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 2018

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

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, the consolidated results of its operations, cash flows and 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 2018 were approved by the management of the Group on 28 June 2019.

Independent Auditor's Report

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

Qualified opinion

In our opinion, except for the possible effect of matter referred in the section "Basis for qualified opinion", the accompanying 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 2018, 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 2018;
- 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 stated in the 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". Last revaluation was conducted as of 31 December 2014. As of 31 December 2018, factors were observed indicating that the fair value of property, plant and equipment could have changed significantly. However, the Group did not conduct the revaluation of property, plant and equipment as at 31 December 2018 as required by IAS 16 "Property, Plant and Equipment", and the Group did not conduct impairment test of property, plant and equipment, as required by IAS 36 "Impairment of assets". As a result, we were unable to determine whether any adjustments are necessary to the corresponding results in the consolidated statement of financial position as of 31 December 2018 and to the consolidated profit or loss and other comprehensive income, consolidated changes in equity and consolidated cash flows statements for the year then ended.

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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

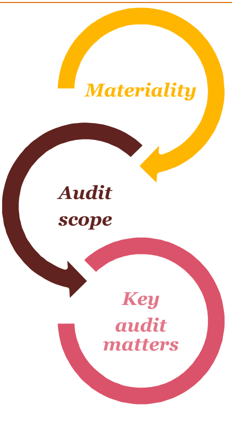
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty regarding going concern

We draw your attention to the Note 6 of the consolidated financial statements, which states that as at 31 December 2018 the Group's current liabilities exceeded current assets by Tenge 62,774,838 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 a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- Overall Group materiality: 1,120 millions of Kazakhstani Tenge, which represents 0.8% of revenue for the year ended 31 December 2018.

- We conducted audit procedures over the Company and its 4 subsidiaries.
- Our audit scope addressed in full all assets, revenue and absolute value of net profit of the Group.

- Accounting for and measurement of financial assets obtained as a result of deposit restructuring in EximBank JSC.

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 1,120 million
How we determined it	0.8 % of revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark to determine materiality level. We did not use profit before tax due to its volatility. Instead, we used revenue, which is less volatile, and, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. We have established materiality at the level of 0.8% 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 regarding going concern", we determined the following key audit matter:

Key audit matter	How our audit addressed the Key audit matter
Accounting for and measurement of financial assets obtained as a result of deposit restructuring in EximBank JSC *See Notes 6 and 12 to the consolidated financial statements.* During previous periods and in the beginning of 2018, the Group deposited available funds on deposit accounts in EximBank JSC. In the first half of 2018, the indicators of financial instability of EximBank JSC have been identified, and hence the Group took actions to decrease potential losses with respect to funds placed in this financial institution. As a result of these actions, instead of claims to the bank on the deposits the Group obtained legal claims to certain borrowers of EximBank JSC and entered into loan agreements with these borrowers for the total amount of Tenge 10,595 million. The management of the Group performed the analysis of restructuring, terms of newly executed 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. Based on the analysis performed, the Group accounted for derecognition of deposits and recognition of loans, and their subsequent measurement. Management applied significant judgments in its estimates, in particular, when assessing: market interest rates, value of collateral received and probability of default of the borrowers. We considered this matter to be a key audit matter due to its significance to the consolidated financial statements	As part of our audit, we focused our attention on examining terms of deposits restructuring, as well as on estimates and assumptions used by the management of the Group to record restructuring results and subsequent recognition and measurement of respective financial assets. Our procedures included the following: • review of the terms of deposits restructuring and loan agreements; • checking the accounting for transactions as of the initial recognition date and subsequent measurement of financial assets obtained by the Group through the restructuring; • receipt of confirmation letters from borrowers for the principal debt and interest accrued; • consideration of the analysis performed by the management of the Group on the measurement of expected credit losses and recoverable amounts with respect to financial assets obtained by the Group through the restructuring; • consideration of the analysis performed by the management of the Group on assigning the borrowers with probability of default and determination of the exposure at default to measure expected credit loss; • conducting a number of 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 amounts of the financial assets obtained by the Group through the restructuring; • 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, performing under our instructions. 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 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 obtained an interoffice reports from component auditors, and discussed with them 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 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 other information referred to above, 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 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

28 June 2019
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the RK Ministry of Finance No.0000005 dated 21 October 1999)

Signed by:

Baurzhan Burkhanbekov
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)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(in thousands of Tenge)

	Note	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	260,133,112	251,341,851
Goodwill	9	1,687,141	1,687,141
Intangible assets	10	1,979,566	1,997,187
Deferred tax assets	37	1,640,086	1,282,858
Loans receivable	12	4,074,492	-
Other financial assets	13	86,249	5,515
Advances paid	11	4,716,792	3,317,136
Other non-current assets	16	2,397,150	1,816,766
Total non-current assets		**276,714,588**	**261,448,454**
CURRENT ASSETS:			
Inventories	14	4,751,626	4,880,435
Trade receivables	15	15,435,390	18,767,608
Advances paid	11	2,197,762	1,518,316
Income tax prepaid		809,345	179,315
Other current assets	16	7,428,544	3,679,690
Loans receivable	12	4,499,930	-
Other financial assets	13	950,152	17,181,418
Cash	17	1,301,811	2,368,075
Total current assets		**37,374,560**	**48,574,857**
TOTAL ASSETS		**314,089,148**	**310,023,311**
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		38,998,854	41,413,587
Retained earnings		58,274,754	60,979,619
Total equity		**144,664,985**	**149,784,583**
NON-CURRENT LIABILITIES:			
Bonds issued	20	19,410,835	20,181,710
Loans	21	-	46,448,347
Deferred revenue	24	7,242,625	7,729,309
Finance lease obligations	25	1,717,330	2,118,028
Deferred tax liabilities	37	38,675,054	38,759,445
Ash disposal area restoration liabilities	23	1,745,140	484,877
Employee benefit obligations		116,367	136,805
Other long-term payables		367,414	194,333
Total non-current liabilities		**69,274,765**	**116,052,854**
CURRENT LIABILITIES:			
Current portion of bonds issued	20	473,473	578,571
Loans	21	72,461,789	19,270,179
Trade payables	26	17,076,140	17,781,829
Advances received	27	2,524,568	2,222,981
Current portion of ash disposal area restoration liabilities	23	61,665	87,694
Current portion of employee benefit obligations		11,905	11,574
Current portion of finance lease obligations	25	500,583	477,867
Income tax payable		-	68,681
Financial guarantees	22	2,090,875	-
Other liabilities and accrued expenses	28	4,948,400	3,686,498
Total current liabilities		**100,149,398**	**44,185,874**
TOTAL EQUITY AND LIABILITIES		**314,089,148**	**310,023,311**

Signed on behalf of Group management:

S.V. Kan
President

28 June 2019
Almaty, the Republic of Kazakhstan

N.V. Buksha
Chief Accountant

28 June 2019
Almaty, the Republic of Kazakhstan

The notes on pages 1[illegible]-7[illegible] 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 2018

(in thousands of Tenge)

	Note	2018	2017
REVENUE	29	143,880,232	131,651,735
COST OF SALES	30	(114,309,584)	(100,295,105)
GROSS PROFIT		**29,570,648**	**31,356,630**
General and administrative expenses	31	(10,262,996)	(9,144,534)
Selling expenses	32	(2,404,415)	(2,033,859)
Finance costs	33	(8,268,842)	(6,467,984)
Finance income	34	1,416,338	1,111,927
Impairment of financial assets		(538,029)	-
Foreign exchange gain/(loss), net	35	(5,479,440)	181,079
Impairment loss on goodwill	9	-	(737,278)
Other income/(expenses), net	36	(201,415)	(14,314)
PROFIT BEFORE TAXATION		**3,831,849**	**14,251,667**
INCOME TAX EXPENSE	37	(2,231,737)	(3,612,563)
PROFIT FOR THE YEAR		**1,600,112**	**10,639,104**
OTHER COMPREHENSIVE INCOME 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)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,584,362**	**10,639,104**
Earnings per share			
Earnings per share for the year, in KZT	41	**43.30**	**287.92**

Signed on behalf of Group management:

S.V. Kan
President

28 June 2019
Almaty, the Republic of Kazakhstan

N.V. Buksha
Chief Accountant

28 June 2019
Almaty, the Republic of Kazakhstan

The notes on pages [illegible] form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages [illegible].

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Tenge)

	Share capital	Additional paid-in capital	Revaluation reserve for property, plant and equipment	Retained earnings	Total equity
At 1 January 2017	**46,043,272**	**1,348,105**	**44,190,092**	**49,253,645**	**140,835,114**
Profit for the year	-	-	-	10,639,104	10,639,104
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**10,639,104**	**10,639,104**
Amortisation of revaluation reserve on property, plant and equipment	-	-	(2,776,505)	2,776,505	-
Dividends declared	-	-	-	(1,689,635)	(1,689,635)
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 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	-
Liabilities of finance guarantees	-	-	-	(1,672,700)	(1,672,700)
Shareholder operation	-	-	-	(237,914)	(237,914)
Dividends declared	-	-	-	(2,127,820)	(2,127,820)
At 31 December 2018	**46,043,272**	**1,348,105**	**38,998,854**	**58,274,754**	**144,664,985**

Signed on behalf of Group management:

S.V. Kan
President

28 June 2019
Almaty, the Republic of Kazakhstan

N.V. Buksha
Chief Accountant

28 June 2019
Almaty, the Republic of Kazakhstan

The notes on pages 16-77 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 3-8.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge)

	Note	2018	2017
OPERATING ACTIVITIES:			
Profit before taxation		3,831,849	14,251,667
Adjustments for:			
Depreciation and amortisation	8, 10	11,825,056	11,326,606
Finance costs	33	8,268,842	6,467,984
Impairment of financial assets	39	538,029	684,649
Impairment provision for obsolete and slow-moving inventories	14	83,345	62,836
Loss on disposal of property, plant and equipment	36	830,672	383,065
Loss on impairment of goodwill		-	737,278
Accrual of provision for unused vacations		176,605	76,702
Foreign exchange (gain)/loss, net	35	5,479,440	(181,079)
Finance income	34	(1,416,338)	(1,111,927)
Gain on write-off of accounts payable		(21,718)	(52,881)
Loss on impairment of CIP items		88,251	-
Ash disposal area restoration liabilities		572,007	-
Other		(244,880)	46,277
Operating cash flow before movement in working capital		**30,011,160**	**32,691,177**
Changes in inventories		45,464	(68,120)
Changes in trade receivable		1,397,946	694,889
Changes in advances paid		(639,661)	90,015
Changes in other current assets		(201,648)	(139,377)
Changes in other non-current assets		2,295	42,955
Changes in other trade receivables		(2,060,350)	-
Changes in trade payables		585,653	225,118
Changes in deferred revenue		(109,970)	76,869
Changes in advances received		301,587	(247,731)
Changes in other liabilities and accrued expenses		2,295,646	49,099
Changes in ash disposal area restoration liabilities		(270,294)	(192,708)
Changes in employee benefit obligations		(53,362)	(13,886)
Cash from operating activities		**31,304,466**	**33,208,300**
Income tax paid		(2,389,522)	(489,868)
Interest paid	20,21	(7,389,567)	(7,170,574)
Net cash from operating activities		**21,525,377**	**25,547,858**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

(in thousands of Tenge)

	Note	2018	2017
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(22,238,457)	(23,261,781)
Acquisition of intangible assets		(274,222)	(347,990)
Placement of deposits		(22,190,081)	(17,201,239)
Cash withdrawn from deposits		38,714,726	11,180,296
Proceeds from interest accrued on placed deposits		367,570	-
Receipt of interest accrued on loans receivable		32,748	-
Proceeds from disposal of property, plant and equipment		31,248	10,742
Cash given to Ecoalternative LLP	16	(3,200,000)	-
Loans given	12, 39	(10,595,609)	-
Repayment of loans issued	12, 39	704,812	-
Acquisition of financial assets		(300,731)	-
Cash returned from guarantee fees		(23,715)	(24,097)
Cash given to shareholders		(894,720)	-
Cash returned from shareholders		800,000	-
Net cash used in investing activities		**(18,668,440)**	**(29,644,069)**
FINANCING ACTIVITIES:			
Proceeds from loans	21	30,827,798	28,056,936
Repayment of loans	21	(30,577,328)	(22,398,498)
Proceeds from issuance of bonds	20	1,440,568	5,151,672
Bond redemption	20	(2,732,325)	-
Repayment of bonds	20	-	(8,538,266)
Dividends paid	18	(2,489,124)	(1,292,914)
Proceeds from government grants	24	20,334	3,760,380
Finance lease	25	(424,119)	(268,441)
Net cash from/(used in) financing activities		**(4,083,964)**	**4,470,869**
NET DECREASE IN CASH		**(1,077,259)**	**374,658**
CASH at the beginning of the year	17	**2,368,075**	**2,022,862**
Effect of exchange rate changes on cash balances in foreign currencies	35	93,319	(29,445)
Expected credit losses for cash and cash equivalents		(82,323)	-
CASH at the end of the year	17	**1,301,811**	**2,368,075**

Signed on behalf of Group management:

S.V. Kan
President

28 June 2019
Almaty, the Republic of Kazakhstan

N.V. Buksha
Chief Accountant

28 June 2019
Almaty, the Republic of Kazakhstan

The notes on pages 14-87 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-8.

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 2018, the shareholders of the Company are CAPEC JSC (92.75%), and other shareholders (7.25%) (Note 18) (31 December 2017: CAPEC JSC (59.65%), European Bank for Reconstruction and Development ("EBRD") (22.6%), KAZ HOLDINGS COOPERATIEF U.A. (10.49%) and other shareholders (7.25%)).

The ultimate controlling shareholders of the Company as at 31 December 2018 together are Mr. S. Kan and Mr. A. Klebanov and as at 31 December 2017 together were Mr. E. Amirkhanov, Mr. A. Klebanov, Mr. S. Kan and Ms. G. Artambayeva, 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	Location	Ownership interest		Principal activity
		2018	2017	
PAVLODARENERGO JSC	Pavlodar region	100%	100%	Production of heat and power
Pavlodar Regional Electric Distribution Company JSC	Pavlodar region	100%	100%	Transmission and distribution of electric energy
Pavlodar Heating Networks LLP	Pavlodar region	100%	100%	Transmission and distribution of heat energy
Pavlodarenergosbyt LLP	Pavlodar region	100%	100%	Sales of heat and power
Ekibastuzteploenergo LLP	Pavlodar region	100%	100%	Production, distribution and transmission of heat energy
Energetic Rest Home LLP	Pavlodar region	100%	100%	Health resort, children's camp
Energetic Health Care Centre LLP	Pavlodar region	100%	100%	Health care centre
SEVKAZENERGO JSC	North-Kazakhstan region	100%	100%	Production of heat and power
North-Kazakhstan Regional Electric Distribution Company JSC	North-Kazakhstan region	100%	100%	Transmission and distribution of electric energy
Petropavlovsk Heating Networks LLP	North-Kazakhstan region	100%	100%	Transmission and distribution of heat energy
Sevkazenergosbyt LLP	North-Kazakhstan region	100%	100%	Sales of heat and power
Akmola Electricity Distribution Company JSC	Akmola region	100%	100%	Transmission, distribution, and sale of electric energy
AEDC-ENERGOSBYT LLP	Akmola region	100%	100%	Sales of power
Astanaenergosbyt LLP	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 2018 and 2017 was 11,063 and 10,583 employees, respectively.

2. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year. The significant new accounting policies applied in the current period are described in Note 4.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

	Measurement category		Carrying value under IAS 39 – 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
				Reclassification		Remeasurement		
	IAS 39	IFRS 9		Manda-tory	Volun-tary	ECL	Other	
Cash and cash equivalents	L&R	AC	2,368,075	-	-	(10,379)	-	2,357,696
Due from other banks								
- Placements with other banks with original maturities of more than three months	L&R	AC	17,186,933	-	-	(431,260)	-	16,755,673
Total due from other banks and debt securities			**19,555,008**	**-**	**-**	**(441,639)**	**-**	**19,113,369**
Other financial assets								
- Trade and other receivables	L&R	AC	18,767,608	-	-	(2,118,423)	-	16,649,185
- Long-term trade receivables	L&R	AC	-	-	-	-	-	-
- Restricted cash	L&R	AC						
- Other	L&R	AC	1,720,522	-	-	(771,845)	-	948,677
Total other financial assets			**20,488,130**	**-**	**-**	**(2,890,268)**	**-**	**17,597,862**
Total financial assets			**40,043,138**	**-**	**-**	**(3,331,907)**	**-**	**36,711,231**

These estimated expected credit losses, net of tax effect, were included in retained earnings as at 1 January 2018.

(a) Cash and cash equivalents

All classes of cash and cash equivalents were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to amortized cost ("AC") measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018. The following table reconciles the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018:

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

	Provision under IAS 39 or IAS 37 at 31 Dec 2017	Effect			Credit loss allowance under IFRS 9 at 1 January 2018
		Reclassi-fication to FVTPL	Reclassi-fication to FVOCI	Remeasu-rement from incurred to expected loss	
Loans, receivables and held to maturity measurement category					
-Cash and cash equivalents	-	-	-	(10,379)	(10,379)
-Other trade receivables	(508,836)	-	-	(771,845)	(1,280,681)
-Restricted cash	-	-	-	(431,260)	(431,260)
-Trade receivables	(1,603,980)	-	-	(2,118,423)	(3,722,403)

As at 31 December 2017, all of the Group's financial liabilities were carried at AC. Effect from modifications on borrowings received due to adoption of IFRS 9 at 1 January 2018 was insignificant. There were no changes to the classification and measurement of financial liabilities.

The total effect from transition to IFRS 9 as at 1 January 2018 was 2,665,526 thousand Tenge, net of tax effect.

Adoption of IFRS 15 "Revenue from Contracts with Customers". The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

The main changes from the adoption of IFRS 15 are explained below

(i) The Group should not recalculate contracts executed as of the adoption date;

(ii) The Group should not adjust promised consideration amount given the effect from a significant financial component, if at the moment of contract execution the Group expects that period between the Group's transfer of promised goods or services to a customer and customer's payment for such goods will be not more than one year.

(iii) The Group should not disclose remaining binding contractual obligation, the initial expected validity period of which is not more than one year.

The adoption of IFRS 15 resulted in changes in accounting policies. Significant accounting policies on revenue recognition are provided in Note 4.

Based on the analysis of the Group's regular revenue streams, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, the management of the Group concluded that the standard did not have a significant impact on the consolidated financial statements and does not require presenting retrospective adjustments.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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 2019 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 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives.

Based on the analysis of the Group's lease agreement obligations, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, as well as considering the application of a modified retrospective transition method, the management of the Group concluded that the adoption of the standard from 1 January 2019 did not have a significant impact on the 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 is currently assessing the impact of the new standard on the consolidated financial statements.

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

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on the consolidated financial statements.

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). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

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). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

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). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

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

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). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Group is currently assessing the impact of the amendments on the 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.

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 the consolidated 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 9 and IFRS 15 effective from 1 January 2018, 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 2017 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 IAS 17, 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.

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 2018	31 December 2017
US Dollar	384.20	332.33
Russian Ruble	5.52	5.77

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

	2018	2017
US Dollar	344.90	326.08
Russian Ruble	5.50	5.59

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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Benefits received and receivable as an incentive to conclude an operating lease are also allocated on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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.

Ash dump restoration provision

Ash dump restoration provision 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. Ash dump restoration provision 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 15th 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 25th 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 2018 and 2017 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 212,130 tenge per month in 2018 (2017: not more than 183,442 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 2018

Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position, when the Company becomes a party of contractual provisions on instrument. Regular purchases and sales of financial assets are recognised as at the reporting settlement date.

Financial assets have the following categories: financial assets at fair value through profit or loss (FVTPL), investments held to maturity, financial assets available for sale (AFS) and loans and receivables. Classification depends on the nature and objectives of financial assets and is determined on initial recognition.

Effective interest method

The effective interest method is a method of calculating amortised cost of financial assets and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees paid or receivables, forming an integral part of the effective interest rate, operating expenses and other amounts of premiums and discounts) through the expected life of the financial asset or a shorter period, if appropriate.

Revenue is recognised based on the effective interest rate on debt instruments, except for financial assets at FVTPL.

Impairment of financial assets

Financial assets, except for financial assets at FVTPL, are reviewed for impairment at each reporting date. Financial assets are impaired, when there is an objective evidence that expected future cash flow on investment was impacted as a result of one or more events that occurred after the initial recognition of the financial asset.

For all other financial assets, objective evidence of impairment may include:

- significant financial difficulties of issuers or counterparties; or
- default or delay on interest or principal; or
- possible borrower’s bankruptcy or restructuring.

For some categories of financial assets such as trade receivables, assets that will not be probably subject to impairment individually are subsequently reviewed for impairment jointly. An objective evidence of the impairment of receivables portfolio may include past experience of the Company on collection of payments, increased level of over 60 days past due payments, and observable changes in national economic environment, which have a direct impact on receivable defaults.

For financial assets carried at amortised cost, impairment value represents difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is decreased by impairment loss directly for all financial assets, except for trade receivables, where carrying amount of unrecoverable receivables is decreased against provision for doubtful debts. When it is expected that trade receivables will not be collected, debts are written off against provision created before. On subsequent recovery of receivables written off earlier, provision for doubtful debts is restored. Movements in provision for doubtful debts are recorded within profit or loss.

5. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

If, in a subsequent period, the amount of the impairment loss on a financial assets (except for equity instruments available for sale) decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. In this case, the carrying amount of financial assets as of the impairment loss recovery date may not exceed the carrying amount that would be recorded, if impairment was not recognised.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when the Company has a legally enforceable right to offset the recognised amounts, and an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

The Company derecognises financial assets (or, if appropriate, a part of financial assets or a part of the Company's similar financial assets) when:

- the rights to cash flows from the assets expire;
- the Group retains right for the cash flows from the assets, but undertook liability to repay them in full without any significant delay to a third party under a pass-through arrangement, and has transferred substantially all the risks and rewards of ownership of the assets; or
- the Group has transferred its rights for the cash flows from the assets whilst
- (a) transferring substantially all the risks and rewards of ownership of the assets or (b) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

If the Group has transferred its rights for the cash flows from the assets whilst neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control, then assets are recognised to the extent, to which the Group continues to be involved in the assets. Involvement continuation, taking the form of surety under transferred asset, is estimated at the lower of original carrying amount of the asset or maximum reimbursement amount, which may be required from the Group as repayment.

Financial liabilities

Financial liabilities are derecognised when they are discharged, cancelled or expired.

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. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources.

As described in Note 40, as at 31 December 2018 the Group and number of other subsidiaries breached certain terms of loan agreements. The Group did not obtain waivers of rights to claim an immediate repayment of debts from respective banks by 31 December 2018, and hence as of 31 December 2018 borrowings received were included in demand category and recorded as current liabilities in the statement of financial position. As a result, as at the indicated date current liabilities of the Group exceeded current assets by Tenge 62,774,838 thousand. The Group is also a co-guarantor for CAPEC liabilities (Note 22).

These factors indicate that there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

- In 2018, net cash from operating activities amounted to Tenge 21,525,377 thousand (2017: Tenge 25,547,858 thousand);
- On 30 May 2019, a court decision was issued in favour of Pavlodarenergo JSC on satisfaction of their claims with respect to inclusion of fixed profit in electricity tariff that will lead to increase in operating cash flows;
- In June 2019, the parent company, CAPEC JSC, entered into principal terms agreement with VTB Bank for additional financing in the amount of USD 90 million with grace period of 12 months. This cash will be used to refinance borrowings received from EBRD, Asian Development Bank and Islamic Bank Al Hilal;
- The Group's management also received verbal assurances from the authorised representatives of EBRD, Sberbank JSC on waiver of rights to claim an immediate repayment for the period of not less than 12 months from the approval of date of these consolidated financial statements with respect to indebtedness on borrowings, except for loans which are expected to be refinanced using funds from VTB Bank, as stated above;
- Management holds negotiations on sale of certain assets of the Group resulting in additional liquidity for the Group;
- The Group is monopolist in the area of transmission, distribution, and sale of electricity in Pavlodar and North-Kazakhstan regions that indicates the Group's strategic importance for the region;
- Management has no intention or need to liquidate or reduce significantly the range of the Group's operations;
- Management obtained confirmation letter on support from the parent company.

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

Management believes that the Group has access to sufficient resources to continue operating activities in the foreseeable future and that preparation of these financial statements on the continuity assumption is appropriate and, accordingly, the Group will be able to realise its assets and repay liabilities in the normal course of business.

The consolidated financial statements present all matters related to the Group's ability to continue as a going concern, including all significant conditions and events, mitigating factors and plans of the Group.

These consolidated financial statements do not include any adjustments to the carrying amounts of assets and liabilities, recognised revenues and expenses, as well as classifications of the consolidated statement of financial position, which would be required in the event of inability to continue as a going concern.

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 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.

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

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.

As at 31 December 2018, management reviewed property, plant and equipment and respective construction in progress for impairment, including market changes, expected tariff and available evidences on obsolescence of assets.

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.

Ash disposal area restoration liability

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 8.42%-8.65%, 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 2018, the carrying amount of ash dump restoration provision was 1,806,805 thousand Tenge (2017: 572,571 thousand Tenge).

Estimation of financial assets received as a result of restructuring deposits in Exim Bank JSC

During previous periods and in the beginning of 2018, the Group placed a part of free cash on deposit accounts with EximBank JSC. In the first half of 2018, the indications of financial instability of EximBank JSC have been identified, and hence the Group took actions to decrease possible losses with respect to funds placed with this financial institution. As a result of actions taken, instead of demands to the bank on deposits, the Group obtained legal claims to certain borrowers of EximBank JSC and entered into loan agreements with these borrowers for the total amount of Tenge 10,595 million tenge.

The Group applied significant judgments in its estimates, in particular, when measuring: the market value of crediting of 12.5%, the cost of pledge received, the probability of default of the borrowers (Note 39).

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.

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

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

The Group tests goodwill for impairment annually. As of 31 December 2018 and 2017 no impairment goodwill was identified.

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 12.00%

(December 31, 2017: 13.33%) 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 2.98% per annum (December 31, 2017: 9.00%). 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 13.23% per annum.

In case of reduction of tariffs for transmission and distribution of electricity and tariffs for the sale of heat and electricity by 10%, the Group would have to reduce the book value of goodwill at full cost.

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. 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.

As of December 31, 2018, financial guarantees were accounted for at the highest of the amortized cost and estimated credit losses. The Group estimated reserves for expected credit losses on financial guarantees as of December 31, 2018. 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

(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, 2018 and December 31, 2017, 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.

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)	-
Gross revenue	67,935,807	24,938,654	9,475,623	106,139,670	93,354	-	208,583,108
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 assets	(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

	For the year ended 31 December 2017						
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	28,099,555	11,718,558	9,860	91,807,483	16,279	-	131,651,735
Intrasegment revenue	38,302,290	13,761,827	7,795,304	7,084,325	61,267	(67,005,013)	-
Gross revenue	66,401,845	25,480,385	7,805,164	98,891,808	77,546	-	198,656,748
Cost of sales	(47,448,824)	(16,872,869)	(6,777,517)	(95,511,661)	-	66,315,766	(100,295,105)
General and administrative expenses	(3,448,646)	(2,733,972)	(1,860,696)	(1,705,792)	(762,851)	1,367,423	(9,144,534)
Selling expenses	(10,901)	-	-	(2,088,201)	-	65,243	(2,033,859)
Finance cost	(4,113,518)	(608,618)	(574,239)	(366,757)	(815,895)	11,043	(6,467,984)
Finance income	838,105	201,040	85,233	77	6,339,799	(6,352,327)	1,111,927
Foreign exchange (loss)/gain, net	175,970	55,030	5,234	(76,340)	21,185	-	181,079
Other income/(expenses), net	(561,518)	340,934	355,122	510,057	165,820	(824,729)	(14,314)
Impairment loss on goodwill	-	-	-	(737,278)	-	-	(737,278)
Income tax expense	(2,465,653)	(1,044,093)	(56,239)	(35,772)	(10,806)	-	(3,612,563)
Profit for the year	**9,366,860**	**4,817,837**	**(1,017,938)**	**(1,119,859)**	**5,014,798**	**(6,422,594)**	**10,639,104**
Other key segment information							
Capital expenditure on property, plant and equipment	5,913,655	8,200,823	8,242,204	116,440	211,827	-	22,684,949
Depreciation of property, plant and equipment	7,222,565	2,731,115	982,252	99,662	43,134	-	11,078,728

8. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Revalued cost						
At 1 January 2017	**36,785,243**	**205,653,347**	**1,393,714**	**352,201**	**15,666,106**	**259,850,611**
Additions	20,975	1,403,028	107,385	44,478	21,109,083	22,684,949
Internal transfers	1,128,986	17,450,944	344	24,759	(18,605,033)	-
Disposals	(277,230)	(548,165)	(4,059)	(5,925)	(106,518)	(941,897)
Other	3,754	48,357	-	603	142,189	194,903
At 31 December 2017	**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**
Accumulated depreciation and impairment						
At 1 January 2017	**(4,296,853)**	**(14,729,120)**	**(338,889)**	**(136,874)**	**-**	**(19,501,736)**
Depreciation charge	(2,214,003)	(8,591,173)	(211,834)	(46,603)	(15,115)	(11,078,728)
Internal transfers	-	(5,565)	108	5,457	-	-
Disposals	25,115	98,773	3,809	2,965	3,087	133,749
At 31 December 2017	**(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)**
Carrying amount						
At 31 December 2018	**44,293,564**	**198,549,078**	**1,252,963**	**653,728**	**15,383,779**	**260,133,112**
At 31 December 2017	**31,175,987**	**200,780,426**	**950,578**	**241,061**	**18,193,799**	**251,341,851**

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	Total
At 31 December 2018	35,046,679	148,801,410	776,469	250,405	15,907,931	**200,782,894**
At 31 December 2017	23,530,394	141,837,915	578,314	207,562	18,193,799	**184,347,984**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2018, 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 1,598,571 thousand Tenge (2017: 647,309 thousand Tenge). The average capitalisation rate for interest costs is 7,96% (2017: 11,5%).

As at 31 December 2018 and 2017, the carrying amount of pledged property, plant and equipment was 130,802,610 thousand Tenge and 127,773,224 thousand Tenge, respectively (Note 40).

As at 31 December 2018 and 2017, property, plant and equipment fully depreciated at carrying amount were 1,549,712 thousand Tenge and 378,823 thousand Tenge, respectively.

Depreciation charges

	Notes	2018 г.	2017 г.
Cost of sales	30	11,075,695	10,687,405
General and administrative expenses	31	379,161	337,340
Selling expenses	32	64,148	58,990
Other	36	306,052	242,871
Total depreciation and amortization		11,825,056	11,326,606
Less: amortization of intangible assets	10	(322,510)	(210,900)
Total depreciation charges		**11,502,546**	**11,115,706**

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 2018	1,405,202	281,939	**1,687,141**
Goodwill recognised at 31 December 2017	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).

As of 31 December 2018 and 2017 there were no impairment of goodwill. The results of impairment tests, key assumptions and sensitivity analysis are disclosed in Note 6.

10. INTANGIBLE ASSETS

	Licenses	Software	Other	Total
Initial cost				
Carrying amount at 1 January 2017	**35,461**	**239,772**	**1,728,473**	**2,003,706**
Additions	11,078	157,766	227,109	395,953
Disposals	-	(2,018)	(2,468)	(4,486)
Internal transfers	-	1,210,306	(1,210,306)	-
Carrying amount at 31 December 2017	**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**
Accumulated amortisation and depreciation				
Carrying amount at 1 January 2017	**(5,011)**	**(48,141)**	**(134,009)**	**(187,161)**
Depreciation charges	(6,866)	(159,893)	(44,141)	(210,900)
Disposals	-	-	75	75
Carrying amount at 31 December 2017	**(11,877)**	**(208,034)**	**(178,075)**	**(397,986)**
Depreciation charge	(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)**
Net book value				
At 31 December 2018	**39,770**	**1,304,753**	**635,043**	**1,979,566**
At 31 December 2017	**34,662**	**1,397,792**	**564,733**	**1,997,187**

As at 31 December 2018 and 2017, intangible assets of 877,183 thousand Tenge and 983,436 thousand Tenge, respectively, mainly included software ("Ellipse") on automated management system for production assets.

11. ADVANCES PAID

	31 December 2018	31 December 2017
For property, plant and equipment	5,098,673	3,472,367
For services	1,659,654	930,278
For inventories	526,734	575,220
Other	38,304	71,560
	7,323,365	**5,049,425**
Impairment provision	(408,811)	(213,973)
Total advances given	**6,914,554**	**4,835,452**
Non-current	4,716,792	3,317,136
Current	2,197,762	1,518,316
Total	**6,914,554**	**4,835,452**

12. LOANS RECEIVABLE

	31 December 2018	31 December 2017
Third party loans receivables	7,955,264	-
Related parties loans receivables	904,897	-
Interest receivable	307,038	-
	9,167,199	-
Impairment of loans receivable	(592,777)	**-**
Total loans receivables	**8,574,422**	**-**
Non-current	4,074,492	-
Current	4,499,930	-
Total	**8,574,422**	-

Loans given to third parties are presented in the form of loans granted during the reporting period with a maturity of 2019-2023 (Note 6). The nominal interest rate on these loans was 7.01% - 9.6%.

Changes in the estimated reserve for credit losses and the gross book value of loans issued, measured at amortized cost which occurred between the beginning and the end of the reporting period are disclosed in Note 39.

13. OTHER FINANCIAL ASSETS

	31 December 2018	31 December 2017
Deposits	852,352	17,169,317
Redeemable bonds	316,000	-
Interest receivable	1,336	17,616
	1,169,688	**17,186,933**
Impairment allowances for other financial assets	(133,287)	-
Total other financial assets	**1,036,401**	**17,186,933**
Current assets	950,152	17,181,418
Non-current assets	86,249	5,515
From them:		
Restricted cash:		
Reserved cash for debt services	474,269	1,001,077
Minimum deposit balance	24,140	935,300
	498,409	**1,936,377**

As of December 31, 2017, 97% of all deposits in the amount of Tenge 16,710,991 thousand were placed in EximBank JSC. In the first half of 2018 due to signs of financial instability of EximBank JSC Group took measures to reduce potential losses in respect of funds placed in this financial institution (Note 6). Cash restricted in use are presented on the debt service reserve accounts, as required under the loan agreements entered into between the Group and EBRD and are intended for the payment of principal and interest of loans, accumulated over a six-month period preceding the date of payment. These funds may be used exclusively for purposes defined by the credit agreement with EBRD.

13. OTHER FINANCIAL ASSETS (CONTINUED)

In 2018, the Group recognised interest income totalling to 341,892 thousand Tenge (2017: 938,940 thousand Tenge) (Note 34).

In 2018, interest rates on deposits in tenge and US dollars were 5.8%-9.5% and 0.01%-3.3%, respectively. In 2017, interest rates on deposits in tenge and US dollars were 5.2%-11.5% and 2.5%-3.3%, respectively.

Other financial assets as of December 31, 2018 and 2017 were denominated in the following currencies:

	31 December 2018	31 December 2017
Tenge	801,858	15,256,341
US dollars	234,543	1,930,592
	1,036,401	**17,186,933**

14. INVENTORIES

	31 December 2018	31 December 2017
Spare parts and materials for maintenance	3,138,287	3,311,949
Coal and fuel oil	1,526,845	1,237,039
Other	422,882	584,490
	5,088,014	**5,133,478**
Provision for obsolete and slow-moving inventories	(336,388)	(253,043)
	4,751,626	**4,880,435**

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

	2018	2017
At 1 January	(253,043)	(190,207)
Accrued	(83,345)	(62,836)
Written-off against previously created provision	-	-
At 31 December	**(336,388)**	**(253,043)**

15. TRADE RECEIVABLES

	31 December 2018	31 December 2017
Sale and transmission of heat and power	18,277,945	19,121,484
Other	751,550	1,250,104
	19,029,495	**20,371,588**
Allowance for doubtful debts	(3,594,105)	(1,603,980)
Total trade receivables	**15,435,390**	**18,767,608**

15. TRADE RECEIVABLES (CONTINUED)

Major part of trade receivables as at 31 December 2018 and 2017 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 2018 and 2017, 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 financial assets was as follows:

	2018 Trade receivables	**2017 Trade receivables**
Provision for impairment at 1 January	(1,603,980)	(1,310,515)
Changes in opening balance according to IFRS requirements	(2,118,423)	-
Accrual for impairment provision	(263,840)	(385,978)
Receivables written-off during the year	392,138	92,513
Provision for impairment at 31 December	**(3,594,105)**	**(1,603,980)**

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 2018 and 2017, trade receivables were denominated in Tenge.

16. OTHER ASSETS

	31 December 2018	**31 December 2017**
Other non-current assets		
Taxes recoverable and taxes prepaid	1,879,578	254,005
Equipment held for sale	211,844	1,051,612
Other	305,728	511,149
	2,397,150	**1,816,766**
Other current assets		
LLP "Eco Alternativa" receivables	3,595,638	-
LLP "EnergoKompani – PV" receivables	888,038	-
Taxes recoverable and taxes prepaid	1,422,741	1,609,554
Receivables on court proceedings and penalties accrued	1,241,709	1,087,905
Receivables from employees	517,116	326,238
Deferred expenses	72,765	532,212
Other	837,643	632,617
	8,575,650	**4,188,526**
Allowance for doubtful debts	(1,147,106)	(508,836)
Total other current assets	**7,428,544**	**3,679,690**

As at 31 December 2018 and 2017, 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.

16. OTHER ASSETS (CONTINUED)

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2018	2017
At 1 January	(508,836)	(412,132)
Changes in opening balance according to IFRS requirements	(771,845)	-
Accrued	118,036	(128,508)
Written off against previously created allowance	15,539	31,804
At 31 December	**(1,147,106)**	**(508,836)**

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 EcoAlternativea 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.
The debt of Energocompany PW LLP in the amount of 888,038 thousand tenge represents a claim on the Energocompany PW LLP for payment by the Group of accounts payable to Energocompan PW LLP, as part of the debt transfer agreement.

17. CASH

	31 December 2018	31 December 2017
Cash at bank accounts	1,298,755	2,163,301
Cash on hand	61,966	154,255
Cash in transit	23,413	50,519
	1,384,134	**2,368,075**
Expected credit loss	(82,323)	**-**
	1,301,811	**2,368,075**

As at 31 December 2018 and 2017, cash were denominated in the following currencies:

	31 December 2018	31 December 2017
Tenge	1,301,524	2,352,445
US dollars	287	15,630
	1,301,811	**2,368,075**

18. SHARE CAPITAL

	31 December 2018		31 December 2017	
	Share	**Number of shares**	**Share**	**Number of shares**
CAPEC JSC	92.75%	34,272,706	59.65%	22,042,680
EBRD	-	-	22.60%	8,352,201
KAZ HOLDINGS COOPERATIEF U.A.	-	-	10.49%	3,877,825
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 2018 and 2017, fully paid common shares amounted to Tenge 46,043,272 thousand.

As at 31 December 2018 and 2017, the number of unplaced shares is 13,048,867.

18. SHARE CAPITAL (CONTINUED)

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.

Following dividends were declared and paid during the year:

	2018	2017
Dividends payable at 1 January	381,914	-
Dividends declared during the year	2,127,820	1,689,635
Dividends paid during the year	(2,489,124)	(1,292,914)
Retained tax	(20,610)	(14,807)
Dividends payable at 31 December	**-**	**381,914**
Dividends per share declared during the year	**57.58**	**45.73**

19. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2018 and 2017, additional paid-in capital of Tenge 1,348,105 thousand 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;
- the revenue from factoring operations due to acquisition and subsequent sale of the right claim from related party at the value greater than the actual cost of this claim.

20. BONDS ISSUED

	Maturity date	Coupon rate, per annum	31 December 2018	31 December 2017
KZ2C0Y10D695	10 January 2020	12.5%	7,996,483	7,996,483
KZ2P01Y10E533	17 November 2023	6%	9,979,559	9,987,700
KZ2P02Y10E531	24 June 2025	6%	5,000,000	5,000,000
KZ2C0Y10F369	6 September 2026	12.5%	1,935,000	-
Accrued interest			430,822	578,571
Premium			90,229	255,580
Discount			(3,045,992)	(3,057,886)
Redemption of bonds			(2,501,793)	(167)
			19,884,308	**20,760,281**
Less: current portion of bonds issued			473,473	578,571
			19,410,835	**20,181,710**

As at 31 December 2018 and 2017, bonds issued were denominated in Tenge.

20. BONDS ISSUED (CONTINUED)

The bonds issued are repayable as follows:

	31 December 2018	31 December 2017
At 1 January	20,760,281	24,382,454
Bonds issued	1,440,568	5,151,672
Accrued interest	2,298,552	2,283,935
Coupon paid	(1,898,261)	(2,514,401)
Redemption of bonds	(2,732,325)	-
Repayment of bonds	-	(8,538,266)
Other	15,493	(5,113)
Total	**19,884,308**	**20,760,281**
In the second to the fifth years inclusive	14,138,321	16,571,439
After five years	5,272,514	3,610,271
	19,410,835	**20,181,710**

21. LOANS

	31 December 2018	31 December 2017
Principal amount of loans	73,411,604	67,186,027
Interest payable - long-term loans	690,191	653,289
Interest payable - short-term loans	211,030	107,416
Less:		
Fair value adjustment of loan	(1,610,181)	(1,948,783)
Unamortised part of lump-sum commission	(240,855)	(279,423)
	72,461,789	**65,718,526**
Less:		
Short-term loans	(15,883,585)	(11,615,357)
Current portion of long-term loans	(56,578,204)	(7,654,822)
	(72,461,789)	**(19,270,179)**
Long-term loans	**-**	**46,448,347**

The loans are repayable as follows:

	31 December 2018	31 December 2017
During the year	72,461,789	-
During the second year	-	7,936,719
In the second to the fifth years inclusive	-	29,296,905
After five years	-	9,214,723
	72,461,789	**46,448,347**

21. LOANS (CONTINUED)

As at 31 December 2018 and 2017, long-term and short-term loans were denominated in the following currencies:

	31 December 2018	31 December 2017
US dollars	38,843,143	39,249,277
Tenge	34,568,461	27,936,750
	73,411,604	**67,186,027**

Reconciliation of loans

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

	2018	2017
Loans at 1 January	**65,718,526**	**60,037,980**
Proceeds on loans received and bonds issued	30,827,798	28,056,936
Repayment of loans	(30,577,328)	(22,398,498)
Accrual for interest	4,045,506	3,875,272
Capitalised interest (Note 8)	1,598,571	606,418
Interest paid	(5,340,521)	(4,356,174)
Capitalised interest paid	148,582	40,891
Foreign exchange adjustments	5,497,760	(153,815)
Unwinding of the present value discount	327,744	-
Other payments	215,151	9,516
Loans at 31 December	**72,461,789**	**65,718,526**

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

Loans 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.

Effective interest rate for long-term loans denominated in Tenge and US Dollars amounted to 6.27%-14.9% and 0.75%-6.5% per annum, respectively (2017: 6.8%-13% per annum and 4.51%-5.11% per annum, respectively).

Effective interest rate for short-term loans denominated in Tenge and US Dollars amounted to 9.95-15.46% and 6.5%-6.96% per annum, respectively (2017: 6.93%-15% per annum and 5.58-5.89% per annum, respectively).

In accordance with loan agreements with EBRD, Sberbank, Al-Hilal and Asian Development Bank, the Group shall comply with financial covenants. However, as at 31 December 2018, the Group did not comply with standard values that led to reclassification of loans from the long-term portion (Note 40).

As at 31 December 2018 and 2017 long-term loans are secured by property, plant and equipment (Note 8).

22. FINANCIAL GUARANTEES

	Amount of guaranteed liabilities	
Company	**31 December 2018**	**31 December 2017**
Sevkazenergo JSC	1,287,301	-
Pavlodarenergo JSC	47,498	-
AREK JSC	461,404	-
AEDC JSC	113,263	-
CAPEC JSC	181,409	-
Total	**2,090,875**	**-**

The Company jointly with other subsidiaries provided guarantee under loan agreement of CAPEC JSC with VTB Bank dated 27 November 2018. CAEPCO and Astanaenergosbyt LLP bear full joint responsibility according to the terms of provided guarantee, and loan is partially secured by subsidiaries of CAEPCO JSC – Sevkazenergo JSC, Pavlodarenergo JSC, and AEDC JSC. As at 31 December 2018, total guarantee amount was Tenge 2,090,875 thousand. According to the loan agreement with VTB, the loan will be repaid as follows - in 2021 the first tranche and in 2025 the second and third tranche.

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 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 of December 31, 2018, CAPEC JSC’s loan from VTB, under which the guarantee was issued, was classified as short-term, respectively, guarantee liabilities are also reflected in short-term obligations.

23. DEFERRED REVENUE

	31 December 2018	31 December 2017
Fair value adjustment of loans	1,976,400	2,042,621
Government grants	5,058,580	5,337,921
Adjustment of guarantee fees	207,645	348,767
	7,242,625	**7,729,309**

In 2018, the Group received government subsidies of Tenge 20,334 thousand under investment project for the modernization of heat supply systems (2017: Tenge 3,760,380 thousand).

During 2018, the Group recognized revenue in the amount of 157,965 thousand tenge (2017: 63,085 thousand tenge) in profit or loss on a systematic basis during the useful life of the relevant assets.

24. ASH DISPOSAL AREA RESTORATION

	31 December 2018	31 December 2017
Current portion of ash dump restoration provision	61,665	87,694
Non-current portion of ash dump restoration provision	1,745,140	484,877
	1,806,805	**572,571**

24. ASH DISPOSAL AREA RESTORATION (CONTINUED)

Movements in provision for asset retirement obligations are as follows:

	31 December 2018	31 December 2017
Carrying amount at 1 January	572,570	751,141
Changes in estimate of the existing asset retirement obligations through other comprehensive income	67,049	-
Changes in estimates attributed to cost	572,007	(128,964)
Changes in estimates attributed to assets	640,627	-
Utilisation during the year	(117,963)	(133,610)
Unwinding of the present value discount	72,515	84,003
	1,806,805	**572,570**

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.

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

	31 December 2018	31 December 2017
Discount rate	8.42%-8.68%	8.07%-11.67%
Inflation rate	5.1%-6.1%	6.8%

25. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Within 1 year	548,752	532,004	500,583	477,867
From 2nd to 5th year inclusive	1,893,842	2,103,154	1,379,475	1,711,946
After 5 years	364,345	728,689	337,855	406,082
	2,806,939	**3,363,847**	**2,217,913**	**2,595,895**
Less: future finance charges	(589,026)	(767,952)	-	-
Present value of minimum lease payments	**2,217,913**	**2,595,895**	**2,217,913**	**2,595,895**

	31 December 2018	31 December 2017
Current	500,583	477,867
Non-current	1,717,330	2,118,028
	2,217,913	**2,595,895**

25. FINANCE LEASE OBLIGATIONS (CONTINUED)

Finance lease obligations movement

	2018	2017
At 1 January	**2,595,895**	**1,747,753**
New finance lease agreement	36,123	1,168,572
Finance lease obligations repaid	(424,119)	(268,441)
Interest paid	(150,785)	(149,999)
Other	160,799	98,010
At 31 December	**2,217,913**	**2,595,895**

In 2016, Pavlodar Heating Networks LLP, the subsidiary of Pavlodarenergo JSC, entered into financial lease agreement with Fund for Development of Housing and Public Utilities JSC for the amount of Tenge 832,506 thousand with maturity on 31 October 2020. The Group's obligations under the finance lease are secured by the retention of the lessor's ownership for the leased assets during the lease term. For the years ended 31 December 2018 and 2017, the interest rate was 4% per annum. Leased assets are represented by heat meters for further installation to consumers.

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. For the year ended 31 December 2018 and 2017, the interest rate was 4% per annum, leasing payments are determined according to the repayment schedule for the period until August 31, 2020.

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 2017 and 2016, the interest rate was 5% per annum.

On 18 September 2017, Pavlodar Regional Electric Distribution Company JSC, the subsidiary of Pavlodarenergo JSC, entered with Finance Department of Pavlodar city into a trust management agreement for the substation and power transmission line with the right of further buyout with state authority. In accordance with the established schedule, equal instalments of Tenge 1,811,730 thousand are to be repaid over seven-year period. The Group’s liabilities under finance lease agreement are secured by the preservation of the lessor’s right for the leased asset for the whole lease term. The interest rate as of the agreement execution date is 11.9% per annum.

26. TRADE PAYABLES

	31 December 2018	31 December 2017
For purchased services	6,005,521	12,834,510
For purchased goods	9,975,629	2,452,756
For property, plant and equipment	1,081,156	2,405,640
Other	13,834	88,923
	17,076,140	**17,781,829**

26. TRADE PAYABLES (CONTINUED)

As at 31 December 2018 and 2017, trade payables were denominated in the following currencies:

	31 December 2018	31 December 2017
Tenge	17,014,121	17,128,462
Russian rubles	61,932	444,547
Euro	87	208,820
	17,076,140	**17,781,829**

27. ADVANCES RECEIVED

As at 31 December 2018 and 2017, advances received of Tenge 2,524,568 thousand and Tenge 2,222,981 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 2,222,981 thousand Tenge in respect of liabilities under contracts as of January 1, 2018.

28. OTHER LIABILITIES AND ACCRUED EXPENSES

	31 December 2018	31 December 2017
Taxes payable	2,888,085	1,731,861
Payables to employees	826,956	702,708
Provisions for unused vacations	205,807	185,505
Pension contributions	29,781	29,738
Current portion of guarantee fees for additional capacity	-	381,914
Other	298,868	123,174
	4,948,400	**3,686,498**

29. REVENUE

	31 December 2018	31 December 2017
Sale of power	80,730,208	77,133,750
Sale of heat	32,436,372	25,472,953
Transmission and distribution of power	21,275,541	21,270,867
Transmission and distribution of heat	9,423,475	7,757,886
Other	14,636	16,279
	143,880,232	**131,651,735**

30. COST OF SALES

	31 December 2018	31 December 2017
Heat and power purchased for resale	30,226,964	24,955,450
Coal and fuel oil	20,610,724	18,619,509
Transmission and distribution of heat and power	18,114,278	16,582,610
Payroll expenses and related taxes	12,515,500	11,123,021
Services received	12,340,159	11,188,283
Depreciation and amortisation	11,075,695	10,687,405
Inventories	5,180,011	4,515,277
Technical losses	1,138,873	694,867
Other	3,107,380	1,928,683
	114,309,584	**100,295,105**

31. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
Payroll expenses and related taxes	3,706,024	2,936,409
Services received	2,082,361	1,607,586
Taxes, other than income tax	1,589,448	1,536,900
Depreciation and amortisation	379,161	337,340
Inventories	304,473	191,379
Allowance for doubtful debts[1]	-	684,649
Other	2,201,529	1,850,271
	10,262,996	**9,144,534**

32. SELLING EXPENSES

	2018	2017
Payroll expenses and related taxes	1,791,790	1,437,619
Services received	246,395	233,613
Inventories	86,826	83,690
Depreciation and amortisation	64,148	58,990
Other	215,256	219,947
	2,404,415	**2,033,859**

33. FINANCE COSTS

	2018	2017
Interest expenses on bank loans	4,045,506	3,875,272
Interest expenses on bonds issued	2,298,552	2,356,422
Expenses from changes in financial instruments fair value cost	925,840	-
Other	998,944	236,290
	8,268,842	**6,467,984**

34. FINANCE INCOME

	2018	2017
Interest income earned on deposits	341,892	938,940
Interest on loans issued	329,922	-
Income from unwinding of discount	224,842	-
Other	519,681	172,987
	1,416,338	**1,111,927**

[1] In accordance with the requirements of IFRS 9, allowance for doubtful accounts in 2018 are reflected in the statement of profit or loss and other comprehensive income on a separate line - "Impairment of financial assets".

35. FOREIGN EXCHANGE GAIN/(LOSS), NET

	2018	2017
Foreign exchange gain/(loss) from of loans	(5,497,760)	150,931
Foreign exchange gain from deposits	200,719	75,667
Foreign exchange (loss)/gain from cash	93,319	(13,781)
Other foreign exchange loss	(275,718)	(31,738)
	(5,497,760)	**181,079**

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, 2018 amounted to 2,831,302 thousand tenge and 8,310,742 thousand tenge, respectively (2017: 4,881,285 thousand tenge and 4,700,205 thousand tenge).

36. OTHER INCOME/(EXPENSES), NET

	2018	2017
Income from penalties for incompliance with the terms of the contract	756,529	463,757
Gain on write-off of accounts payable	21,718	52,881
Loss on impairment of property, plant and equipment, transferred to operating lease	(306,052)	(242,871)
Loss on disposal of property, plant and equipment	(830,672)	(383,065)
Other income	157,062	94,984
	(201,415)	**(14,314)**

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 2018 and 2017, income tax rate was 20%.

Income tax expenses for the years ended 31 December were as follows:

	2018	2017
Current income tax expense	1,722,397	652,122
Deferred income tax expense/(benefit)	509,340	2,960,441
Income tax expense/(benefit)	**2,231,737**	**3,612,563**

37. INCOME TAX (CONTINUED)

As at 31 December 2018 and 2017, deferred tax assets and liabilities were as follows:

	31 December 2018	31 December 2017
Deferred tax asset as a result of:		
Tax losses carried-forward	2,380,230	2,354,828
Expected credit losses	1,070,447	228,703
Finance guarantee liabilities	418,175	-
Ash disposal area restoration liabilities	229,850	-
Unused vacation reserve	94,728	29,349
Taxes accrued, not paid	72,105	49,421
Other temporary differences	1,154,581	1,092,588
Total deferred tax asset	**5,420,116**	**3,754,889**
Less: deferred tax assets offset against deferred tax liabilities	(3,780,030)	(2,472,031)
Deferred tax assets	**1,640,086**	**1,282,858**
Deferred tax liabilities as a result of:		
Total deferred tax liabilities	(41,491,391)	(41,305,133)
Other temporary differences	(1,068,812)	73,657
Total deferred tax liabilities	**(42,560,203)**	**(41,231,476)**
Less: deferred tax assets offset against deferred tax liabilities	3,780,030	2,472,031
Deferred tax liabilities	**(38,675,054)**	**(38,759,445)**
Deferred tax liabilities, net, including:	**(37,034,968)**	**(37,476,587)**
Deferred tax liabilities	(38,675,054)	(38,759,445)
Deferred tax assets	1,640,086	1,282,858

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

	2018	2017
Balance at 1 January	(37,476,587)	(34,516,146)
(Increase)/decrease in deferred tax liabilities	441,616	(2,960,441)
Balance at 31 December	**(37,034,968)**	**(37,476,587)**
Recorded:		
in profit or loss	509,340	(2,960,441)
in equity	(67,724)	-
	441,616	**(2,960,441)**

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:

	2018	2017
IFRS profit before tax from continuing operations	**3,831,848**	**14,251,667**
Theoretical tax charge at statutory rate of 20% (2016: 20%)	766,370	2,850,333
Adjustments for:		
Unused tax losses for which no deferred tax asset is recognized	870,257	-
Unused tax losses of previous years recognized as deferred tax assets in the reporting year	(333,806)	(14,963)
Tax effect of permanent differences	672,792	777,193
Total income tax expense, including: – Continuing operations	**2,231,737**	**3,612,563**

As at 31 December 2018, the Company has unrecognized tax assets in the amount of 1,114,797 thousand tenge (31 December 2017: 792,966 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 2018-2027.

38. RELATED PARTY TRANSACTIONS

The related parties of the Group include shareholders, 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:

	Sale of services		Purchase of services	
Name	**2018**	**2017**	**2018**	**2017**
CAPEC JSC	2,649	1,312	231,524	123,617
EBRD	-	-	3,913	18,050
Subsidiaries of CAPEC JSC	1,687,378	1,588,973	661,526	530,403
Associates of CAPEC JSC	72,358	11,382	102,766	120,662
	1,762,385	**1,601,667**	**999,730**	**792,732**

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Due from related party		Due to related party	
Name	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
CAPEC JSC	566,793	476	10,995	11,687
EBRD	-	-	-	381,914
Subsidiaries of CAPEC JSC	2,079,405	1,881,878	264,690	134,651
Associates of CAPEC JSC	15,028	27,708	12,410	3,204
Shareholders	94,721	-	-	-
	2,755,947	**1,910,062**	**288,095**	**531,456**

The Group had financial transactions with related parties, such as receipt of loans and placement of cash on deposits. In 2018, the Group acted as a co-guarantor to VTB Bank on loans to the parent company CAPEC JSC in the amount of KZT 50,236,360 thousand (Note 22). As a result of financial transactions with related parties, the Group has the following balances:

	Loans, including financial guarantees and interest payable, from related parties		Cash on deposits in bank, related party		Cash in bank, related party	
Name	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
CAPEC JSC	2,090,875	-	-	-	-	-
EBRD	-	37,704,148	-	-	-	-
Associates of CAPEC JSC	1,977,651	-	317,592	16,710,991	-	1,499,230
	4,068,526	**37,704,148**	**317,592**	**16,710,991**	**-**	**1,499,230**

For the year ended 31 December 2018 and 2017, the Group had the following financial operations with related parties:

	Interest expense, accrued on loans from related parties		Interest income, earned on cash deposits with bank, related party	
Name	**2018**	**2017**	**2018**	**2017**
CAPEC JSC	-	-	-	-
EBRD	2,587,367	2,499,616	-	-
Associates of CAPEC JSC	-	-	172,298	814,793
	2,587,367	**2,499,616**	**172,298**	**814,793**

Key personnel of the Group

In 2018, 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 996,809 thousand Tenge (2017: 746,731 thousand 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.

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

Categories of financial instruments

As at 31 December, financial instruments were as follows:

	31 December 2018	31 December 2017
Financial assets		
Trade receivables (Note 15)	15,435,390	18,767,608
Other receivables (Note 16)	5,415,922	1,211,686
Other financial assets (Note 13)	1,036,401	17,186,933
Cash (Note 17)	1,301,811	2,368,075
Loans Receivable(Note 12)	8,574,422	-
Financial liabilities		
Bonds issued (Note 20)	19,884,308	20,760,281
Loans (Note 21)	72,461,789	65,718,526
Finance lease obligations (Note 25)	2,217,913	2,595,895
Long-term accounts payable	367,414	194,333
Trade payables (Note 26)	17,076,140	17,781,829
Financial guarantees (Note 22)	2,090,875	-
Other payables	989,041	1,207,796

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.

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 5 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.

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

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 2018, and its retained earnings as at 31 December 2018, would decrease/increase by Tenge 773,239 thousand (2017: Tenge 712,598 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.

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.

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

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.

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.

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 following table discloses the classification of financial assets such as other long-term receivables and corporate bonds measured at amortised cost by individual stages of impairment models. The expected credit loss allowance for other financial assets at 31 December 2018 is insignificant.

	Credit loss allowance				**Gross carrying amount**			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 1 (12-months ECL)**	**Total**
Loans receivable								
At 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
New originated or purchased	(495,645)	-	(97,132)	(592,777)	10,488,269	-	107,340	10,595,609
Loss at initial recognition via consolidated statement of profit or loss	-	-	-	-	(914,959)	-	(10,881)	(925,840)
Loss at initial recognition via consolidated equity	-	-	-	-	(237,914)	-	-	(237,914)
Loans repayment	-	-	-	-	(796,082)	-	-	(796,082)
Unwinding of discount (net)	-	-	-	-	224,169	-	673	224,842
Interest receivable income	-	-	-	-	329,922	-	-	329,922
Interest repayment	-	-	-	-	(23,338)	-	-	(23,338)
At 31 December 2018	**(495,645)**	**-**	**(97,132)**	**(592,777)**	**9,070,067**	**-**	**97,132**	**9,167,199**

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:

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**

1 January 2018	**Cash**	**Deposits in banks with an initial maturity of more than three months**	**Bonds and loans**	**Other financial assets**
A+	-	-	-	-
From BBB+ till BBB-	-	-	-	-
From BB+ till BB-	561,973	180,000	-	-
From B+ till B-	1,590,561	17,006,933	-	-
CCC	-	-	-	-
D	460	-	-	-
N/A	215,081	-	-	1,211,686
Total financial assets	**2,368,075**	**17,186,933**	**-**	**1,211,686**

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.

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 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**

	Total	1-30 days	30-90 days	90-180 days	181-270 days	271-365 days	>365 days
Accounts receivable at 1 January 2018	20,371,588	14,520,085	2,223,902	333,134	956,413	1,326,113	1,011,941
Default level	-	1,52%	6,81%	8,81%	23,83%	47,41%	84,97%
Expected credit loss	(2,118,423)	(221,097)	(151,402)	(29,358)	(227,913)	(628,759)	(859,895)
Total	**18,253,165**	**14,298,989**	**2,072,500**	**303,776**	**728,500**	**697,354**	**152,046**

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.

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 2018 and 2017, was as follows:

	Assets		Liabilities	
Name	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
US dollars	234,830	1,946,222	38,843,143	39,249,277
Russian rubles	-	-	61,932	444,547
Euro	-	-	87	208,820

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 profits and other 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 profits and equity, and the amounts indicated below will be negative.

	Effect of US dollar	
Name	**31 December 2018**	**31 December 2017**
Financial assets	(37,573)	(311,396)
Financial liabilities	6,214,903	6,279,884

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.

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

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

	Effective interest rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2018					
Non-interest-bearing:					
Trade receivable		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		6,563,028	-	-	6,563,028
Interest-bearing:		5,404,602	3,505,273	2,782,699	11,692,574
Other financial assets	0,01%-9,5%	769,529	84,159.0000	-	853,688
Loans receivable	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%	(2,090,875)	-	-	(2,090,875)
Finance lease obligations	4%-9,7%	(548,752)	(1,893,842)	(364,345)	(2,806,939)
Net position		**(63,419,525)**	**(17,044,846)**	**(6,402,445)**	**(86,866,816)**

	Effective interest rate	Up to 1 year	1-5 years	Over 5 years	Total
31 December 2017					
Non-interest-bearing:					
Trade receivables		18,767,608	-	-	39,139,196
Other trade receivables		2,049,071	-	-	4,606,978
Cash		2,368,075	-	-	4,736,150
Long-term accounts payable		-	-	-	-
Trade payables		(17,781,829)	-	-	(35,563,658)
Liabilities for additional capacity connection		(29,738)	(122,385)	(271,316)	(846,878)
Other liabilities and accrued expenses		(1,207,796)	-	-	(2,415,592)
Interest-bearing:					
Other financial assets	6%-11.5%	18,551,413	402,891	-	37,908,608
Bonds issued	5%-9.73%	(1,371,277)	(22,644,352)	(5,433,333)	(58,897,924)
Loans	4%-18.3%	(21,034,895)	(43,679,996)	(13,745,859)	(156,921,500)
Finance lease obligations	5%	(509,216)	(2,074,431)	(728,689)	(6,624,672)
Net position		**(198,584)**	**(68,118,273)**	**(20,179,197)**	**(86,383,238)**

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.

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 2018				31 December 2017			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Assets								
Trade receivables (Note 15)	-	15,435,390	-	15,435,390	-	18,767,608	-	18,767,608
Other receivables (Note 16)	-	5,415,922	-	5,415,922	-	1,211,686	-	1,211,686
Other financial assets (Note 13)	-	1,036,401	-	1,036,401	-	17,186,933	-	17,186,933
Cash (Note 17)	-	1,301,811	-	1,301,811	-	2,368,075	-	2,368,075
Loans Receivable (Note 12)	-	-	8,574,422	8,574,422	-	-	-	-
Total financial assets	**-**	**23,189,524**	**8,574,422**	**31,763,946**	**-**	**39,534,302**	**-**	**39,534,302**
Liabilities								
Bonds issued (Note 20)	-	-	19,884,308	19,884,308	-	-	20,760,281	20,760,281
Loans (Note 21)	-	-	72,461,789	72,461,789	-	-	65,718,526	65,718,526
Finance lease obligations (Note 25)	-	-	2,217,913	2,217,913	-	-	2,595,895	2,595,895
Long-term accounts payable	-	367,414	-	367,414	-	194,333	-	194,333
Trade payables (Note 26)	-	17,076,140	-	17,076,140	-	17,781,829	-	17,781,829
Financial guarantees (Note 22)	-	-	2,090,875	2,090,875	-	-	-	-
Other payables	-	-	989,041	989,041	-	-	1,207,796	1,207,796
Total financial liabilities	**-**	**17,443,554**	**97,643,926**	**115,087,480**	**-**	**17,976,162**	**90,282,498**	**108,258,660**

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

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 375.9 per USD 1, compared to Tenge 384.20 per USD 1 as at 31 December 2018 (31 December 2017: Tenge 332.33 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.

In September 2018 Standard & Poor's, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan - "BBB-" and short-term foreign and local currency sovereign credit ratings - "A-3", and the Kazakhstan national scale - "kzAAA". The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. 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.

Additionally, energy sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management performed the assessment of possible impairment of the Group's non-current assets considering current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from current management expectations.

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.

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 33 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.

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.

40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2018 and 2017, 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

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to global oil and gas prices. During 2014-2016, the energy resource price fell significantly, which led to significant decrease in national export revenue.

Group management monitors current economic developments and takes measures it considers necessary to support the sustainability and development of the Group's business for the foreseeable future. However, the impact of further economic developments on the Group's future operations and financial position is at this stage difficult to determine.

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 2018, the Group invested into production assets Tenge 14,458,748 thousand not including VAT and performed all obligations. During 2018, the Group shall invest in production assets Tenge 16,537,198 thousand not including VAT.

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.

40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Loan covenants

The Group regularly monitors the compliance with financial covenants established by loan agreements. In accordance with loan agreements with the EBRD, Sberbank and the Asian Development Bank, the Group must comply with financial covenants. As at December 31, 2018, the Group did not comply with the certaiin financial covenants, which resulted in reclassification of loans into the short-term part.

41. EARNINGS PER SHARE

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, 2018 and 2017, the amounts of common shares and common shares with diluted effect are equal due to the fact that there is no dilution.

	2018 г.	**2017 г.**
Profit for the year	1,600,112	10,639,104
Weighted average number of ordinary shares	36,951,133	36,951,133
Earnings per share, tenge	**43.30**	**287.92**

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 2018	36,951,133	142,685,419	3,861.46
31 December 2017	36,951,133	147,787,396	3,999.54

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, 2018 and 2017.

Net assets represent all assets minus intangible assets and liabilities in the consolidated statement of financial position as at December 31, 2018 and 2017.

42. EVENTS AFTER THE REPORTING DATE

From January 1, 2019, AEDC JSC, in coordination with the Department of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan for the Akmola region, approved
• reduction in the price of electricity sold to legal entities from 20.15 to 18.46 tenge per 1 kWh, excluding value-added tax;
• reduction in the price of electricity sold to individuals from 15.51 to 14.21 tenge per 1 kWh, excluding value-added tax;
• reduction of the tariff for the transmission of electricity from 4.50 to 4.42 tenge per 1 kWh, excluding value-added tax.

By the order of DKREM, changes were made for the long-term period from January 1, 2016 to December 31, 2020, namely, the maximum tariff level was approved in the amount of 4.26 tenge / kWh. (without VAT) with the entry into force on May 1, 2019.

From January 1, 2019, according to the order of the RSU "Department of the Committee for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan in Pavlodar Region", the following changes in tariffs were approved:
• For TPP-2, an increase in heat tariffs by 9.7%;
• For TPP-3, an increase in heat tariffs by 2.1%;
• For electricity transmission and distribution services - an increase of 4.5%;
• For services on the transfer and distribution of thermal energy - an increase of 2.5%;
• For the sale of heat energy, an increase in the tariff by 5.1% and 0.8% in the city of Pavlodar and Ekibastuz, respectively.

During 2019, within the existing revolving credit line from Sberbank, the Group received short-term loans in the amount of 3,030 million tenge to replenish the Group's working capital, and also paid 3,145 million tenge on existing short-term loans.

The group signed an additional agreement to the existing agreement on opening a credit line with Sberbank to increase the amount of the short-term credit line by 4 billion tenge with an interest rate of 13%, the credit line availability period to March 11, 2020.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by management of the Group on 28 June 2019.