19,884,308** |
| Within a year | 5,963,431 | 473,473 |
| In the second to the fifth years inclusive | 8,081,481 | 14,138,321 |
| After five years | 5,163,488 | 5,272,514 |
| **Total** | **19,208,400** | **19,884,308** |

## 21. LOANS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Principal amount of loans | 83,311,690 | 73,411,604 |
| Interest payable - long-term loans | 323,901 | 690,191 |
| Interest payable - short-term loans | 399,516 | 211,030 |
| Less: | | |
| Fair value adjustment of loan | (1,421,455) | (1,610,181) |
| Unamortised part of lump-sum commission | (238,788) | (240,855) |
| | **82,374,864** | **72,461,789** |
| Less: | | |
| Short-term loans | (27,887,397) | (15,883,585) |
| Current portion of long-term loans | (54,487,467) | (56,578,204) |
| | **(82,374,864)** | **(72,461,789)** |
| **Long-term loans** | - | - |

*(in thousands of Tenge)*

## 21. LOANS (CONTINUED)

As at 31 December 2019 and 2018, long-term and short-term loans were denominated in the following currencies:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| US dollars | 13,540,363 | 38,843,143 |
| Tenge | 36,891,397 | 34,568,461 |
| Russian rubles | 32,879,930 | - |
| **Total** | **83,311,690** | **73,411,604** |

The table below sets out an analysis of the amount of net debt and the movements in the Group's loans from financing activities for each of the periods presented. The items of these liabilities, excluding interest paid, are those that are reported as financing in the consolidated statement of cash flows:

| | 2019 | 2018 |
|---|---|---|
| **Loans at 1 January** | **72,461,789** | **65,718,526** |
| Proceeds on loans received and bonds issued | 80,710,056 | 30,827,798 |
| Repayment of loans | (70,803,838) | (30,577,328) |
| Accrual for interest | 6,943,316 | 4,045,506 |
| Capitalised interest (Note 8) | 201,601 | 1,598,571 |
| Interest paid | (7,209,047) | (5,340,521) |
| Foreign exchange adjustments | (16,389) | 5,497,760 |
| Unwinding of the present value discount | 230,815 | 327,744 |
| Other payments | (143,439) | 363,733 |
| **Loans at 31 December** | **82,374,864** | **72,461,789** |

Long-term loans, generally, include loans from the EBRD, other international financial institutions and the state, obtained for long-term investment program for renovation and modernisation of the Group's assets.

Loans from the state through the Clean Technology Fund with interest rate below market rate are accounted for as a government grant equal to the difference between the proceeds of the loan and its fair value, calculated at current market rates at the time of the receipt of the loan (Note 24).

Effective interest rate for long-term loans denominated in Tenge, Russian Rubles and US Dollars as at 31 December 2019 amounted to 9.4%-13%, 11.25% and 0.75%-6.26% per annum, respectively (2018: 6.27%-14.9% per annum and 0.75%-6.5% per annum, respectively).

Effective interest rate for short-term loans denominated in Tenge, Russian Rubles and US Dollars as at 31 December 2019 amounted to 12.9%-13%, 11,25% and 6.5% per annum, respectively (2018: 9.95-15.46% and 6.5%-6.96% per annum, respectively).

In accordance with loan agreements with EBRD, VTB, Sberbank and Al-Hilal, the Group shall comply with financial covenants. However, as at 31 December 2019, the Group did not comply with financial loan covenants that led to reclassification of loans from the long-term to short-term (Note 40).

As at 31 December 2019 and 2018 long-term loans are secured by property, plant and equipment (Note 8).

*(in thousands of Tenge)*

## 22. FINANCIAL GUARANTEES

The Company jointly with other subsidiaries provided guarantee under loan agreement of CAPEC JSC with VTB Europe dated 27 November 2018. As of December 31, 2019 and December 31, 2018, the total amount of recognized obligations under the guarantee amounted to 1,872,553 thousand Tenge and 2,090,875 thousand Tenge.

According to the loan agreement of CAPEC JSC with VTB Europe, the loan will be repaid as follows - in 2021 the first tranche and in 2025 the second and third tranche. Total amount of recognised liabilities related to guarantees was 55,487,286 thousand Tenge as of December 31, 2019 (2018: 50,228,746 thousand Tenge).

The fair value of financial guarantees is estimated based on remaining maturity of guaranteed loan amounts, market fee rate allocated between guarantors and discounted using the rate of average weighted cost of Company's assets.

As at 31 December 2019 and 31 December 2018, the carrying amount of financial guarantees represents the higher of the unamortised amount accounted for on initial recognition or the amount of allowance for guarantee loss determined using the expected credit loss model.

As at 31 December 2019 and 31 December 2018, CAPEC JSC's loan from VTB Europe, under which the guarantee was issued, was classified as short-term, respectively, guarantee liabilities are also reflected in short-term obligations.

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| **As at 1 January** | **2,090,875** | **-** |
| Financial guarantees recognised | - | 2,090,875 |
| Unwinding of discount | (406,468) | - |
| Expected credit loss accrued | 188,146 | - |
| **Total** | **1,872,553** | **2,090,875** |

*(in thousands of Tenge)*

## 23. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Current portion of asset retirement obligations (ash dump restoration provision) | 927,879 | 61,665 |
| Non-current portion of asset retirement obligations (ash dump restoration provision) | 1,192,343 | 1,745,140 |
| **Total** | **2,120,222** | **1,806,805** |

Movements in provision for asset retirement obligations are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Carrying amount at 1 January | 1,806,805 | 572,570 |
| Changes in estimate of the existing asset retirement obligations through other comprehensive income | 34,061 | 67,049 |
| Changes in estimates attributed to cost | 38,272 | 572,007 |
| Changes in estimates attributed to assets | 172,896 | 640,627 |
| Utilisation during the year | (137,962) | (117,963) |
| Unwinding of the present value discount | 206,150 | 72,515 |
| **Total** | **2,120,222** | **1,806,805** |

The amount of provision is estimated as at the reporting date using nominal prices effective as at the date and using forecasted inflation rate for the expected period of operation of ash dumps and the discount rate as at the reporting dates. Discount rate is based on profitability of government securities issued close to the date of financial statements and maturing close to the duration of liability. In 2019, the Company developed design estimates for the restoration of ash dumps, which led to an increase in the estimated cost of the obligation.

As of December 31, 2019, obligations for the restoration of ash dumps in the amount of 927,879 thousand Tenge were classified as short-term, since the work on the restoration of the first stages of ash dumps of TEC-3 and ETEC is expected within 12 months after the reporting date.

Presented below are principal assumptions used to assess asset retirement obligations:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Discount rate | 8.35%-8.66% | 8.42%-8.68% |
| Inflation rate | 5.01%-5.17% | 5.1%-6.1% |

## 24. DEFERRED REVENUE

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Fair value adjustment of loans | 1,871,635 | 1,976,400 |
| Government grants | 4,831,243 | 5,058,580 |
| Adjustment of guarantee fees | 183,045 | 207,645 |
| **Total** | **6,885,923** | **7,242,625** |

Deferred revenue in the form of government grants is recognized at fair value and it is amortized in consolidated statement profit or loss and other comprehensive income over the useful lives of the related assets.

*(in thousands of Tenge)*

## 24. DEFERRED REVENUE (CONTINUED)

As part of an investment project to modernize heat supply systems in the cities of Pavlodar and Ekibastuz, the Group received government grants in 2017 in the amount of 1,847,890 thousand Tenge. In 2019, the Group did not receive subsidies.

In 2011 and 2012 the Company received loans from the EBRD and the Clean Technology Fund (hereinafter referred to as the "CTF"), intended to finance the Investment Program for the restoration and modernization of district heating networks. The interest on the loan is accrued on the bulk of the debt at a floating interest rate of All in cost + 4.5% on loans from the EBRD and 0.75% on loans from the CTF and repaid by semi-annual payments according to the schedule.

The fair value of a loan from the CTF was determined at market interest rates for similar loans. The difference between the amount received from the CTF and the fair value of the loan is reflected as deferred revenue. Management believes that this amount is a government grant in accordance with IAS 20 "Government grants". During 2019, the Group recognized income in the amount 227,337 thousand Tenge (2018: 157,996 thousand Tenge) in the consolidated statement of profit or loss on a systematic basis from government grants over the useful lives of the related assets.

## 25. LEASE LIABILITIES

| | Minimum lease payments | | Discounted value of lease payments | |
|---|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| Within a year | 604,461 | 548,752 | 551,609 | 500,583 |
| More than 1 year, but less than 5 years | 1,770,239 | 1,893,842 | 1,380,582 | 1,379,475 |
| After 5 years | - | 364,345 | - | 337,855 |
| | **2,374,700** | **2,806,939** | **1,932,191** | **2,217,913** |
| Less future lease payments | (442,509) | (589,026) | - | - |
| **Discounted value of lease payments** | **1,932,191** | **2,217,913** | **1,932,191** | **2,217,913** |

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Current | 551,609 | 500,583 |
| Non-current | 1,380,582 | 1,717,330 |
| **Total** | **1,932,191** | **2,217,913** |

The table below sets out an analysis of the amount of net debt and the movements in the Group's lease liabilites from financing activities for each of the periods presented. The items of these liabilities, excluding interest paid, are those that are reported as financing in the consolidated statement of cash flows:

| | **2019** | **2018** |
|---|---|---|
| **As at 1 January** | **2,217,913** | **2,595,895** |
| Lease recognised from new agreements | 48,034 | 36,123 |
| Adoption of IFRS 16 | 141,686 | - |
| Lease payments | (532,072) | (424,119) |
| Interest repaid | (138,805) | (150,785) |
| Other | 195,435 | 160,799 |
| **As at 31 December** | **1,932,191** | **2,217,913** |

Interest expenses included in financial expenses in 2019 amounted to 17,177 thousand tenge.

*(in thousands of Tenge)*

## 25. LEASE LIABILITIES (CONTINUED)

In 2016, the Group entered into a financial leasing agreement with JSC Housing and Communal Services Development Fund JSC for the installation of metering devices in the amount of Tenge 832,506 thousand. The lease implicit rate is 4% per annum, the effective interest rate is 8.62%, rental payments are determined according to the repayment schedule for the period up to October 31, 2020.

In 2016-2017 The company installed meters for consumers, included finance lease payments in mandatory utilities, and recognized finance leases receivable (Note 16).In 2016, Sevkazenergosbyt LLP, a subsidiary, entered into a financial leasing agreement with Housing and Utilities Development Fund JSC for the installation of metering devices during 2016–2018. The lessor under this contract is JSC Housing and Utilities Development Fund. The Group's obligations under a finance lease are secured by maintaining the lessor’s right to leased assets throughout the lease term. The equipment is subleased and JSC "Sevkazenergo" recognized finance lease receivables in the consolidated statement of financial position. For the year ended 31 December 2019 and 2018, the interest rate was 4% per annum, leasing payments are determined according to the repayment schedule for the period until October 31, 2022.

On 8 September 2014, Akmola Electricity Distribution Company JSC, the subsidiary of the Group, entered into an Agreement with the Tselinograd District Akimat of Akmolinsk region to transfer the Severnaya PC 110/10 Transformer Substation. Lease period is 7 years. The Group is entitled for the early buyout during all 48 retaining the lessor’s right for the leased assets during the whole lease term. For the years ended 31 December 2019 and 2018, the interest rate was 5% per annum.

On September 18, 2017 Pavlodar Distribution Electric Grid Company JSC, a subsidiary, entered into a trust management agreement for the substation and power lines with the right of subsequent redemption with a government agency, for a total amount of 1,811,730 thousand Tenge, up to September 18, 2024, the Company classified this the contract as a financial lease agreement and recognized the substation and power line on the balance sheet at the present value of the minimum lease payments. The effective discount rate was 11.9% per annum (2018: 11.9%). Lease liability as at December 31, 2019 and 2018 were expressed in Tenge.

## 26. TRADE PAYABLES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| For purchased services | 16,066,964 | 6,005,521 |
| For purchased goods | 5,910,958 | 9,975,629 |
| For property, plant and equipment | 1,442,384 | 1,081,156 |
| Other | 43,454 | 13,834 |
| **Total** | **23,463,760** | **17,076,140** |

As at 31 December 2019 and 2018, trade payables were denominated in the following currencies:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Tenge | 23,178,352 | 17,014,121 |
| Russian rubles | 266,605 | 61,932 |
| US dollars | 18,718 | - |
| Euro | 85 | 87 |
| **Total** | **23,463,760** | **17,076,140** |

*(in thousands of Tenge)*

## 27. ADVANCES RECEIVED

As at 31 December 2019 and 2018, advances received of Tenge 2,405,256 thousand and Tenge 2,524,568 thousand, respectively, mainly included advances received for the delivery of heat and power.

In the current reporting period, revenue was recognized in the amount of 2,524,568 thousand Tenge (2018: 2,222,981 thousand Tenge) in respect of liabilities under contracts.

## 28. OTHER LIABILITIES AND ACCRUED EXPENSES

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Taxes payable | 1,752,158 | 2,888,085 |
| Payables to employees | 1,021,031 | 826,956 |
| Provisions for unused vacations | 791,814 | 698,903 |
| Pension contributions | 223,915 | 205,807 |
| Current portion of guarantee fees for additional capacity | 30,147 | 29,781 |
| Other | 298,020 | 298,868 |
| **Total** | **4,117,085** | **4,948,400** |

*(in thousands of Tenge)*

## 29. REVENUE

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Sale of power | 69,408,557 | 80,730,208 |
| Sale of heat | 29,647,335 | 32,436,372 |
| Transmission and distribution of power | 20,611,291 | 21,275,541 |
| Transmission and distribution of heat | 9,003,906 | 9,423,475 |
| Revenue from electrical capacity availability services | 8,007,091 | - |
| Other | 517,119 | 14,636 |
| **Total** | **137,195,299** | **143,880,232** |

From January 1, 2019, by order of the Ministry of Energy of the Republic of Kazakhstan, the electricity power market was introduced, the main purpose of which is to ensure the balance reliability of the country's energy system. The capacity tariff is determined at a centralized auction by a single operator and forms an essential part of revenue during a calendar year. In 2019, the capacity tariff amounted to 500 - 1,360 thousand Tenge per MW. hours

## 30. COST OF SALES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Heat and power purchased for resale | 28,012,360 | 30,226,964 |
| Coal and fuel oil | 21,777,220 | 20,610,724 |
| Transmission and distribution of heat and power | 17,155,100 | 18,114,278 |
| Payroll expenses and related taxes | 12,976,516 | 12,515,500 |
| Services received | 15,354,628 | 12,340,159 |
| Depreciation and amortisation | 12,230,547 | 11,075,695 |
| Inventories | 5,506,482 | 5,180,011 |
| Technical losses | 1,210,547 | 1,138,873 |
| Other | 2,094,193 | 3,107,380 |
| **Total** | **116,317,593** | **114,309,584** |

## 31. GENERAL AND ADMINISTRATIVE EXPENSES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Payroll expenses and related taxes | 3,218,230 | 3,706,024 |
| Services received | 2,063,699 | 2,082,361 |
| Taxes, other than income tax | 1,644,171 | 1,589,448 |
| Depreciation and amortisation | 432,108 | 379,161 |
| Inventories | 194,371 | 304,473 |
| Other | 1,104,035 | 2,201,529 |
| **Total** | **8,656,614** | **10,262,996** |

## 32. SELLING EXPENSES

| | 2019 | 2018 |
|---|---|---|
| Payroll expenses and related taxes | 1,749,302 | 1,791,790 |
| Services received | 425,082 | 246,395 |
| Inventories | 110,917 | 86,826 |
| Depreciation and amortisation | 86,686 | 64,148 |
| Other | 56,300 | 215,256 |
| **Total** | **2,428,287** | **2,404,415** |

*(in thousands of Tenge)*

## 33. FINANCE COSTS

| | 2019 | 2018 |
|---|---|---|
| Interest expenses on bank loans | 6,943,316 | 4,045,506 |
| Interest expenses on bonds issued | 2,184,037 | 2,298,552 |
| Loss on initial recognition from loans receivable | 415,777 | 925,840 |
| Other | 664,150 | 998,944 |
| **Total** | **10,207,280** | **8,268,842** |

## 34. FINANCE INCOME

| | 2019 | 2018 |
|---|---|---|
| Interest income earned on deposits | 142,700 | 341,892 |
| Interest on loans issued | 743,887 | 329,922 |
| Income from unwinding of discount | 648,019 | 224,842 |
| Other | 569,523 | 519,681 |
| **Total** | **2,104,129** | **1,416,338** |

## 35. FOREIGN EXCHANGE LOSS, NET

| | 2019 | 2018 |
|---|---|---|
| Foreign exchange (loss)/gain from of loans | 16,389 | (5,497,760) |
| Foreign exchange (loss)/gain from deposits | (9,527) | 200,719 |
| Foreign exchange (loss)/gain from cash | (15,510) | 93,319 |
| Other foreign exchange loss | (1,385) | (275,718) |
| | **(10,033)** | **(5,479,440)** |

Foreign exchange loss is disclosed on a net basis. Profit and loss from exchange rate differences on a gross basis for the year ended December 31, 2019 amounted to 3,622,363 thousand Tenge and 3,632,396 thousand Tenge, respectively (2018: 2,831,302 thousand Tenge and 8,310,742 thousand Tenge).

## 36. OTHER EXPENSES, NET

| | 2019 | 2018 |
|---|---|---|
| Income from penalties for incompliance with the terms of the contract | 555,898 | 756,529 |
| Gain on write-off of accounts payable | 58,911 | 21,718 |
| Loss on impairment of property, plant and equipment, transferred to lease | (251,188) | (306,052) |
| Loss on disposal of property, plant and equipment | 213,173 | (830,672) |
| Other income | (876,910) | 157,062 |
| | **(300,116)** | **(201,415)** |

*(in thousands of Tenge)*

## 37. INCOME TAX

Entities incorporated in the Republic of Kazakhstan pay income tax from the taxable profit according to the legislation of the Republic of Kazakhstan. In 2019 and 2018, income tax rate was 20%. Income tax expenses for the years ended 31 December were as follows:

| | 2019 | 2018 |
|---|---|---|
| Current income tax expense | 1,814,755 | 1,722,397 |
| Deferred income tax expense | 14,608 | 509,340 |
| **Income tax expense** | **1,829,363** | **2,231,737** |

As at 31 December 2019 and 2018, deferred tax assets and liabilities were as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Deferred tax asset as a result of:** | | |
| Tax losses carried-forward | 1,853,834 | 2,380,230 |
| Expected credit losses | 904,791 | 1,070,447 |
| Deferred revenue | 856,778 | 884,135 |
| Finance guarantee liabilities | 374,511 | 418,175 |
| Provision for asset retirement obligations | 333,372 | 229,850 |
| Unused vacation reserve | 130,444 | 94,728 |
| Taxes accrued, not paid | 62,192 | 72,105 |
| Other temporary differences | 513,760 | 270,446 |
| **Total deferred tax asset** | **5,029,682** | **5,420,116** |
| Less: deferred tax assets offset against deferred tax liabilities | (4,046,227) | (3,780,030) |
| **Deferred tax assets** | **983,455** | **1,640,086** |
| **Deferred tax liabilities as a result of:** | | |
| Property, plant and equipment | (41,813,458) | (41,491,391) |
| Other temporary differences | (261,920) | (1,068,812) |
| **Total deferred tax liabilities** | **(42,075,378)** | **(42,560,203)** |
| Less: deferred tax assets offset against deferred tax liabilities | 4,046,227 | 3,780,030 |
| **Deferred tax liabilities** | **(38,029,150)** | **(38,675,054)** |
| **Deferred tax liabilities, net, including:** | **(37,045,695)** | **(37,034,968)** |
| Deferred tax liabilities | (38,029,150) | (38,675,054) |
| Deferred tax assets | 983,455 | 1,640,086 |

The movement in deferred taxes for the years ended 31 December, was as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance at 1 January | (37,034,968) | (37,476,587) |
| (Increase)/decrease in deferred tax liabilities | (10,726) | 441,616 |
| **Balance at 31 December** | **(37,045,695)** | **(37,034,968)** |
| **Recorded:** | | |
| in profit or loss | (14,608) | 509,340 |
| in equity | 3,882 | (67,724) |
| | **(10,726)** | **441,616** |

*(in thousands of Tenge)*

## 37. INCOME TAX (CONTINUED)

Below is a reconciliation of income tax expense for the years ended 31 December, to profit before tax in the consolidated statement of profit or loss and other comprehensive income:

| | 2019 | 2018 |
|---|---|---|
| **IFRS (loss)/profit before tax from continuing operations** | **(3,214,181)** | **3,831,848** |
| Theoretical tax (benefit)/charge at statutory rate of 20% (2018: 20%) | (642,836) | 766,370 |
| Adjustments for: | | |
| Unused tax losses for which no deferred tax asset is recognized | 2,385,657 | 870,257 |
| Unused tax losses of previous years recognized as deferred tax assets in the reporting year | (185,169) | (333,806) |
| Tax effect of permanent differences | 271,710 | 672,792 |
| **Total income tax expense, including:** | **1,829,363** | **2,231,737** |

As at 31 December 2019, the Company has unrecognized tax assets in the amount of 2,385,657 thousand Tenge (31 December 2018: 1,114,797 thousand Tenge).

According to tax legislation of the Republic of Kazakhstan, tax losses may be offset against taxable income during 10 years from the occurrence date. The Group's management estimated expected amount of tax losses, which will be offset against future taxable income during 2020-2029.

## 38. RELATED PARTY TRANSACTIONS

The related parties of the Group include ultimate controlling shareholders, parent company CAPEC JSC, subsidiaries and associated companies or companies over which the Group or its shareholders exercise control and key management personnel.

Transactions with related parties are performed on terms that would not necessarily be available to the third parties.

Transactions between the Company and its subsidiaries and jointly controlled companies are excluded on consolidation and not presented in this note.

During the years the entities of the Group had the following transactions on principal and other activities with related parties not included in the Group:

For the year ended December 31, 2019 the Group had the following financial operations with related parties:

| Name | JSC «CAPEC» | Subsidiaries of CAPEC JSC | Associates of CAPEC JSC |
|---|---|---|---|
| Sale of services | 2,269 | 464,534 | - |
| Purchase of services | 125,464 | 367,656 | 38,815 |
| Unwinding of discount, interest income and other finance income | 387,353 | - | 53,599 |
| Interest expense accrued on loans | - | - | 113,527 |

*(in thousands of Tenge)*

## 38. RELATED PARTY TRANSACTIONS (CONTINUED)

For the year ended December 31, 2018, the Group had the following financial operations with related parties:

| Name | JSC «CAPEC» | Subsidiaries of CAPEC JSC | Associates of CAPEC JSC |
|---|---|---|---|
| Sale of services | 2,649 | 1,687,378 | 72,358 |
| Purchase of services | 231,524 | 661,526 | 102,766 |
| Unwinding of discount, interest income and other finance income | - | - | 172,298 |
| Interest expense accrued on loans | - | - | 11,897 |

Balances between the Group and related parties as at the reporting date are presented below.

For the year ended December 31, 2019 the Group had the following financial operations with related parties:

| Name | JSC «CAPEC» | Subsidiaries of CAPEC JSC | Associates of CAPEC JSC | Ultimate contolling shareholders |
|---|---|---|---|---|
| Cash and cash equivalents | - | - | 279,346 | - |
| Trade accounts receivables, including financial aid | 8,311,514 | 1,862,433 | 17,902 | 94,721 |
| Right of use of asset | - | - | 94,457 | - |
| Trade accounts payable | 16,821 | 156,725 | 40,806 | - |
| Financial guarantee liability | 1,872,553 | - | - | - |
| Bonds issued | - | - | 1,935,000 | - |
| Lease receivable | - | - | 100,659 | - |

For the year ended December 31, 2018 the Group had the following financial operations with related parties:

| Name | JSC «CAPEC» | Subsidiaries of CAPEC JSC | Associates of CAPEC JSC | Ultimate contolling shareholders |
|---|---|---|---|---|
| Cash and cash equivalents | - | - | 317,592 | - |
| Trade accounts receivables, including financial aid | 566,793 | 2,079,405 | 15,028 | 94,721 |
| Trade accounts payable | 10,995 | 264,690 | 12,410 | - |
| Financial guarantee liability | 2,090,875 | - | - | - |
| Bonds issued | - | - | 1,977,651 | - |

## 38. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group had financial transactions with related parties, such as receipt of loans and placement of cash on deposits. In 2019, the Group acted as a co-guarantor to VTB Bank on loans to the parent company CAPEC JSC (Note 22).

During 2019, the Group also provided financial aid to its parent company in the amount of Tenge 10,195,820 thousand. Financial aid issued to JSC "CAPEC" was initially reflected at fair value calculated using the interest rate on long-term loans with similar terms, 12.5% per annum. As a result, the Group recognized a fair value adjustment in the concolidated statemenet of changes in equity in the amount of 2,445,613 thousand Tenge. (2018: 273,914 thousand Tenge).

***Key personnel of the Group***

In 2019, compensation to the Board of Directors and other key management personnel (all vice-presidents of CAEPCO JSC) in the form of salary and bonuses amounted to 1,026,447 thousand Tenge (2018: 996,809 thousand Tenge).

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments are other financial assets, cash, loans, bonds, finance lease obligations as well as accounts receivable and accounts payable. The main risks attributable to the Group's financial instruments are currency risk, liquidity risk and credit risk. The Group also monitors the market risk and interest rate risk arising on all of its financial instruments.

**Categories of financial instruments**

As at 31 December, financial instruments were as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| ***Financial assets*** | | |
| Trade receivables (Note 15) | 15,023,978 | 15,435,390 |
| Other receivables (Note 16) | 7,610,516 | 5,993,494 |
| Other financial assets (Note 13) | 1,191,831 | 1,036,401 |
| Cash (Note 17) | 894,566 | 1,301,811 |
| Loans receivable (Note 12) | 13,968,663 | 8,574,422 |
| ***Financial liabilities*** | | |
| Bonds issued (Note 20) | 19,208,400 | 19,884,308 |
| Loans (Note 21) | 82,374,864 | 72,461,789 |
| Finance lease obligations (Note 25) | 1,932,191 | 2,217,913 |
| Long-term accounts payable | 331,001 | 367,414 |
| Trade payables (Note 26) | 23,463,760 | 17,076,140 |
| Financial guarantees (Note 22) | 1,872,553 | 2,090,875 |
| Other payables | 552,082 | 989,041 |

***Capital risk management***

The Group manages the risks associated with capital to ensure that the Group will be able to continue as a going concern while increasing the tariffs and optimizing the debt and equity balance.

The equity structure of the Group comprises share capital, additional paid-in capital, revaluation reserve for property, plant and equipment and retained earnings as presented in the consolidated statement of changes in equity.

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Summary of significant accounting policies**

The information on significant accounting policies and accepted methods, including criteria of recognition, basis for measurement and basis on which revenue and expenses are recognised, with respect to each class of financial assets, financial liabilities and equity instruments is disclosed in Note 4 to the consolidated financial statements.

**Objectives of financial risk management**

Risk management is an essential element of the Group's operations. The Group controls and manages financial risks related to operations of the Group by analysing the risk exposure by degree and amount of risk. These risks include market risk, currency risk, liquidity risk and cash flow interest rate risk. The description of the Group's risk management policies is provided below.

**Interest rate risk**

The Group's operations are exposed to interest rate risk as it has borrowings with fixed and floating interest rates. The Group manages interest rate risk by retaining balanced ratio of loans and borrowings with fixed and floating interest rates.

**Interest rate sensitivity analysis**

The following interest rate sensitivity analysis was made regarding the exposure to interest rate risk on non-derivative instruments at the reporting date. For liabilities with floating rates an analysis was made assuming that the outstanding liability was not repaid during the entire year. When preparing the management reports on interest rate risk for the Group management an assumption is used on a change in the interest rate by 1%, which meets the expectations of the management regarding the reasonably possible fluctuation of interest rates.

If interest rates on liabilities were 1% higher/lower and all the other variables remained constant, then the profit of the Group for the year ended 31 December 2019, and its retained earnings as at 31 December 2019, would decrease/increase by Tenge 1,017,578 thousand (2018: Tenge 773,239 thousand).

**Credit risk**

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

Also, the Group acts as a guarantor for liabilities of CAPEC JSC (Note 22).

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches: an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default.

The IRB system is designed internally and ratings are estimated by management. Various credit-risk estimation techniques are used by the Company depending on the class of the asset.

The Group applies IRB systems for measuring credit risk for loans given.

The rating models are regularly reviewed based on actual default data and updated, if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for all financial assets, except for trade receivables and loans given.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for unexpected prepayments, if any.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:

- suspension of the accrual for interest/decrease in interest rate on a financial asset;
- write-off of a principal debt;
- financial asset's sale with significant discount to the nominal value;
- restructuring leading to the decrease in/write-off of the cost of loan/debt forgiveness;
- extension of financial asset's maturity;
- provision of grace period for the principal debt/interest payment;
- commencement of action for declaration of counterparty's bankruptcy in accordance with the legislation of the Republic of Kazakhstan;
- lawsuit filed by counterparty upon bankruptcy action;
- more than 90 days past due on obligations covered by guarantee contract or payment under guarantee contract.

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The table below shows the classification of financial assets, such as loans issued, measured at amortized cost, for the individual stages of the impairment models.

| | **Credit loss allowance** | | | | **Gross carrying amount** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| ***Loans receivable*** | | | | | | | | |
| **At 1 January 2019** | (495,645) | - | (97,132) | (592,777) | 9,070,067 | - | 97,132 | 9,167,199 |
| New originated or purchased | (929,418) | - | (1,730,109) | (2,659,527) | 10,195,820 | - | 782,801 | 10,978,621 |
| Loss at initial recognition via consolidated statement of profit or loss | - | - | - | - | (96,168) | - | (138,543) | (234,711) |
| Loss at initial recognition via consolidated equity | - | - | - | - | (2,445,613) | - | - | (2,445,613) |
| Loans repayment | - | - | - | - | (1,501,250) | - | (107,340) | (1,608,590) |
| Unwinding of discount (net) | - | - | - | - | 634,872 | - | 15,032 | 649,904 |
| Interest receivable income | - | - | - | - | 725,930 | - | 17,957 | 743,887 |
| Interest repayment | - | - | - | - | (43,945) | - | - | (43,945) |
| Reclassification | - | - | - | - | (1,750,266) | - | 1,764,481 | 14,215 |
| **At 31 December 2019** | (1,425,063) | - | (1,827,241) | (3,252,304) | 14,789,447 | - | 2,431,520 | 17,220,967 |

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Group applies three approaches for ECL measurement on financial assets, except for trade receivables: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; (iii) assessment based on external ratings.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up.

The table below presents external (if any) and internal credit ratings as at the end of respective reporting period, excluding trade receivables:

| *31 December 2019* | Cash | Deposits in banks with an initial maturity of more than three months | Bonds and loans | Other financial assets |
|---|---|---|---|---|
| A+ | 21,485 | - | - | - |
| From BBB+ till BBB- | - | - | - | - |
| From BB+ till BB- | 788,343 | 911,380 | - | 1,450 |
| From B+ till B- | 3,527 | - | 8,481,880 | - |
| CCC | - | - | 5,486,783 | - |
| D | 4 | - | - | - |
| N/A | 81,207 | - | 279,001 | 7,449,777 |
| **Total financial assets** | **894,566** | **911,380** | **14,247,664** | **7,451,227** |

| *31 December 2018* | Cash | Deposits in banks with an initial maturity of more than three months | Bonds and loans | Other financial assets |
|---|---|---|---|---|
| A+ | 6,272 | - | - | - |
| From BBB+ till BBB- | - | - | - | - |
| From BB+ till BB- | 1,228,973 | 717,734 | - | 94,720 |
| From B+ till B- | 1,650 | 1,331 | 905,223 | - |
| CCC | - | - | 7,669,199 | 4,483,676 |
| D | 19,759 | - | - | 394,784 |
| N/A | 45,157 | - | 316,000 | 444,078 |
| **Total financial assets** | **1,301,811** | **719,065** | **8,890,422** | **5,417,258** |

The Group applies provision matrix to measure expected credit loss for accounts receivable. For ECL measurement, trade receivables were classified based on general credit risk characteristics and number of past due days.

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table presents default levels and credit loss allowance as at the end of respective reporting period:

| | Total | 1-30 days | 30-90 days | 90-180 days | 181-270 days | 271-365 days | >365 days |
|---|---|---|---|---|---|---|---|
| Accounts receivable at 31 December 2019 | 18,941,631 | 12,877,794 | 2,199,034 | 864,705 | 234,235 | 505,263 | 2,260,600 |
| Default level | - | 3,95% | 15,96% | 16,66% | 66,26% | 98,5% | 100% |
| Expected credit loss | (3,917,653) | (509,140) | (350,983) | (144,069) | (155,203) | (497,658) | (2,260,600) |
| **Total** | **15,023,978** | **12,368,654** | **1,848,051** | **720,636** | **79,032** | **7,605** | **-** |

| | Total | 1-30 days | 30-90 days | 90-180 days | 181-270 days | 271-365 days | >365 days |
|---|---|---|---|---|---|---|---|
| Accounts receivable at 31 December 2018 | 19,029,495 | 13,339,185 | 2,416,695 | 613,303 | 296,443 | 369,327 | 1,994,542 |
| Default level | - | 4,49% | 14,81% | 31,14% | 54,82% | 86,36% | 98,54% |
| Expected credit loss | (3,594,105) | (598,297) | (357,936) | (190,958) | (162,524) | (318,946) | (1,965,444) |
| **Total** | **15,435,390** | **12,740,888** | **2,058,759** | **422,345** | **133,919** | **50,381** | **29,098** |

### *Market risk*

The Group takes on exposure to market risk arising from open positions in (a) currency and (b) interest rate instruments, all of which are exposed to general and specific market movements.

### *Currency risk*

The Group has borrowings denominated in foreign currency, and imports major spare parts for investment program. As result, the Group has assets and liabilities denominated in foreign currencies. The Group minimises the currency risk by monitoring changes in exchange rates in which the liabilities are denominated.

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Carrying value of monetary assets and liabilities of the Group denominated in foreign currencies as at 31 December 2019 and 2018, was as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Name** | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| US dollars | 7,607 | 234,830 | 13,540,363 | 38,843,143 |
| Russian rubles | 112 | - | 33,146,535 | 61,932 |
| Euro | - | - | 85 | 87 |

***Foreign currency sensitivity analysis***

The following table reflects the Group's sensitivity to 20% increase or decrease in value of Tenge against foreign currencies. 20% – is sensitivity level used in preparation of internal reports on currency risk for key management and represents the management's estimate of justifiably possible changes in exchange rates. The sensitivity analysis includes all financial assets of the Group denominated in the currency different from the currency of the creditor or borrower. The positive figure indicated below reflects the increase in loss and equity items when the Tenge rate against a respective currency strengthens by 20%. In case of weakening of the Tenge rate against a respective currency by 20%, there will be an equal and opposite effect on loss and equity, and the amounts indicated below will be negative.

| | Effect of US dollar | |
|---|---|---|
| **Name** | **31 December 2019** | **31 December 2018** |
| Financial assets | (1,217) | (37,573) |
| Financial liabilities | 2,076,704 | 6,214,903 |

***Liquidity risk***

The Group's shareholders are ultimately responsible for liquidity risk management since they created an appropriate system of liquidity risk management for Group management as per the requirements of monitoring of liquidity and short, mid and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, loans and available credit lines by constant monitoring of projected and actual cash flow and comparing maturity dates of its financial assets and liabilities.

*Liquidity risk tables*

The following tables demonstrate the Group's contract dates for its non-derivative financial assets and liabilities. The table was compiled based on non-discounted movement of cash flows on financial liabilities using the earliest date that the Group could be made to make a payment. The table includes cash flows on both interest and principal.

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table on liquidity risk and interest rate risk as at 31 December 2019 and 31 December 2018, is presented as follows:

| | Effective interest rate | Up to 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **31 December 2019** | | | | | |
| *Non-interest-bearing:* | | | | | |
| Trade receivable | | 18,941,631 | - | - | 18,941,631 |
| Other trade receivables | | 9,369,441 | 259,680 | - | 9,629,121 |
| Cash | | 1,044,661 | - | - | 1,044,661 |
| Trade payables | | (23,463,760) | - | - | (23,463,760) |
| Liabilities for additional capacity connection | | (30,147) | (110,619) | (226,855) | (367,621) |
| Other liabilities and accrued expenses | | (552,082) | - | - | (552,082) |
| *Interest-bearing:* | | | | | |
| Other financial assets | 0,01%-8,3% | 374,844 | 539,413 | - | 914,257 |
| Loans receivable | 10,96%-12,49% | 3,895,110 | 17,730,233 | - | 21,625,343 |
| Bonds issued | 7,64%-12,96% | (6,904,050) | (12,806,207) | (7,116,860) | (26,827,117) |
| Loans | 0,75%-13% | (84,035,107) | - | - | (84,035,107) |
| Financial guarantees | 11,1%-13,1% | (55,487,286) | - | - | (55,285,173) |
| Finance lease obligations | 4,05%-13,55% | (604,461) | (1,770,239) | - | (2,374,700) |
| **Net position** | | **(137,249,093)** | **3,842,261** | **(7,343,715)** | **(140,750,547)** |

| | Effective interest rate | Up to 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| *Non-interest-bearing:* | | | | | |
| Trade receivables | | 19,029,495 | - | - | 19,029,495 |
| Other trade receivables | | 6,563,028 | - | - | 6,563,028 |
| Cash | | 1,384,134 | - | - | 1,384,134 |
| Trade payables | | (17,076,140) | - | - | (17,076,140) |
| Liabilities for additional capacity connection | | (29,781) | (150,441) | (224,099) | (404,321) |
| Other liabilities and accrued expenses | | (989,041) | - | - | (989,041) |
| *Interest-bearing:* | | | | | |
| Other financial assets | 0,01%-9,5% | 769,529 | 84,159 | - | 853,688 |
| Loans given | 12,44% | 5,404,602 | 3,505,273 | 2,782,699 | 11,692,574 |
| Bonds issued | 7,6%-12,96% | (1,522,899) | (18,589,995) | (8,596,700) | (28,709,594) |
| Loans | 0,75%-14,9% | (74,312,825) | - | - | (74,312,825) |
| Financial guarantees | 11,1%-13,1% | (50,228,746) | - | - | (49,950,204) |
| Finance lease obligations | 4%-9,7% | (548,752) | (1,893,842) | (364,345) | (2,806,939) |
| **Net position** | | **(111,278,854)** | **(17,044,846)** | **(6,402,445)** | **(134,726,145)** |

### *Fair value of financial instruments*

Management of the Group considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

Fair value is defined as the amount at which an instrument could be exchanged between knowledgeable willing parties in an arm's-length transaction, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The fair value of the instruments presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

*(in thousands of Tenge)*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument:

- The carrying amount of cash approximates their fair value due to the short-term maturity period of these financial instruments.
- For financial assets and financial liabilities with maturity within twelve months, the carrying amount approximates their fair value due to the short-term nature of these financial instruments.
- For financial assets and financial liabilities with maturities of more than twelve months, the fair value represents a present value of discounted estimated future cash flows with the use of market rates effective at the end of the reporting period.

Level 3 fair values of land, buildings and constructions as well as machinery and equipment have been generally derived engaging an independent appraiser to determine the fair value of property, plant and equipment. The fair value of property, plant and equipment was determined by applying, in the aggregate, the following generally accepted valuation techniques: comparative, income and cost. Management believes that the results of the assessment appropriately reflect the economic conditions of the Group's property, plant and equipment as at 31 December 2014. From the date of the last revaluation there were no significant changes in the fair value of property, plant and equipment.

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | Level 2 fair value | Level 3 fair value | Carrying value | Level 2 fair value | Level 3 fair value | Carrying value |
| ***Assets*** | | | | | | |
| Trade receivables (Note 15) | 15,023,978 | - | 15,023,978 | 15,435,390 | - | 15,435,390 |
| Other receivables** (Note 16) | 6,900,836 | 709,680 | 7,610,516 | 5,933,494 | - | 5,933,494 |
| Other financial assets (Note 13) | 1,191,831 | - | 1,191,831 | 1,036,401 | - | 1,036,401 |
| Cash (Note 17) | 894,566 | - | 894,566 | 1,301,811 | - | 1,301,811 |
| Loans Receivable (Note 12) | - | 13,968,663 | 13,968,663 | - | 8,574,422 | 8,574,422 |
| **Total financial assets** | **24,011,211** | **14,678,343** | **38,689,554** | **23,707,096** | **8,574,422** | **32,281,518** |
| ***Liabilities*** | | | | | | |
| Bonds issued (Note 20) | - | 18,644,736 | 19,208,400 | - | 19,884,308 | 19,884,308 |
| Loans (Note 21) | - | 82,374,864 | 82,374,864 | - | 72,461,789 | 72,461,789 |
| Finance lease obligations (Note 25) | - | 1,932,191 | 1,932,191 | - | 2,217,913 | 2,217,913 |
| Long-term accounts payable | 331,001 | - | 331,001 | 367,414 | - | 367,414 |
| Trade payables (Note 26) | 23,463,760 | - | 23,463,760 | 17,076,140 | - | 17,076,140 |
| Financial guarantees (Note 22) | - | 1,872,553 | 1,872,553 | - | 2,090,875 | 2,090,875 |
| Other payables*** | - | 552,082 | 552,081 | - | 989,041 | 989,041 |
| **Total financial liabilities** | **23,794,761** | **105,376,426** | **129,734,851** | **17,443,554** | **97,643,926** | **115,087,480** |

*** excluding deferred expenses, taxes recoverable and taxes prepaid and receivables from employees*
****excluding taxes payable, payables to employees and provision for unused vacation*

## 39. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

***Financial assets carried at amortised cost.*** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

***Liabilities carried at amortised cost.*** The fair value of bonds is based on quoted market prices. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

## 40. COMMITMENTS AND CONTINGENCIES

**Political and economic situation in the Republic of Kazakhstan**

*Operating environment*

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in

the markets. Ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 404.07 per USD 1, compared to Tenge 382.59 per USD 1 as at 31 December 2019

(31 December 2018: Tenge 384.20 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

On 21 Feb 2020 Fitch Ratings has affirmed Kazakhstan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' with a Stable Outlook. Kazakhstan's 'BBB' IDRs balance large fiscal and external buffers, underpinned by accumulated oil-related fiscal revenues and a strong sovereign net foreign asset position, against high commodity dependence, a weak banking sector relative to peers, and lower governance scores than 'BBB' medians.

## 40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Official estimates indicate real GDP growth picked up slightly to 4.5% in 2019 (2018: 4.1%), driven by domestic demand and supported by public sector social programmes and hydrocarbon, infrastructure and residential investment projects. Fitch forecasts growth to slow slightly to 3.9% in 2020 and 4.0% in 2021, stronger than the 'BBB' median of 2.8% and Kazakhstan's five-year average of 2.9%, supported by ongoing investments in the USD45 billion production expansion of the Tengiz oil field.

Stable oil production and oil prices during 2019, low unemployment and rising wages supported a modest growth of the economy in 2019. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results see Note 42.

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

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 39 provides more information of how the Group incorporated forward-looking information in the ECL models.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of electricity and energy complex providing the population and industrial entities with the electricity. The Government of the Republic of Kazakhstan has adopted the long-term energy sector development program envisaging the construction of new and reconstruction of the current power stations. The management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 39 provides more information of how the Group incorporated forward-looking information in the ECL models.

### Tax legislation

Tax conditions in the Republic of Kazakhstan are subject to changes and inconsistent application and interpretation. Discrepancies in interpretation of Kazakhstan laws and regulations by the Group and Kazakhstani authorities may lead to accrual of additional taxes, penalties and interest. This relates to Group contracts for transportation signed with non-residents.

## 40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Kazakhstani tax legislation and practice are in a state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. In some cases, for the purpose of determining the tax base, the tax legislation refers to IFRS provisions, at that the interpretation of relevant IFRS provisions by Kazakhstan tax authorities may differ from the accounting policies, judgements and assessments applied by management in preparation of these consolidated financial statements, which could lead to additional tax liabilities of the Group. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position is justified. In the opinion of the Group's management, the Group will not incur significant losses on current and potential tax claims exceeding provisions formed in these consolidated financial statements.

**Legal matters**

The Group may be subject to legal proceedings and adjudications from time to time, none of which has had, individual or in aggregate, material adverse impact on it.

**Environmental issues**

The Group's management believes that at the moment the Group follows current environmental, health and safety laws and regulatory acts of the Republic of Kazakhstan. However, these laws and regulatory acts may change in future. The Group is unable to foresee the timing and degree of changes in the environmental, health and safety laws. In case of such changes the Group might be required to upgrade its technological equipment in order to meet more rigid requirements.

At each reporting date, the Group's management estimates the future obligations and creates a provision for restoration of ash disposal areas as per the legislation of the Republic of Kazakhstan.

**Insurance**

As at 31 December 2019 and 2018, the Group insured energy generation assets of Heat and Power Plant 2 and 3 and oxygen workshop in Pavlodar and Heat and Power Plant 2 in Petropavlovsk. The Group did not insure other property, plant and equipment. Since the lack of insurance does not represent the decrease in the value of assets or occurrence of liabilities, no provision for unforeseen expenses related to damage or loss of such assets is required.

**Operating environment**

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

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

## 40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 403.83 USD 1, compared to Tenge 382.59 per USD 1 as at 31 December 2019 (31 December 2018: Tenge 384.20 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

On 21 Feb 2020 Fitch Ratings has affirmed Kazakhstan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' with a Stable Outlook. Kazakhstan's 'BBB' IDRs balance large fiscal and external buffers, underpinned by accumulated oil-related fiscal revenues and a strong sovereign net foreign asset position, against high commodity dependence, a weak banking sector relative to peers, and lower governance scores than 'BBB' medians.

Official estimates indicate real GDP growth picked up slightly to 4.5% in 2019 (2018: 4.1%), driven by domestic demand and supported by public sector social programmes and hydrocarbon, infrastructure and residential investment projects. Fitch forecasts growth to slow slightly to 3.9% in 2020 and 4.0% in 2021, stronger than the 'BBB' median of 2.8% and Kazakhstan's five-year average of 2.9%, supported by ongoing investments in the USD45 billion production expansion of the Tengiz oil field.

Stable oil production and oil prices during 2019, low unemployment and rising wages supported a modest growth of the economy in 2019. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results (see Note 42 "Subsequent events"*)*.

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

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note *# 39* provides more information of how the Group incorporated forward-looking information in the ECL models.

### Capital commitments

The Group developed and approved the plan of capital investments for 2016-2020 with the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy. According to the plan, during 2016-2020, the Group is subject to invest in production assets Tenge 72,413,818 thousand not including VAT. In 2019, the Group invested into production assets Tenge 14,725,748 thousand not including VAT. During 2020, the Group shall invest in production assets Tenge 22,242,384 thousand not including VAT.

As of 31 december 2019 Group had contractual obligations for the acquisition of fixed assets for the total amount Tenge 11,555,343 thousand.

*(in thousands of Tenge)*

## 40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Tariffs

The Group confirms the tariffs for power and heat with the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies. Management of the Group believes that it sets tariffs in accordance with the legislation of the Republic of Kazakhstan.

### Loan covenants

The Group regularly monitors the compliance with financial covenants established by loan agreements. According to the terms of the agreements, the Group must comply with financial and non-financial covenants. As at December 31, 2019, the Group has not complied with a number of financial and non-financial covenants under loan agreements with EBRD and Sberbank ("banks"). Also, due to the violation of financial and non-financial covenants by the parent company of CAPEC JSC of VTB loan, there was a cross-default on loans received by the Group. The management informed the banks of the violation before the reporting date and periodically discussed with the banks a plan for resolving this issue. According to the terms of the loan agreements, the failure to comply with financial covenants leads to the automatic right to demand early repayment of the loan amount, the early repayment requirement can be made only after written notice from the banks. Management has reclassified long-term loans to short-term. As of the date of approval of the consolidated financial statements, the Group did not receive notice from banks requiring early repayment of loans.

## 41. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share in the calculation of basic earnings per share is calculated based on the weighted average number of issued ordinary shares for the years ended December 31, 2019 and 2018, the amounts of common shares and common shares with diluted effect are equal due to the fact that there is no dilution.

| | 2019 | 2018 |
|---|---|---|
| (Loss)/profit for the year | (5,043,544) | 1,600,112 |
| Weighted average number of ordinary shares | 36,951,133 | 36,951,133 |
| **(Loss)/earnings per share, Tenge** | **(136.49)** | **43.30** |

The book value of one ordinary share as of December 31 is presented below.

| Ordinary shares as at | Number of shares in circulation | Net assets | Book value of 1 share, Tenge |
|---|---|---|---|
| 31 December 2019 | 36,951,133 | 134,577,627 | 3,642.04 |
| 31 December 2018 | 36,951,133 | 142,685,419 | 3,861.46 |

The book value of one ordinary share was obtained by dividing the amount of net assets by the number of ordinary shares placed as of December 31, 2019 and 2018.

Net assets represent all assets minus intangible assets and liabilities in the consolidated statement of financial position as at December 31, 2019 and 2018.

## 42. EVENTS AFTER THE REPORTING DATE

### COVID-19

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organization declared the outbreak of a new type of coronavirus COVID-19 a pandemic. According to the decree of the President of the Republic of Kazakhstan dated 15 March 2020 No. 285 "On the introduction of a state of emergency in the Republic of Kazakhstan", a state of emergency was introduced for the period from from 16 March 2020 until 11 May 2020. Many cities of Kazakhstan fell under the quarantine regime; also, from 30 March to 11 May of the current year, the activities of enterprises were suspended. The Company's activities for the period of quarantine were not suspended, the work of office employees was organised remotely.

At the same time, on 9 March 2020 oil quotes dropped amid the collapse of the OPEC deal, the price of Brent crude in March fell below $ 25 per barrel. The depreciation of Tenge against the US dollar since the beginning of the year amounted to 6%. The National Bank of the Republic of Kazakhstan on 10 March 2020 raised the base rate from 9.25% to 12%.

The COVID-19 epidemic is spreading globally, with a sharp negative effect on the entire global economy. Management considers this outbreak to be a non-adjusting event after the reporting date.

As of the date of the issuance of these financial statements, the situation is still developing; to date, there has not been any noticeable effect on the Company's revenues and deliveries, but the future effect is difficult to predict. Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business.

### Tariffs

Starting January 1, 2020, a tariff of 2,732.98 Tenge per Gcal, excluding VAT, is in effect according to the Order of the Department of the Committee of the Republic of Kazakhstan on the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for the North Kazakhstan Region No. 153-OD dated November 24, 2015 "On approval of the maximum level of tariff estimates for the period from January 1, 2016 to December 31, 2020 in relation to services for the transfer and distribution of heat energy to the Petropavlovsk Heat Networks limited liability partnership.

On May 22, 2020, by Order of the Ministry of Energy of the Republic of Kazakhstan No. 205, the Methodology for Determining Fixed Profits, which is taken into account when approving marginal tariffs for electric energy and balancing electricity, was approved.

On June 15, 2020, new tariffs for electricity services entered into force in accordance with the decision of the Department of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan for Pavlodar Region dated June 5, 2020.

From July 1, 2020, according to the order of the Minister of Energy of the Republic of Kazakhstan dated June 29, 2020, Pavlodarenergo JSC increases its marginal tariff for electric energy from 6.6 Tenge per kW/h to 8.29 Tenge per kW/h, Sevkazenergo JSC increases its marginal tariff for electric energy from 6.7 Tenge per kW/h to 8.38 Tenge per kW / h.

### Bonds issued and loans

On January 22, 2020, the Group raised 5,000,000 thousand Tenge by issuing bonds. The volume of bonds issue according to the prospectus of the second issue of corporate bonds is equal to 10,000,000 thousand Tenge with a fixed rate of 13.75% per annum of the nominal value of bonds during the entire period of circulation of bonds. The maturity of bonds is 7 years.

On January 23, 2020, the Group redeemed the issued bonds of the first prospectus in the amount of 5,494,690 thousand Tenge according to the schedule.

## 42 EVENTS AFTER THE REPORTING DATE (CONTINUED)

During 2020, within the scope of the existing revolving credit line from SB Sberbank Russia JSC, the Group received short-term loans in the amount of 8,629,690 thousand Tenge to replenish the Group's working capital, and repaid 5,778,505 thousand Tenge on available short-term loans (4,601,541 thousand - JSC SB Sberbank of Russia and 1,176,964 thousand Tenge - JSC Islamic Bank Al Hilal).

## 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by management of the Group on 30 June 2020.