

# *ENERGY OF ELEMENTS*



INTEGRATED

# ANNUAL REPORT 2018

CONSOLIDATED FINANCIAL STATEMENTS

Volume 2



**SAMRUK-ENERGY JSC**

**International Financial Reporting Standards  
Consolidated Financial Statements and  
Independent Auditor's Report**

**31 December 2018**

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## *Independent auditor's report*

To the Shareholders and Board of Directors of Samruk-Energy JSC

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### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Samruk-Energy 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; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

### **Independence**

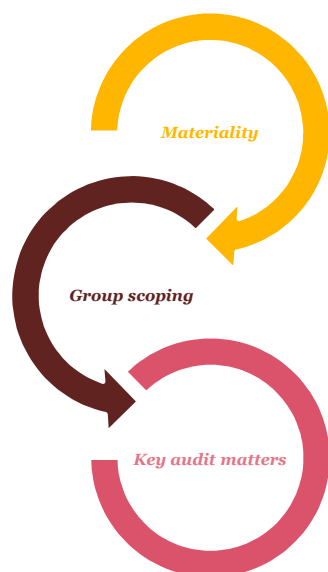
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



## INDEPENDENT AUDITOR'S REPORT (Continued)

### Our audit approach

#### Overview



- Overall Group materiality: 2,350,000 thousand Tenge, which represents 0,9% of the Group's revenue for the year ended 31 December 2018.
- We conducted audit procedures over the Company, its 5 subsidiaries, 2 jointly controlled entities located across Kazakhstan.
- Our audit scope addressed 96% of total assets, 97% of total revenue and 74% of absolute value of net profit of the Group.
- Impairment of property, plant & equipment and intangible assets;
- Impairment of investment in "Station Ekibastuz GRES-2" JSC ("EGRES-2");
- Liability from Put option on BTPP shares.

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. As in all of our audits, 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.



## INDEPENDENT AUDITOR'S REPORT (Continued)

### 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 group 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, both individually and in aggregate on the financial statements as a whole.

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<b>Overall group materiality</b>	2,350,000 thousand Tenge for 2018
<b>How we determined it</b>	0.9% of total revenue
<b>Rationale for the materiality benchmark applied</b>	<p>We chose revenue as the benchmark for materiality determination. We did not use profit before tax due to its fluctuation. Instead, we used revenue, which is less volatile and is also used by the Shareholder to assess the Group's performance. We believe that revenue aligns with the principal considerations of the users of consolidated financial statement.</p> <p>We determined materiality as 0.9% of total revenue, which is, based on our professional judgment, within the range of acceptable quantitative materiality thresholds.</p>

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## INDEPENDENT AUDITOR'S REPORT (Continued)

### 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.

#### Key audit matter

#### Audit procedures performed in relation to key audit matters

##### *Impairment of property, plant & equipment and intangible assets*

*See Note 4 of the consolidated financial statements.*

Based on the impairment indicators analysis performed as of 31 December 2018, management of the Group concluded that changes in regulatory tariffs law as of 1 January 2019 and lower actual weighted average tariffs are the factors of possible impairment of non-financial assets.

We paid special attention to the issue of impairment of property, plant & equipment and intangible assets of the Group due to significance of their carrying value (Tenge 761,221,254 thousand as at 31 December 2018, comprising 83% of the assets of the Group), as well as due to the fact that estimating values in use of property, plant & equipment and intangible assets is complex as it is based on the use of significant estimates and judgments with respect to future market and economic conditions and the results of operations of the Group.

The Group together with independent experts has carried out the impairment test of property, plant & equipment and intangible assets.

We received, inspected and evaluated the models used by management's experts to assess the impairment of non-financial assets and assessed the methodology and the main assumptions used in the models, and their consistency with the budgets and business plans, external information and our expertise, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment.

Our procedures in respect of management's assessment of the impairment of property, plant & equipment and intangible assets included:

- assessment of competence, qualifications, experience and objectivity of independent experts, involved by management;
- analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets;
- verification of accuracy and relevance of key assumptions used by management to perform the test;
- consideration of Kazakhstan's Government statement on introducing amendments and addenda to the law of the Republic of Kazakhstan *On Electric Power Industry*;
- consideration of other input data for the models and reconciliation of them with supporting documents, such as the



INDEPENDENT AUDITOR’S REPORT (Continued)

Key audit matter	Audit procedures performed in relation to key audit matters
	<p>Development plan and comparison of the Development plan with actual results, where relevant;</p> <ul style="list-style-type: none"> <li>• making a series of inquiries with management to assess the impairment tests;</li> <li>• comparison of actual performance for the year against prior year forecast;</li> <li>• consideration of the potential impact of reasonably possible changes in key assumptions.</li> </ul> <p>Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 “Impairment of Assets.”</p> <p>As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of impairment recognised in the consolidated financial statements is sufficient, and respective disclosures meet the requirements of IAS 36 “Impairment of Assets.”</p>
<p><i>Impairment of investment in EGRES-2</i></p> <p>See Note 4 of the consolidated financial statements.</p> <p>Based on analysis of impairment indicators performed as of 31 December 2018, the Group concluded that changes in tariff law as of 1 January 2019 and decrease in the actual level of the weighted-average tariff are the factor in possible impairment of non-financial assets.</p> <p>As of 31 December 2018 the carrying value of the Group’s investment in EGRES-2 amounts to Tenge 18,852,903 thousand.</p> <p>We paid special attention to the issue of impairment of the investment due to significance of its carrying value and the complexity of the process of evaluating its recoverable value.</p>	<p>We have reviewed the working papers of the component auditor and discussed the key assumptions and the methodology used in the impairment test models on property, plant and equipment of EGRES-2, made by management of EGRES-2. We assessed whether key assumptions are in line with our understanding of EGRES-2 operations.</p> <p>We also discussed with management of the Group and the Audit Committee plans in respect of this investment.</p> <p>Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 “Impairment of Assets”.</p> <p>As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, there is no need to recognise loss on</p>





## INDEPENDENT AUDITOR'S REPORT (Continued)

### Key audit matter

### Audit procedures performed in relation to key audit matters

impairment in the consolidated financial statements, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets".

#### *Liability from Put option on BTPP shares*

See Note 4 and 20 of the consolidated financial statements.

Within the framework of the "Construction of Balkhash Thermal Plant" project, the Company entered into a share option agreement ("Option agreement") in connection with shares in BTPP that allowed Samsung C&T in certain circumstances to require the Company to purchase its shares in BTPP. On 31 August 2016 Samsung C&T notified the Company of its intention to exercise their option to require the Company to acquire Samsung C&T's shares in BTPP in accordance with the Option agreement.

On 16 November 2018 the Company concluded a settlement agreement with Samsung C&T. In accordance with agreement, the Company and the Government agreed to pay settlement amount to Samsung C&T, after which Samsung C&T will transfer the Company 50% + 1 share in the BTPP. Thus, the liability under the Option Agreement will expire.

The Government has pledged to provide the necessary funding to settle the liability to Samsung C&T. Based on the settlement agreement, the management recognized provision for liability, as well as the asset for its reimbursement in the same amount as the provision, as it is assumed that the expenses necessary to settle the liability will be reimbursed in full.

We paid special attention to the issue due to its significance to the consolidated financial statements.

We have reviewed the Option agreement, Put Option exercise notice, the settlement agreement, the minutes and decisions of the Government and the Board of Sole Shareholder NWF Samruk-Kazyna JSC to provide funding to settle liabilities to Samsung C&T.

We had a meeting with the management of the Group and the Sole Shareholder, NWF Samruk-Kazyna JSC, and obtained an understanding of the management's position on this issue.

We have considered the technical requirements of IAS 36 "Impairment of assets", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS 10 "Consolidated Financial Statements", IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" with respect to the accounting treatment and disclosures for Option to sell shares, provisions for liabilities and assets for its repayment.

We also paid attention to sufficiency of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets."

As a result of these procedures, we did not propose any adjustments in the consolidated financial statements regarding the Option on BTPP shares.



## INDEPENDENT AUDITOR'S REPORT (Continued)

### **How we tailored our group audit scope**

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

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors, including other audit firms operating under our 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 21 subjects (components), including associated companies and jointly controlled entities. Out of these, we have identified 8 components as material components, including the Company, its 5 subsidiaries, and 2 jointly controlled entities.

For 7 material components we or other independent auditors, 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 reviewed the working documents of other independent auditors, and discussed with them the key assumptions and methodology, received independence and compliance with IESBA Code requirements confirmations. We also discussed the key audit matters with management and the Audit Committee.

We have identified other companies of the Group as not material components, for which we carried out audit procedures for the most material line items of the financial information and general analytical procedures.

In general, the scope of our audit covered 96% of total assets, 97% of total revenue and 74% of the 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.

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### *Other information*

Management is responsible for the other information. The other information comprises 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 our audit report date.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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### *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.



## INDEPENDENT AUDITOR'S REPORT (Continued)

- 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*

20 March 2019  
Almaty, Kazakhstan

Approved and signed by:



Dana Inkarbekova


Managing Director of PricewaterhouseCoopers LLP  
(General State License of the Ministry of Finance  
of the Republic of Kazakhstan N°0000005  
dated 21 October 1999)

Auditor in charge  
(Qualified Auditor's Certificate  
N°0000492 dated 18 January 2000)


**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Financial Position**

<i>In thousands of Kazakhstan Tenge</i>	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	756,453,621	780,565,005
Investment property		428,734	531,852
Intangible assets	8	4,767,633	3,799,095
Investments in joint ventures and associates	9	55,860,500	52,888,220
Other non-current assets	10	14,282,994	17,991,254
<b>Total non-current assets</b>		<b>831,793,482</b>	<b>855,775,426</b>
<b>Current assets</b>			
Inventories	11	9,373,661	9,046,924
Trade and other receivables	12	23,913,414	23,956,827
Other current assets	13	93,673,376	18,531,019
Income tax prepaid		1,268,014	1,432,148
Cash and cash equivalents	14	13,604,335	32,719,043
Assets of disposal group, classified as held-for-sale	15	16,130,771	14,816,829
<b>Total current assets</b>		<b>157,963,571</b>	<b>100,502,790</b>
<b>TOTAL ASSETS</b>		<b>989,757,053</b>	<b>956,278,216</b>

Signed on behalf of management on 20 March 2019.

  
 Yerlan Zh Aliyev.  
 Acting Managing Director on Economics  
 and Finance



  
 Saule B. Tulekova  
 Head of Accounting and Tax  
 Department –  
 Chief Accountant

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Financial Position (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	Note	31 December 2018	31 December 2017
<b>EQUITY</b>			
Share capital	16	373,314,888	373,314,888
Other reserves	16	127,412,909	127,546,130
Retained earnings		(21,607,444)	(22,057,982)
<b>Equity attributable to the Group's equity holders</b>		<b>479,120,353</b>	<b>478,803,036</b>
Non-controlling interest	30	891,592	707,640
<b>TOTAL EQUITY</b>		<b>480,011,945</b>	<b>479,510,676</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for liquidation of ash dump	17	2,643,471	2,279,270
Employee benefit obligations		1,297,228	1,314,015
Borrowings	18	266,959,110	312,574,158
Other non-current liabilities	19	4,843,536	4,443,216
Deferred income tax liabilities	28	82,771,915	82,058,114
<b>Total non-current liabilities</b>		<b>358,515,260</b>	<b>402,668,773</b>
<b>Current liabilities</b>			
Provision for liquidation of ash dump	17	248,406	125,000
Borrowings	18	43,403,659	45,912,886
Employee benefit obligations		113,600	120,361
Trade and other payables	20	99,901,007	24,897,537
Taxes payable and other payables to budget	28	4,636,438	2,600,743
Income tax payable	28	908,056	369,334
Liabilities of disposal group, classified as held-for-sale	15	2,018,682	72,906
<b>Total current liabilities</b>		<b>151,229,848</b>	<b>74,098,767</b>
<b>TOTAL LIABILITIES</b>		<b>509,745,108</b>	<b>476,767,540</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>989,757,053</b>	<b>956,278,216</b>

Signed on behalf of management on 20 March 2019.


Yerlan Zh Aliyev,  
Acting Managing Director on Economics  
and Finance


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Saule B. Tulekova  
Head of Accounting and Tax Department –  
Chief Accountant

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Kazakhstani Tenge</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Revenue	21	260,399,900	219,891,946
Cost of sales	22	(188,356,123)	(159,611,335)
<b>Gross profit</b>		<b>72,043,777</b>	<b>60,280,611</b>
Selling expense	23	(14,340,193)	(15,144,907)
General and administrative expenses	24	(13,018,028)	(12,708,892)
Share in profit of joint ventures and associates and impairment of investments	9	9,751,872	(26,635,738)
Impairment of financial assets	2	(1,756,337)	(2,394,066)
Other income	25	3,690,482	2,982,729
Other expense	25	(3,766,980)	(2,844,846)
Finance income	26	2,333,275	2,805,327
Finance cost	27	(42,211,348)	(29,660,430)
<b>Profit/(loss) before tax</b>		<b>12,726,520</b>	<b>(23,320,212)</b>
Income tax expense	28	(7,717,940)	(5,553,184)
<b>Profit/(loss) for the year from continuing operations</b>		<b>5,008,580</b>	<b>(28,873,396)</b>
(Loss)/profit for the year from discontinued operations	15	(1,583,957)	1,670,239
<b>Total profit /(loss) for the year</b>		<b>3,424,623</b>	<b>(27,203,157)</b>
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(133,221)	(93,247)
<b>Total comprehensive income/(loss) for the year</b>		<b>3,291,402</b>	<b>(27,296,404)</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Group		3,240,671	(27,883,943)
Non-controlling interest		183,952	680,786
<b>Profit/(loss) for the year</b>		<b>3,424,623</b>	<b>(27,203,157)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Group		3,107,450	(27,977,190)
Non-controlling interest		183,952	680,786
<b>Total comprehensive income/(loss) for the year</b>		<b>3,291,402</b>	<b>(27,296,404)</b>
Earnings/(loss) per ordinary share for loss from continuing operations attributable to the owners of the Company, basic and diluted (in Tenge per share)	37	894	(5,154)
Earnings/(loss) per ordinary share for profit/(loss) from discontinued operations attributable to the owners of the Company, basic and diluted (in Tenge per share)	37	861	(5,276)

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Changes in Equity**

<i>In thousands of Kazakhstani Tenge</i>	Note	Attributable to equity holders of the Group			Non- controlling interest	Total Equity	
		Share capital	Other reserves	Retained earnings			Total
<b>Balance at 1 January 2017</b>		<b>373,314,888</b>	<b>127,639,377</b>	<b>12,481,878</b>	<b>513,436,143</b>	<b>3,159,992</b>	<b>516,596,135</b>
Loss for the year		-	-	(27,883,943)	(27,883,943)	680,786	(27,203,157)
Other comprehensive loss		-	(93,247)	-	(93,247)	-	(93,247)
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>(93,247)</b>	<b>(27,883,943)</b>	<b>(27,977,190)</b>	<b>680,786</b>	<b>(27,296,404)</b>
Other equity distributions	16	-	-	(1,951,020)	(1,951,020)	-	(1,951,020)
Non-controlling interest of discontinued operations		-	-	-	-	(3,133,138)	(3,133,138)
Dividends	16	-	-	(4,704,897)	(4,704,897)	-	(4,704,897)
<b>Balance at 31 December 2017</b>		<b>373,314,888</b>	<b>127,546,130</b>	<b>(22,057,982)</b>	<b>478,803,036</b>	<b>707,640</b>	<b>479,510,676</b>
<b>Adjustment to opening balance (IFRS 9)</b>	3	-	-	(749,133)	(749,133)	-	(749,133)
<b>Restated balance at 1 January 2018</b>		<b>373,314,888</b>	<b>127,546,130</b>	<b>(22,807,115)</b>	<b>478,053,903</b>	<b>707,640</b>	<b>478,761,543</b>
Profit for the year		-	-	3,240,671	3,240,671	183,952	3,424,623
Other comprehensive loss		-	(133,221)	-	(133,221)	-	(133,221)
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>(133,221)</b>	<b>3,240,671</b>	<b>3,107,450</b>	<b>183,952</b>	<b>3,291,402</b>
Dividends	16	-	-	(2,041,000)	(2,041,000)	-	(2,041,000)
<b>Balance at 31 December 2018</b>		<b>373,314,888</b>	<b>127,412,909</b>	<b>(21,607,444)</b>	<b>479,120,353</b>	<b>891,592</b>	<b>480,011,945</b>

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.



**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax of continuing operations	12,726,520	(23,320,212)
Loss/(profit) before income tax of discontinued operations	(1,583,957)	8,010,808
Adjustments for:		
Depreciation and amortisation	53,232,434	44,947,935
Losses on disposal of property, plant and equipment and intangible assets	(80,619)	253,036
Losses on impairment of nonfinancial assets	3,580,284	1,533,155
Losses on impairment of financial assets	1,756,337	2,394,066
Reversal of provision for impairment of assets	-	(15,106)
Amortisation of income from connection of additional capacities	(308,219)	(448,057)
Finance costs	42,211,348	29,660,430
Finance income	(2,333,275)	(3,009,950)
Impairment of investments and share in profit of joint ventures and associates	(9,751,872)	26,635,738
Other	(1,661,921)	947,500
<b>Operating cash flows before working capital changes</b>	<b>97,787,060</b>	<b>87,589,343</b>
Increase in trade and other receivables and other current assets	(70,854,461)	(9,201,595)
Increase in inventories	(2,642,993)	(573,430)
Increase in trade and other payables and other non-current liabilities	75,427,537	3,838,386
(Decrease)/increase in employee benefits payable	(23,548)	185,827
Increase in taxes payable	2,494,889	1,522,714
<b>Cash flows from operating activities</b>	<b>102,188,484</b>	<b>83,361,245</b>
Income tax paid	(6,583,748)	(4,072,843)
Interest paid	(26,658,066)	(20,811,669)
Dividends received	8,058,965	6,829,180
<b>Net cash from operating activities, including</b>	<b>77,005,635</b>	<b>65,305,913</b>
<b>Net cash from operating activities of discontinued operations</b>	<b>766,648</b>	<b>8,201,565</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(27,563,667)	(47,284,877)
Purchase of intangible assets	(1,195,934)	(1,628,324)
Purchase of debt instruments (bonds)	(903,942)	-
Return of advances given for property, plant and equipment	-	2,200,000
Interest income received	1,209,852	2,480,519
Proceeds from sale of subsidiaries, excluding cash and cash equivalents transferred	1,859,548	13,581,324
Proceeds from sale of property, plant and equipment	182,530	170,802
Withdrawal of bank deposits, net	2,360,481	21,484,539
Increase in restricted cash	(5,005,464)	(513,167)
Bond redemption	28,152	220,000
Conversion of current deposits to financial receivables (Note 13)	(2,934,450)	-
Other	(23,404)	(250,001)
<b>Net cash used in investing activities, including</b>	<b>(31,986,298)</b>	<b>(9,539,185)</b>
<b>Net cash used in investing activities of discontinued operations</b>	<b>(758,419)</b>	<b>(9,675,657)</b>

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Cash Flows (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	66,595,855	181,166,446
Repayment of borrowings	(149,727,522)	(68,803,062)
Proceeds from issued bonds	-	20,084,686
Payment of principal on bonds	21,736,200	(167,994,272)
Other receipts	11,892	5,252
Dividends paid to shareholders	(2,041,000)	(4,704,897)
Dividends paid to non-controlling interest holders	(224,584)	(300,790)
Other payments attributable to the Shareholder	(144,928)	(84,413)
Other	(67,972)	(1,135,954)
<b>Net cash used in financing activities, including</b>	<b>(63,862,059)</b>	<b>(41,767,004)</b>
<b>Net cash from financing activities of discontinued operations</b>	<b>-</b>	<b>227,561</b>
Foreign exchange effect on cash and cash equivalents	(255,895)	122,327
Less provision for cash impairment under IFRS 9	(7,862)	-
<b>Net (decrease)/increase in cash and cash equivalents, including</b>	<b>(19,106,479)</b>	<b>14,122,051</b>
Net increase/(decrease)in cash flows from discontinued operations	8,229	(1,246,531)
<b>Cash and cash equivalents at the beginning of the year, including</b>	<b>32,730,644</b>	<b>18,608,593</b>
Cash and cash equivalents at the beginning of the year per consolidated statement of financial position	32,719,043	17,350,461
Cash and cash equivalents at the beginning of the year of discontinued operations	11,601	1,258,132
<b>Cash and cash equivalents at the end of the year, including</b>	<b>13,624,165</b>	<b>32,730,644</b>
Cash and cash equivalents at the end of the year per consolidated statement of financial position	13,604,335	32,719,043
Cash and cash equivalents at the end of the year of discontinued operations	19,830	11,601

The amounts in the consolidated statement of cash flows are presented on a gross basis, including discontinued operations.

The accompanying notes on pages 19 to 93 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**1 Samruk-Energy Group and Its Operations**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2018 for Samruk-Energy JSC (the “Company”) and its subsidiaries (together referred to as the “Group”).

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with regulations of the Republic of Kazakhstan (“RoK”). The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

As at 31 December 2018 the Company’s shareholder is Samruk-Kazyna National Welfare Fund JSC (“Samruk-Kazyna”) (Note 16). The Company’s ultimate controlling party is the Government of the RoK.

**Principal activity**

The Group’s principal activities are production of electricity, heating energy, hot water on the basis of coal, hydrocarbons and water resources, and renewable energy sources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of hydro and heating power plants, construction and operation of renewable energy sources, and leasing of property of hydro power plants. Principal subsidiaries, joint ventures and associates are disclosed in Note 30.

The operations of the Group’s subsidiaries and joint ventures are regulated by the Law of the Republic of Kazakhstan *On Electric Power Industry*, the *Law On Natural Monopolies and Regulated Markets*, the *Law On Competition and Control over Monopolistic Activity* (the “Competition Law”). Tariffs, based on the type of activities of a company, regulated by the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) or by the relevant ministry – Ministry of Energy of the Republic of Kazakhstan.

Electricity tariffs for energy producers are approved by order of the Minister of Energy No.160 *On Approval of Cap Tariffs for Electricity* dated 27 February 2015 and subsequent amendments and addendum. Tariffs for supply of electricity produced by renewable energy sources are fixed and approved by the Decree of the Government of the Republic of Kazakhstan, according to the Renewable Energy technology used (separately for wind, solar and other sources), and are subject to annual indexation. In addition, the financial centre acts as a buyer, and the power producer acts as a seller. Tariffs for electric power transmission and distribution, heating energy production and power supply are regulated by the Committee on Regulation of Natural Monopolies and Competition Protection of the Ministry of National Economy. Regulation and control are performed in accordance with the legislation.

The tariff related decisions are significantly exposed to social and political issues. Economic, social and other policies of the Government of the Republic of Kazakhstan may have a significant effect on the Group’s operations.

**Registered address and place of business**

The registered address and place of Company’s Head Office is: 15A Kabanbay Batyr Avenue, Block B, Astana, Republic of Kazakhstan.

**2 Basis of Preparation and Significant Accounting Policies**

**Basis of preparation**

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

The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 36.

The preparation of 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 those estimates.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

**Consolidated financial statements**

*(i) Subsidiaries*

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

*(ii) Purchases of subsidiaries from parties under common control*

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserves within equity.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

*(iii) Purchases and sales of non-controlling interests*

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

*(iv) Joint arrangements*

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(v) Investments in associates*

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

*(vi) Disposals of subsidiaries, associates or joint ventures*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**Foreign currency translation**

*(i) Functional and presentation currency*

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the parent is Tenge.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

*(ii) Transactions and balances in foreign currency*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2018 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 384.20 (31 December 2017: US Dollar = Tenge 332.33). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

**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 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 33).

*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.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

*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. 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: i) carried at fair value through profit or loss (FVTPL), ii) carried at fair value through other comprehensive income (FVOCI), iii) carried at amortised cost (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.

*Business model.* 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.

*Financial assets – reclassification.* 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 and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets 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 consolidated statement of financial position net of the allowance for ECL.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and 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).

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 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.



**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

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 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.

**Property, plant and equipment**

(i) *Recognition and subsequent measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other income or expenses.

(ii) *Depreciation*

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings and constructions	8-100
Machinery and equipment	3-50
Other	3-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) *Impairment*

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 higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

***Intangible assets***

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 25 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

If the Group acquires a group of assets, which is not a business, it spreads the cost of the group between the individual identifiable assets in the group based on their relative fair values at the acquisition date.

***Investment property***

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

***Goodwill***

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

***Operating leases***

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

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

***Inventories***

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first-in, first-out basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

***Trade and other receivables***

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

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 Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

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

***Cash and cash equivalents***

Cash and cash equivalents include cash on 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; balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

***Non-current assets held for sale (or disposal groups)***

Non-current assets or disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale and disposal groups' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

***Discontinued operations***

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan of disposal of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with an intention to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Board of Directors of the Company determines value per share and a number of shares to be issued on each individual share issue based on the statutory rules.

***Dividends***

Dividends are recognised as a liability and deducted from equity at the end of reporting period only if they are declared and approved before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

***Value added tax***

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

***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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

***Ash dump liquidation provision***

Provision for liquidation of ash dump is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump liquidation costs include dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated liquidation 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 disturbance occurs during the mine development phase, 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 future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the operating life to reflect known developments, such as updated cost estimates and revisions to the estimated lives of operation, and are subject to formal review at regular intervals.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

Although the ultimate cost to be incurred is uncertain, the Group estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques for conducting works on restoration and remediation of waste polygons. The amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to profit and loss in each accounting period. The amortisation of the discount is shown as finance costs.

**Employee benefits**

*(i) Long-term employee benefits*

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees’ disability, significant anniversaries and funeral aid to the Group’s employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit or loss and other comprehensive income for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in post-employment benefit obligations when incurred are accounted for as follows: (i) cost of services and net interest costs are included in profit or loss; and (ii) restatements are recorded in other comprehensive income.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

*(ii) Staff costs and related contributions*

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group withholds and transfer those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan to Unified Accumulative Pension Fund JSC (“Fund”). For those employees, not covered by the Collective Labour Agreement payments, upon retirement, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the Fund.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Group records gain/(loss) on origination in equity as a capital contribution/(distribution). The method used reflects the transaction’s economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated interim financial statements.

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

***Trade and other payables***

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period necessary to match them with the costs that they are intended to compensate.

***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 or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is shown net of value-added tax and discounts. Revenue from sale of energy is recognised over the period.

Consolidated revenue of the Group is mainly attributed to sale and transmission of electric and heating power, and hot water production. Sale of each type of the goods/services is documented in a separate, identifiable contract with an individual customer.

According to the contracts for sale and transmission of electric and heating power of the Group's subsidiaries, obligations to be performed are identified when concluding the relevant contract. Contracts for sale and transmission of electric and heating power within the Group do not include related and/or additional services.

The Group does not assume concluding contracts which provide for a period between transfer of the promised goods or services to the customer and payment by the customer to be more than one year. Accordingly, the Group does not adjust transaction prices for time value for money.

According to the contracts for sale and transmission of electric and heating power, the contract amount is the price for sold or transmitted amount of electric or heating power, which is an independent item of the service/goods.

***Electric and heating power generation and sale***

Revenues are recognised based on the actual amount of electric and heating power sold by the Group's power plants. Revenue is determined based on tariffs approved by the authorised agency.

Sales of electric and heating power are recognised when control of the power has transferred, being when the power is transmitted to the customer at the delivery point, which is a connection point of the Group's power plant to the transmission networks.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

A receivable is recognised when electric and heating power is delivered at the connection point of the Group's power plant to the 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. Actual volume of electric and heating power transmitted for the accounting period is supported by the act of electric power supply/reconciliation report on heating power. Invoices are issued to customers on a monthly basis.

*Electric power transmission and distribution*

The Group provides services under fixed-price contracts per 1 kWh of transmitted and distributed power based on the tariffs approved by the authorised agency.

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 power transmitted over the reporting period because the customer receives and uses the benefits simultaneously.

The actual volume of electric power transmitted and distributed for the reporting period is supported by relevant reconciliation reports to be monthly executed and signed with customers based on readings of metering devices. Customers are billed on a monthly basis on the last day of each month, and consideration is payable within 5 working days after billing.

A receivable is recognised when an 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 power*

The Group sells electric power under agreements with individuals and legal entities based on the tariffs approved by the authorised agency.

Sales to legal entities are recognised in the reporting period in which electric power is consumed, according to readings of the metering devices. A legal entity agreement requires payment within 5 working days after billing. An agreement of publicly-funded legal entities provides for payment until 15<sup>th</sup> day of the month following the billing month.

Sales to individuals are recognised in the reporting period in which electric power is consumed. Revenues from agreements with individuals include revenues for the last few days of the month after reading of the metering devices, which are recognised as a proportion of the total electric power sold for the billing month. An agreement with individuals provides for payment until the 25<sup>th</sup> day of the month following the billing month, based on the payment document to be issued by the Company. The billing period is one calendar month.

**Exploration and evaluation assets**

Exploration and evaluation assets are measured at cost less provision for impairment, where required.

*(i) Recognition and subsequent measurement*

Exploration includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These assets are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Exploration and evaluation assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

Acquisition costs include the cost of the subscription bonus and other costs incurred to acquire subsurface rights.

Administrative expenses (office rent, office motor vehicles, and administrative personnel) that are not directly attributable to the exploration and evaluation activities are expensed as incurred.

An exploration asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. Once commercial reserves are found, exploration assets are transferred to development tangible and intangible assets and amortised using the unit-of-production method based on proved and probable reserves. Activities preceding the acquisition of mining properties are defined as pre-exploration (or pre-license).

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

*(ii) Impairment of exploration and evaluation assets*

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

**Offsetting**

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

**Segment reporting**

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result or assets are ten percent or more of all the segments assets are reported separately.

**Income taxes**

Income taxes have been provided for in these consolidated financial statements in accordance with legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.



**SAMRUK-ENERGY JSC**  
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**2 Basis of Preparation and Significant Accounting Policies (Continued)**

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

**Uncertain tax positions**

Management at the end of each reporting period evaluates the Group's uncertain tax positions. Liabilities reported in respect of income tax positions are taken into account when management believes that the likelihood of emergence of additional tax liabilities, in case the tax authorities challenge the tax position of the Group, is higher than the probability of their absence. Such an assessment is conducted based on the interpretation of tax laws that are in force or in effect at the end of the reporting period, as well as any known court decisions or other decisions on such matters. Liabilities for fines, penalties and taxes, other than income tax, are presented on the basis of management's best estimate of the costs required to settle the obligations at the end of the reporting period. Adjustments to uncertain income tax positions are reported within income tax expense.

**Transactions with Shareholder**

The accrual of expenses or the distribution of assets at the discretion of the shareholder, including fixed assets, business combinations, interests in other entities and disposal groups, cash and other, are recognised in retained earnings as "Other equity distributions".

**Changes in presentation**

From 1 January 2018 the Group has changed its classification of losses from impairment of financial assets (including reversal of impairment losses) determined in line with IFRS 9 *Financial Instruments*. The Group believes that the change provides reliable and more relevant information.

In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2017:

<i>In thousands of Kazakhstani Tenge</i>	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified at 31 December 2017</b>
Impairment of financial assets	-	(2,394,066)	(2,394,066)
Finance costs	32,054,496	(2,394,066)	29,660,430

**3 New Accounting Pronouncements**

*Adoption of new or revised standards and interpretations*

**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 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 36.

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.

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**3 New Accounting Pronouncements (Continued)**

<i>(In thousands of Kazakhstani Tenge)</i>	Measurement category		Carrying value under IAS 39 – 31 December 2017 Reclas- sification	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
	IAS 39	IFRS 9		Reclassification	Remeasurement			
				Manda- tory	Volun- tary	ECL	Other	
<b>Cash and cash equivalents</b>	Loans and receivables	AC	32,719,043	-	-	(72,821)	-	32,646,222
<i>Investments in debt securities</i> - Corporate bonds	Held to maturity	AC	1,996,254	-	-	(36,939)	-	1,959,315
<b>Total investments in debt securities</b>			1,996,254	-	-	(36,939)	-	1,959,315
<b>Due from other banks</b> -Placements with other banks with original maturities of more than three months	Loans and receivables	AC	5,066,348	-	-	(79,203)	-	4,987,145
<b>Total due from other banks and debt securities</b>			39,781,645	-	-	(188,963)	-	39,592,682
<i>(In thousands of Kazakhstani Tenge)</i>	Measurement category		Carrying value under IAS 39 – 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
	IAS 39	IFRS 9		Reclassification	Remeasurement			
				Manda- tory	Volun- tary	ECL	Other	
<b>Other financial assets</b> - Trade and other receivables	Loans and receivables	AC	25,383,520	-	-	(442,129)	-	24,941,391
- Long-term receivables	Loans and receivables	AC	11,660,781	-	-	(292,146)	-	11,368,635
- Restricted cash	Loans and receivables	AC	7,313,723	-	-	(471)	-	7,312,252
- Other	Loans and receivables	AC	1,281,082	-	-	(771)	-	1,280,311
<b>Total other financial assets</b>			45,638,106			(735,517)		44,902,589
<b>Total financial assets</b>			85,419,751			(924,480)		84,495,271

These changes were recorded to retained earnings as at 1 January 2018.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

**3 New Accounting Pronouncements (Continued)**

**(a) Cash and cash equivalents**

All classes of cash and cash equivalents as disclosed in Note 14 were reclassified from loans and receivables measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

**(b) Investments in debt securities**

Following the assessment of its business model for securities within the Group's liquidity portfolio, which had previously been designated as held to maturity and then classified as AC, have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were retired, with no changes to their measurement basis.

**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:

	Provision under IAS 39 or IAS 37 at 31 December 2017	Effect		Remeasure- ment from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
		Reclassificati on to FVTPL	Reclassificati on to FVOCI		
<i>(In thousands of Kazakhstani Tenge)</i>					
<b>Loans and receivables measurement category</b>					
- Cash and cash equivalents	-	-	-	(72,821)	(72,821)
- Other receivables	-	-	-	(292,146)	(292,146)
- Restricted cash	(328,427)	-	-	(471)	(328,898)
- Placements with banks with original maturities of more than three months	-	-	-	(79,203)	(79,203)
- Corporate bonds	(1,278,151)	-	-	(36,939)	(1,315,090)
- Trade receivables	(340,500)	-	-	(442,129)	(782,629)
- Dividends receivable	-	-	-	(771)	(771)

At 31 December 2017, all of the Group's financial liabilities except for derivatives were carried at AC. Effect of the loans' modifications due to adoption of IFRS 9 at 1 January 2018 is Tenge 175,347 thousand. No changes to the classification and measurement of financial liabilities are expected. These changes were recorded to retained earnings as at 1 January 2018.

Total effect related to IFRS 9 adoption at 1 January 2018 is Tenge 749,133 thousand.

**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).

At adoption of IFRS 15, the Group elected to use the following practical expedients:

- (i) The Group need not restate contracts that are completed contracts at the adoption date.
- (ii) The Group need not adjust the promised consideration amount to the effect of a significant financing component, if at the conclusion date the Group expects that the period between delivery of the promised goods or services to a customer and payment by the customer will be less than a year.
- (iii) The Group need not disclose its outstanding performance obligations under the contract with the initially expected maturity of less than one year.

The adoption of IFRS 15 resulted in changes in accounting policies. The significant accounting policies for revenue recognition are described in Note 2.

Based on an analysis of the Group's regular revenue streams, terms of individual contracts and based on facts and circumstances existing at the reporting date, the Group's management concluded that the standard did not have a significant impact on the Group's accounting policies and does not require retrospective adjustments.

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**3 New Accounting Pronouncements (Continued)**

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 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- 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).

*New standards and interpretations*

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 an analysis of the Group’s lease commitments, terms of individual contracts, facts and circumstances existing at the reporting date, and taking into account the application of the modified retrospective method, the Group’s management is not expecting a significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2019.

***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. Management is currently assessing the impact of the new standard on its consolidated financial statements.

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**3 New Accounting Pronouncements (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 amendments on its 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 a 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 its 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 its 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, e.g. 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 its consolidated financial statements.

**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 its consolidated financial statements.

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**3 New Accounting Pronouncements (Continued)**

**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 there 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 its 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 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment of non-financial assets**

At each reporting date management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. If such indications exist, management estimates the recoverable amount of an asset, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments, which are deemed appropriate under the current circumstances.

Assessment of impairment indicators also requires the use of judgments and estimates in determining possible technological obsolescence of fixed assets, discontinuing operations, residual useful lives, and other changes in operating conditions.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

In assessing the recoverable amount of assets the Group makes estimates and judgments. Estimates and judgments are repeatedly evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Based on the analysis as at 31 December 2018, management identified impairment indicators of property, plant and equipment of its subsidiaries: Ekibastuzskaya GRES- 1 named after Bulat Nurzhanov LLP (“EGRES-1”), Almaty Power Stations JSC (“ALES”), Moinak HPP named after U.D. Kantayev JSC (“MHPP”), and joint venture Ekibastuz EGRES-2 JSC (“EGRES-2”), and, accordingly, its investment in EGRES-2.

The Group engaged independent experts to conduct the impairment test of EGRES-1, ALES, and EGRES-2, in accordance with IAS 36 “Impairment of Assets”. The impairment test of MHPP assets was performed by management similarly with the methodology used by independent experts in the impairment test of other Group companies. The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Company’s management considers all property, plant and equipment and intangible assets as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which the Company monitors recovery of the assets’ cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Company expects to obtain from their use.

**Impairment test of property, plant and equipment and intangible assets of EGRES-1, ALES, MHPP**

In 2018 the Ministry of Energy of the Republic of Kazakhstan issued several orders aimed at amending the approved marginal tariffs for electricity and maintenance of electrical power, and orders approving the calculation methodology of fixed profit, which are used to determine marginal tariffs for electricity and regulation, that enter into force from 2019. In this regard, the Group revised its assumptions and tested its property, plant and equipment for impairment taking into account the amendments introduced.

The impairment test was conducted using the relevant evaluation techniques, based on the following key assumptions for calculating the discounted cash flows for 2019 – 2026:

- Forecasted tariffs.
- Forecasted volumes.
- Forecasted capital and production expenses.
- Forecasted discount rates.
- Macroeconomic indicators.

The forecast period for impairment test of the subsidiaries’ assets is more than five years since the Group plans to complete works on specific capital projects. The Group believes that the results of capital projects are significant for calculation of discounted cash flows.

**Tariffs**

In accordance with the Law of the Republic of Kazakhstan *On Electric Power Industry*, energy producers may independently establish a selling price for electric power not exceeding the cap tariff for electricity of the relevant group of power producers which sell electric power, and marginal tariffs are adjusted annually where necessary. The cap tariff is approved by the Ministry of Energy of the Republic of Kazakhstan for a particular group of energy-producing entities, which is determined based on the type of power plants, established capacity, type of fuel, and distance from fuel location.

According to Order of the Minister of Energy of the Republic of Kazakhstan No. 475 *On Approval of the Group of Energy Producing Entities Selling Electric Power* dated 5 December 2018, the subsidiaries EGRES-1, ALES, and MHPP are attributed to the following groups of energy producing entities: 1, 26, and 36 respectively. Based on Order of the Minister of Energy of the Republic of Kazakhstan No.514 dated 14 December 2018, the cap tariffs of Tenge 5.76, Tenge 8.33 and Tenge 7.14 per kWh were established for these groups, effective from 1 January 2019, valid for the period of seven years with a breakdown by year.

If the effective cap tariff for electricity does not cover related production costs, in accordance with the Rules for approval of cap on electricity tariff and tariff for maintenance of electric power as approved by Order of the Ministry of Energy of the Republic of Kazakhstan No.147 dated 27 February 2015, power producers may report to the competent authority until 1 September on the forecasted increase in main costs of energy production and attach supporting documents, financial statements for the prior year, and calculations based on the anticipated inflation rate provided for in the medium-term plans for economic and social development of the Republic of Kazakhstan.

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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

In accordance with the rules above, in 2019 management plans to apply for the adjustment of cap electricity tariffs for consideration since the approved tariffs effective from 2020 are insufficient to cover all production costs, including payment of loan interests.

Due to the anticipated growth of production costs at the CPI level, and planned increase in the costs for purchase of power from renewable sources, in accordance with the Law *On Support of the Use of Renewable Energy Sources*, as well as taking into account the growing debt burden of EGRES-1, the estimated cap tariff for electricity from 2020 is forecasted to be higher than the approved tariffs for 2020-2025. This assumption on potential adjustment of the tariff from 2020 was confirmed by comments of the competent authorities of the Ministry of Energy of the Republic of Kazakhstan.

Accordingly, the cap electricity tariff per 1 kWh in 2019 was forecasted based on the tariff approved by Order of the Minister of Energy of the Republic of Kazakhstan No. 475 dated 5 December 2018. Beginning from 2020 the forecast tariff was calculated using the rules for approval of the cap electricity tariff and calculation method of fixed profit approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 413 dated 28 November 2017 as amended on 14 December 2018, based on the forecast expenses according to the Development Plan of subsidiary and correction factor for calculation of fixed profit for a forecast period. The correction factor for fixed profit determination for EGRES-1 was set to get fixed profit at 6% for 2020, 10% for 2021, and 12% for 2022-2026.

Following the favourable conclusion of the Government of the Republic of Kazakhstan dated 14 February 2019 regarding amendments to the Law *On Electric Power Industry* dated 9 July 2004 proposed by members of the Parliament's Mazhilis of the Republic of Kazakhstan, management expects the individual tariff to be approved for ALES and MHPP for their services on maintenance of electric power capacity in 2019.

EGRES-1	Unit	2019	2020	2021	2022	2023	2024	2025	2026
Cap electricity tariff	Tenge/kWh	5.76	6.37	6.70	7.03	7.10	7.35	7.59	7.81
Tariff for maintenance of electric power capacity	mln. Tenge / (MW*month)	0.59	0.54	0.57	0.60	0.62	0.64	0.66	0.68
Tariff for regulation of electric power capacity (KEGOC)	mln. Tenge / MW	0.74	0.79	0.84	0.87	0.90	0.93	0.96	0.99

The forecast individual tariff for services on maintaining the electric capacity applicable from 2020 to ALES was calculated taking into consideration the necessity to cover annual payments of the principal amount on refinanced loans which were raised to fund the project "Almaty CHP-2 Reconstruction and Expansion. III Phase. Boiler Unit No.8" till 2024.

ALES	Unit	2019	2020	2021	2022	2023	2024	2025
Cap electricity tariff	Tenge/kWh	8.33	9.55	10.16	10.58	10.97	11.30	11.62
Tariff for maintenance of electric power capacity	mln. Tenge / (MW*month)	0.59	0.58	0.62	0.65	0.67	0.69	0.71
Individual tariff for maintenance of electric power capacity	mln. Tenge / (MW*month)	-	4.98	4.98	3.78	3.78	3.78	-

The forecast individual tariff for services on maintaining the power capacity applicable from 2020 to MHPP was calculated taking into consideration the necessity to cover annual payments of the principal amount on loans which were raised for construction of the hydro power plant.

MHPP	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Individual tariff for maintenance of electric capacity	mln. Tenge / (MW*month)	0.59	3.30	2.39	3.08	3.11	3.13	3.15	3.01	3.25	1.53	0.73
Cap electricity tariff	Tenge/kWh	7.14	7.98	7.67	7.43	7.15	6.91	6.59	6.21	5.81	5.47	6.01

ALES tariff for heating power production per 1 Gcal in 2019-2021 was based on the approved tariff. The tariff for the period from 2022 to 2024 was calculated at a level of sales loss from heating power not exceeding the average loss for the recent decade. From 2025, it is expected that the heating power tariff will reach and maintain the breakeven level in the long run, for calculation of the terminal value.



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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

ALES tariff per ton of production of chemically purified water in 2019 was based on the approved tariffs. The tariff is forecasted from 2020 taking into account the PPI of the Republic of Kazakhstan.

ALES	Unit	2019	2020	2021	2022	2023	2024	2025
Tariff for heating power production	Tenge/Gcal	3,354	3,764	3,785	4,447	4,569	4,719	4,992
Tariff for production of chemically purified water	Tenge/c.m.	53.09	61.64	63.83	65.78	67.80	69.82	71.86

*Volumes*

Sales volumes was forecasted based on prior-year information and management's expectations in accordance with the Development Plan of each subsidiary for the relevant horizon period. It was assumed that in 2020-2023 EGRES-1 sales volume of electricity would grow by 7% on the average, and further by 1-2% in 2024-2025, sales volume of electric, heating power and chemically purified water of ALES and electricity sales of MHPP would approximate the 2019 level.

The Group expects that since 2020 the sales of power capacity volume will be evenly distributed by tender between key market players at the mid-market tariff. Management believes that the Group will be able to sell the forecasted volumes of power capacity from 2020 due to its high demand, and this is demonstrated by the current load and sales volume of power plants.

EGRES-1	Unit	2019	2020	2021	2022	2023	2024	2025	2026
Sales of electricity – Kazakhstan	mln. kWh	17,468	18,519	19,952	21,303	22,472	22,777	23,315	23,315
Sales of electric power capacity per month	mW	503	1,743	1,768	1,796	1,837	1,881	2,197	2,246
Regulation of electric power capacity (KEGOC) per year	mW	2,445	2,445	2,445	2,445	2,445	2,445	2,794	2,794

ALES	Unit	2019	2020	2021	2022	2023	2024	2025
Sales of electricity	mln. kWh	4,695	4,712	4,714	4,721	4,721	4,721	4,721
Sales of electric power capacity per month	mW	844	844	844	844	844	844	844
Including services on maintenance of electric power capacity – individual tariff	mW	-	57	57	57	57	57	-
Sales of heating power	th. Gcal	5,126	5,126	5,126	5,126	5,126	5,126	5,126
Sales of chemically purified water	th. c.m.	29,634	29,634	29,634	29,634	29,634	29,634	29,634

MHPP	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sales of electricity	mln. kWh	893.2	893.2	893.2	893.2	893.2	893.2	893.2	893.2	893.2	893.2	893.2
Services on maintenance of electric power capacity per month	mW	298	298	298	298	298	298	298	298	298	298	298

*Capital expenditures*

EGRES-1	Unit	2019	2020	2021	2022	2023	2024	2025	2026
Capital expenditures	th. Tenge	12,037,000	16,197,267	16,861,418	22,778,450	26,232,185	21,937,512	26,459,671	7,706,313

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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

ALES	Unit	2019	2020	2021	2022	2023	2024	2025
Capital expenditures	th. Tenge	5,475,170	7,881,574	5,284,123	3,817,356	7,126,479	5,673,600	5,851,299

MHPP	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Capital expenditures	th. Tenge	856,154	718,608	1,612,626	863,559	863,620	141,875	146,029	150,369	154,490	158,705	163,292

*Discount rate*

The discount rate was estimated taking into consideration the current market assessment of industry-specific risks and determined on the basis of the weighted average cost of capital for each of the companies: 11.15% for EGRES-1, 12.06% for ALES, and 12.70% for MHPP, respectively.

*Long-term inflation rate*

The long-term inflation rate used for calculation of the terminal value is 2.57%-2.59% per annum

*Results of impairment test*

Based on the impairment test, the recoverable amount of EGRES-1 assets at 30 November 2018 is Tenge 512,086,616 thousand, which is Tenge 21,216,852 thousand higher than their carrying value. Accordingly, the Group did not recognise impairment losses in 2018.

If the cap electricity tariff remains 5.76 Tenge/ kWh for 2019-2025, the recoverable amount of the company's assets will be Tenge 63,848,258 thousand less than their carrying amount. If the cap electricity tariff decreases by 10%, the recoverable amount of the company's assets will be Tenge 95,667,970 thousand less than their carrying amount. If the sales volume of electricity decreases by 10%, the recoverable amount of the company's assets will be Tenge 100,880,157 thousand less than their carrying amount. In the case of 1% increase in the discount rate, the recoverable amount of the company's assets will be Tenge 11,998,961 thousand less than their carrying amount.

Based on the impairment test, the recoverable amount of ALES assets at 30 November 2018 was determined in the amount of Tenge 79,790,607 thousand, which is Tenge 2,410,447 thousand lower than their carrying value. Accordingly, the Group recognised the impairment loss on its property, plant and equipment of Tenge 2,410,447 thousand in 2018. Management distributed impairment losses in proportion to the carrying value of each asset.

If the cap electricity tariff is fixed at the level of 8.33 Tenge/kWh for 2019-2024, the recoverable amount of the ALES's assets will be Tenge 32,912,646 thousand less than their carrying amount. In the case of 1% increase in the discount rate, the recoverable amount of the company's assets will be Tenge 7,869,251 thousand less than their carrying amount. If the sales volume of electricity, heating power and chemically purified water decreases by 10%, the recoverable amount of the company's assets will be Tenge 24,602,460 thousand less than their carrying amount. If the cap tariff for electricity, heating power and chemically purified water decrease by 10%, the recoverable amount of the company's assets will be Tenge 66,298,861 thousand less than their carrying amount.

Based on the impairment test, the recoverable amount of MHPP assets at 30 November 2018 was determined in the amount of Tenge 76,287,822 thousand, which is Tenge 36,266,805 thousand higher than their carrying amount. Accordingly, the Group did not recognise impairment losses in 2018.

If the cap electricity tariff remains at the level of 7.14 Tenge/kWh in 2019-2025, no impairment losses will be incurred.

**Investments in EGRES-2**

As stated in Note 9, the Group has the investment in the joint venture EGRES-2. As at 31 December 2018, the carrying amount of this investment is Tenge 18,852,903 thousand.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Management of EGRES-2 reviewed the indicators of impairment, including dynamics of electricity tariffs and market demand. Uncertainties associated with both completion of power unit No.3 and sale of electricity generated by power unit No. 3 indicates a potential impairment of EGRES-2 property, plant and equipment and, consequently, possible impairment of the Group's investment in EGRES-2.

As result, management tested property, plant and equipment of EGRES-2 for impairment as at 30 November 2018 within a single cash-generating unit.

Management of EGRES-2 considers all property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-2 monitors the recovery of the assets' cost.

Recoverable amount was calculated on the basis of value in use. These calculations were made taking into account cash flow forecasts, based on the updated financial budgets approved by management for a 5-year period from 2019 to 2023. So calculated recoverable amount of property, plant and equipment exceeded their carrying amount, based on the impairment test as at 30 November 2018.

Key assumptions used are presented below:

*Tariffs*

For the purpose of calculating the recoverable amount of assets, the Company's management used the following electricity tariffs:

- Weighted average tariff for 2018 was Tenge 7.5 per 1 kWh, which represents the actual tariff applicable to electricity sale by EGRES-2 in 2018, and does not exceed the cap tariff of Tenge 8.8 per 1 kWh established and approved by the Ministry of Energy for 2016-2018.
- Projected weighted average tariffs for subsequent periods are as follows:

EGRES-2		2019	2020	2021	2022	2023	2024	2025	2026	2027
Electricity tariff	Tenge/kWh	6.24	6.63	7.03	7.32	7.59	7.82	8.05	8.28	8.49
Tariff for power capacity	mln. Tenge per 1 MW month	0.59	0.54	0.57	0.60	0.62	0.64	7.97	8.01	7.41

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No.3 in 2020. A significant increase in the tariff for power capacity in 2025 is due to the expected commissioning of power unit No.3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan *On Electric Power Industry*, EGRES-2 is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No.3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the company, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of power unit No.3.

A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in impairment of property, plant and equipment of not more than Tenge 55,965,731 thousand and Tenge 42,688,984 thousand, respectively.

*Forecasted volumes of production and sales*

For calculation of the recoverable amount of assets, management considered forecasted volumes of production/sales of electricity by power unit No.3 and relevant investments needed to complete construction. Management used the following estimated volumes of electricity sales for calculation of the recoverable amount of assets:

		2019	2020	2021	2022	2023	2024	2025	2026	2027
Sales of electricity	mln. kWh	5,606	5,732	5,934	5,935	5,937	5,937	5,937	6,019	6,101
Sales of electrical power capacity per month	MW	870	616	625	635	649	665	1,272	1,287	1,303

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Management expects that volumes of production and sales during the forecast period prior to commissioning of power unit No. 3 will be stable. After the launch of power unit No.3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company. While management expects the electricity sales or tariff to grow during the forecast period, a decrease in the sales of electricity and electrical power capacity within the reasonable range of 10% will result in an impairment of property, plant and equipment of not more than Tenge 26,334,904 thousand and 35,145,749 thousand, respectively.

*Discount rate*

The discount rate of 13.28% was estimated taking into consideration the current market assessment of EGRES-2 inherent risks, and evaluated on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent in the industry and changes in the weighted average cost of capital, it may require further changes in the discount rate. 1% increase in the discount rate would result in an impairment loss of Tenge 30,389,036 thousand.

**Accounting for property, plant and equipment**

Property, plant and equipment with a carrying value of Tenge 18,034,587 thousand belong to the assets of the First Wind Power Plant (PVES) of Tenge 17,056,312 thousand and Kapchagai Solar Power (Kapchagai SES) of Tenge 978,275 thousand. Settlement and Financial Centre, a subsidiary of KEGOC JSC, acts as an agent who buys the entire volume of electricity generated by renewable energy companies and resells it to stations powered by coal and hydrocarbons. The total volume of electricity is purchased from the power plants at a specified tariff above the market, which is annually adjusted to the inflation rate.

According to IFRIC 4, arrangements of this nature may contain a lease. Upon review of IFRIC 4 criteria, management concluded that this arrangement is an operating lease, whereby PVES and Kapchagai SES act as lessors. Accordingly, revenue from electricity of these stations was included in rental income from these power plants.

**Recognition of revenue from electricity sales**

The Group recognises revenue when the electricity is supplied according to the meter readings of the consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant volume of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

**Useful lives of property, plant and equipment**

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If the estimated useful lives were different by 10% from management's estimates, the depreciation for the year ended 31 December 2018 would have been higher/lower by Tenge 5,253,341 thousand (31 December 2017: higher/lower by Tenge 4,433,347 thousand).

**Settlement agreement with Akimat**

In 2009 Alatau Zharyk Company LLP ("AZhK") was involved in litigation with Akimat of Almaty city ("Akimat") related to settlement of AZhK payables to Akimat. On 14 February 2014 AZhK and Akimat signed an amicable agreement for settlement of AZhK liabilities. To settle the liabilities, among other procedures, AZhK shall accept power lines, being in the communal ownership and under trust management of the Akimat, and Akimat assumes to write-off the liabilities of AZhK.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

At 31 December 2018 AZhK has not assumed ownership over the power lines. At 31 December 2018 AZhK liabilities to the Akimat, less any payments made during previous years under the amicable agreement, is Tenge 5,841,514 thousand (31 December 2017: Tenge 5,841,514 thousand). The Group will derecognise these liabilities and recognise income from their write-off when the Group is exempt from payment, i.e. when the parties to the amicable agreement fulfil all their actions, specifically, at the moment of assuming the ownership over the power lines from the Akimat.

***Balkhash Thermal Power Plant***

Shareholders of Balkhash Thermal Power Plant JSC (“BTPP”) are Samsung C&T Corporation (“Samsung C&T”) and the Company, holding 50% + 1 shares and 50% – 1 share, respectively, as of 31 December 2018.

On 14 February 2012 the Company and Samsung C&T signed the Option Agreement for BTPP Shares (the “Option Agreement”). In accordance with this agreement, Samsung C&T is entitled to use the option if the relevant conditions of the option agreement are not fulfilled.

Due to absence of a coherent version of the project support package and financing of BTPP construction, on 31 August 2016 Samsung C&T notified the Company of its intention to exercise the option to sell the shares in accordance with the Option Agreement.

The Company concluded that the above-mentioned events indicates impairment of the Company’s investments in BTPP in line with IAS 36 “Impairment of Assets”. Accordingly, at 31 December 2017 the investments in BTPP were fully impaired.

On 16 November 2018 the settlement agreement with Samsung C&T was concluded. In accordance with this agreement, Kazakh side, Government and Samruk-Energy are jointly obliged to pay the agreed upon amount to Samsung C&T by 30 November 2019. Upon receipt of the payment, Samsung C&T shall transfer 50% + 1 shares in BTPP to Samruk-Energy. In this regard, at 31 December 2018 the Company recognised provision for the total amount of liability (Note 20). The Government made a decision to provide the Company with necessary funds to settle the obligation to Samsung C&T. Since it is assumed that the costs required to settle the obligation to Samsung C&T will be fully recoverable, in line with IAS 37, as at 31 December 2018 the recoverable amount was recognised as a separate asset equal to the provision amount (Note 13). The relevant loss from liability recognition and gain from asset recognition were offset in profit or loss according to IAS 37.

Management believes that the potential voting right related to future transfer of shares under the settlement agreement is not substantive, and at 31 December 2018 the Group does not control BTPP. Accordingly, at 31 December 2018 BTPP is still accounted for using the equity method.

***Operations with the Shareholder***

As indicated in Note 6, in October 2017 the Group noted impairment indicators of deposits held in Bank RBK JSC in the amount of Tenge 5,112,604 thousand. The amount of loss was Tenge 2,394,066 thousand. In accordance with the Governmental Decree dated 7 November 2017, on 29 December 2017, the Group’s deposits with RBK Bank JSC were converted into 15-year coupon bonds with a nominal value of 1 Tenge per share, with an interest rate of 0.01% per annum. Coupon bonds were initially recognised at fair value of Tenge 767,518 thousand. The difference between the carrying amount of deposits and the fair value of bonds was Tenge 1,951,020 thousand and was recognised as other capital distributions in the consolidated statement of changes in equity. Management of the Group believes that in this case, the Government of the Republic of Kazakhstan acted as the ultimate controlling party of the Group, accordingly, the difference between the balance amount of deposits and the fair value of the bonds may be reflected as other capital distributions in the consolidated statement of changes in equity. The fair value of the bonds was calculated taking into account their maturity, guaranteed amount of payment, and the market interest rate on the bonds with the same maturity. When calculating the amount of impairment of deposits, the Group took into consideration the analysis of deposits recoverability.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

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**5 Segment Information**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (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 functions of the CODM are performed by the management board of the Group.

CODM monitors the revenue and operating profit. CODM also monitors the EBITDA, which is calculated as profit/ (loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill, share of profit/(loss) of associates and joint ventures and effects, related to acquisition and other similar effects. Sequence for identification of adjusted EBITDA by Group might be different from sequence used by other companies.

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

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

- Production of electric and heating energy.
- Transmission and distribution of electricity.
- Sale of electricity.

**(b) Performance of operating segments**

The CODM evaluates performance of each segment based on a measure of revenue and operating profit.

The entities whose operations were reclassified as the discontinued operations continued to participate in the Group's operations as of 31 December 2017. The results of discontinued operations are included in the segment information.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

	Production of electric and heating energy		Electricity transmission and distribution		Sale of electricity		Other		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<i>In thousands of Kazakhstani Tenge</i>										
Total segment revenue – Sales of electricity	180,553,081	156,163,916	-	-	96,955,378	123,238,261	-	-	277,508,459	279,402,177
Inter-segment revenue	(53,946,796)	(53,649,114)	-	-	(1,873)	(435)	-	-	(53,948,669)	(53,649,549)
<b>External revenue – Sales of electricity</b>	<b>126,606,285</b>	<b>102,514,802</b>	<b>-</b>	<b>-</b>	<b>96,953,505</b>	<b>123,237,826</b>	<b>-</b>	<b>-</b>	<b>223,559,790</b>	<b>225,752,628</b>
<b>Sales of heating energy</b>	<b>21,648,707</b>	<b>17,370,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,648,707</b>	<b>17,370,681</b>
Rental income from renewable energy sources	4,600,634	4,519,035	-	-	-	-	-	-	4,600,634	4,519,035
<b>Total segment revenue – Transmission of electricity</b>	<b>-</b>	<b>-</b>	<b>40,257,615</b>	<b>60,969,279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,257,615</b>	<b>60,969,279</b>
Inter-segment revenue	-	-	(35,236,049)	(44,173,115)	-	-	-	-	(35,236,049)	(44,173,115)
<b>External revenue – Transmission of electricity</b>	<b>-</b>	<b>-</b>	<b>5,021,566</b>	<b>16,796,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,021,566</b>	<b>16,796,164</b>
Rental income from investment property	-	-	-	-	-	-	3,544,669	3,287,661	3,544,669	3,287,661
<b>Sales of chemically purified water</b>	<b>1,824,019</b>	<b>1,671,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,824,019</b>	<b>1,671,705</b>
Total other inter-segment revenue – other-	200,515	465,038	-	-	-	-	932,970	666,616	1,133,485	1,131,654
Inter-segment revenue – other-	-	-	-	-	-	-	(932,970)	(666,616)	(932,970)	(666,616)
<b>External revenue – other</b>	<b>200,515</b>	<b>465,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,515</b>	<b>465,038</b>
<b>Total external revenue</b>	<b>154,880,160</b>	<b>126,541,261</b>	<b>5,021,566</b>	<b>16,796,164</b>	<b>96,953,505</b>	<b>123,237,826</b>	<b>3,544,669</b>	<b>3,287,661</b>	<b>260,399,900</b>	<b>269,862,912</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**5 Segment Information (Continued)**

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

Other significant income or expense In thousands of Kazakhstani Tenge	Production of electric and heating energy		Electricity transmission and distribution		Sale of electricity		Other		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cost of sales (after elimination of intra-segment revenue/cost), including	(150,444,095)	(134,165,937)	(21,387,572)	(32,494,763)	(15,790,851)	(31,709,957)	(733,605)	(536,289)	(188,356,123)	(198,906,946)
- Depreciation and amortization	45,889,368	38,684,418	6,794,212	5,832,868	94,644	92,666	454,210	337,983	53,232,434	44,947,935
Selling expenses	(14,340,193)	(15,144,907)	-	(78,664)	-	-	-	-	(14,340,193)	(15,223,571)
Finance costs, including	(21,971,230)	(12,260,932)	(1,729,103)	(1,517,885)	(263,815)	(487,659)	(18,247,200)	(16,404,922)	(42,211,348)	(30,671,398)
- Interest expenses	(12,551,263)	(11,725,378)	(1,447,443)	(1,575,357)	(258,570)	(278,719)	(11,723,526)	(9,374,295)	(25,980,802)	(22,953,749)
Finance income	767,402	873,392	72,953	422,881	52,269	68,602	1,440,651	1,645,075	2,333,275	3,009,950
Share in profit of joint ventures and associates and impairment of investments	-	-	-	-	-	-	9,751,872	(26,635,737)	9,751,872	(26,635,737)
Impairment of non-financial assets	(2,410,447)	(1,415,673)	-	-	-	-	-	-	(2,410,447)	(1,415,673)
Capital expenditures	(16,596,838)	(23,194,115)	(10,036,621)	(23,856,380)	(59,135)	(54,112)	(871,073)	(180,269)	(27,563,667)	(47,284,876)
Reportable segment assets	735,036,829	758,005,838	128,788,413	121,424,000	10,729,829	9,600,040	195,503,011	128,153,087	1,070,058,082	1,017,182,965
Assets of discontinued operations	-	-	-	-	-	-	17,128,882	14,816,829	17,128,882	14,816,829
Reportable segment liabilities	266,182,910	290,604,205	45,727,041	43,782,907	10,280,464	9,109,547	253,514,663	188,756,046	575,705,078	532,252,705
Liabilities of discontinued operations	-	-	-	-	-	-	2,018,682	72,906	2,018,682	72,906



**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**5 Segment Information (Continued)**

**(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Total revenues for reportable segments	346,039,949	364,397,915
Revenues from other operations	4,477,640	3,954,277

<b>Total revenue</b>	<b>350,517,588</b>	<b>368,352,192</b>
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Elimination of sales between segments	(90,117,688)	(98,489,280)
Discontinued operations	-	(49,970,966)

<b>Total consolidated revenues</b>	<b>260,399,900</b>	<b>219,891,946</b>
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<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
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<b>Total consolidated adjusted EBITDA from continuing operations</b>	<b>98,495,602</b>	<b>79,045,785</b>
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Finance income	2,333,275	2,805,327
Finance cost	(42,211,348)	(29,660,430)
Depreciation and amortisation	(53,232,434)	(44,947,935)
Impairment	(2,410,447)	(1,533,155)
Share in profit of joint ventures and associates	9,751,872	(26,635,738)

<b>Profit/(loss) before income tax from continuing operations</b>	<b>12,726,520</b>	<b>(23,320,212)</b>
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Profit before income tax from discontinued operations	(1,583,941)	8,010,808
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<b>Total profit before income tax</b>	<b>11,142,579</b>	<b>(15,309,404)</b>
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<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
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Total reportable segment assets	943,711,070	889,029,878
Assets from other operations	126,347,011	128,153,088

<b>Total assets</b>	<b>1,070,058,082</b>	<b>1,017,182,966</b>
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Elimination of balances between segments	(80,301,029)	(60,904,751)
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<b>Total consolidated assets</b>	<b>989,757,053</b>	<b>956,278,215</b>
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<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
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Total reportable segment liabilities	391,346,416	343,496,659
Liabilities from other operations	184,358,662	189,104,055

<b>Total liabilities</b>	<b>575,705,078</b>	<b>532,600,714</b>
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Elimination of balances between segments	(65,959,971)	(55,833,174)
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<b>Total consolidated liabilities</b>	<b>509,745,108</b>	<b>476,767,540</b>
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**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**5 Segment Information (Continued)**

**(d) Analysis of revenues by products and services**

The Group's revenues are analysed by products and services in Note 21 (revenue from core activities). Majority of sales of the Group are within Kazakhstan.

**(e) Major customers**

In 2017 more than 10% of the total revenues were derived from sales to the companies under control of Samruk-Kazyna (Note 6). During the year ended 31 December 2018, there were no customers for which sales of the Group represented 10% or more of the total revenues.

The Group's revenues are recorded during the period when obligations are performed, in accordance with IFRS 15.

**6 Balances and Transactions with Related Parties**

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. The Kazakhstani state has significant influence over the Group. The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Kazakhstan state has control, joint control or significant influence over such party.

The Group purchases from and sells goods to a large number of government related entities. Such purchases and sales are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are detailed in Note 27.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2018 and 31 December 2017 is detailed below.

At 31 December 2018 the outstanding balances with related parties were as follows (including balances of disposal group):

<i>In thousands of Kazakhstani Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Trade and other receivables	2,106,146	75,624	273	-	9,274,043
Cash and cash equivalents	5,477	-	-	-	64,995
Assets held for the benefit of the Shareholder	-	-	-	1,184,095	-
Other non-current assets	133,564	421	-	69,156,000	6,514,628
Borrowings	-	-	4,888	62,293,718	19,777,041
Trade and other payables	1,586,595	2,572,376	-	69,205,788	270,983
Other payables	60,289	-	-	-	5,841,513

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**6 Balances and Transactions with Related Parties (Continued)**

At 31 December 2017 the outstanding balances with related parties were as follows (including balances of disposal group):

<i>In thousands of Kazakhstani Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Trade and other receivables	1,243,074	352,364	3,335	-	6,993,904
Cash and cash equivalents	2,979	-	-	-	-
Other non-current assets	51,985	1,281,082	-	-	-
Borrowings	-	-	5,264	59,959,841	20,000,413
Trade and other payables	3,316,445	1,913,663	-	-	497,310
Other payables	10,266	7,809	1,587	55,022	5,925,786

The income and expense items with related parties for the year ended 31 December 2018 were as follows (including results of discontinued operations):

<i>In thousands of Kazakhstani Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Revenue	23,898,981	2,202,972	22,922	-	24,262,053
Cost of sales	27,942,612	29,208,869	-	-	2,822,221
General and administrative expenses	648,886	-	-	-	-
Selling expense	14,311,681	-	-	-	-
Other expenses	405,215	54,117	-	85,187	-
Other income	406,710	-	-	-	-
Finance costs	-	-	-	6,276,891	1,353,663
Finance income	-	50,964	-	-	-
Foreign exchange loss	-	(15,353)	-	-	-

The income and expense items with related parties for the year ended 31 December 2017 were as follows (including results of discontinued operations):

<i>In thousands of Kazakhstani Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Other expenses	26,782,979	2,565,305	25,530	-	19,885,593
Other income	35,728,309	22,911,002	-	-	2,606,330
Finance costs	338,306	-	-	-	-
Finance income	15,114,521	-	-	-	-
Foreign exchange loss	423,506	-	-	93,455	-
Other expenses	417,924	66,908	-	-	-
Other income	-	-	-	5,484,838	1,385,307
Finance costs	-	-	-	9,467	-
Finance income	975	-	-	-	-

In October 2017 the Group noted impairment indicators of deposits held in Bank RBK JSC in the amount of Tenge 5,112,604 thousand. Based on an analysis of the recoverability of the deposits, the Group recognised impairment loss on deposits of Tenge 2,394,066 thousand (Note 3).

In November 2017 National Bank of RoK and Kazakhmys Corporation LLP, a third party, signed a framework agreement on improving the conditions of Bank RBK JSC. Pursuant to the resolution of the Government, acting as the shareholder, dated 7 November 2017, on 29 December 2017, the Group's deposits held with Bank RBK JSC with the carrying amount of Tenge 5,112,604 thousand were converted to 15-year coupon bonds at par value of 1 Tenge each bearing 0.01% per annum. Under this framework agreement, Kazakhmys Corporation LLP guaranteed to repay Tenge 1,405,003 thousand at the end of five years. As a result, coupon bonds were initially recognised at a fair value of Tenge 767,518 thousand. The fair value was determined by discounting future cash flows using a discount rate of 13 % and maturity date of five years. The difference between carrying amount of deposits and the fair value of coupon bonds in the amount of Tenge 1,951,020 thousand was recognised as other equity distributions in the consolidated statement of changes in equity.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

**6 Balances and Transactions with Related Parties (Continued)**

At 31 December 2018, the Group has following outstanding guarantees from related parties:

- Corporate guarantee from Samruk-Kazyna in the amount of USD 50,000,000 under the loan arrangement with State Development Bank of China (2017: USD 50,000,000).
- Corporate guarantee from Samruk-Kazyna in the amount of Tenge 12,285,000 thousand for outstanding loan to Development Bank of Kazakhstan JSC (2017: Tenge 12,285,000 thousand).
- Governmental guarantee in the amount of USD 25,000,000 for outstanding loan to Development Bank of Kazakhstan JSC (2017: USD 25,000,000).
- Corporate guarantee from Samruk-Kazyna in the amount of Tenge 91,412,308 thousand for outstanding loan to Eurasian Development Bank (2017: Tenge 91,412,308 thousand).

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2018 include 6 persons (31 December 2017: 8 persons).

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Key management compensation	104,896	230,485
<b>Total key management compensation</b>	<b>104,896</b>	<b>230,485</b>

Transactions with related parties are made on terms agreed between the parties that do not necessarily correspond to market rates, with the exception of regulated services that are provided on the basis of the tariffs approved by the Order of the Minister of Energy *On Approval of Cap rates for Electricity for a Group of Energy-Producing Companies*.

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**Notes to the Consolidated Financial Statements – 31 December 2018**

**7 Property, Plant and Equipment**

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Buildings and constructions</b>	<b>Machinery and equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
Cost at 1 January 2017	222,263,504	581,115,509	13,231,710	103,875,115	920,485,838
Accumulated depreciation and impairment	(37,220,988)	(100,851,617)	(4,434,306)	(1,707,287)	(144,214,198)
<b>Carrying amount at 1 January 2017</b>	<b>185,042,516</b>	<b>480,263,892</b>	<b>8,797,404</b>	<b>102,167,828</b>	<b>776,271,640</b>
Additions	472,143	917,973	565,296	48,609,235	50,564,647
Transfers	8,862,522	21,246,930	(107,315)	(30,002,137)	-
Change in accounting estimates	181,558	-	-	-	181,558
Depreciation	(10,049,549)	(33,472,009)	(811,915)	-	(44,333,473)
Disposal	(3,239)	(134,946)	(18,922)	(799,311)	(956,418)
Impairment recognised in profit or loss	-	-	-	(1,162,637)	(1,162,637)
Transfer to assets held for sale	(312)	-	-	-	(312)
Cost at 31 December 2017	232,596,485	601,987,987	13,553,867	121,628,104	969,766,443
Accumulated depreciation and impairment	(48,090,846)	(133,166,147)	(5,129,319)	(2,815,126)	(189,201,438)
<b>Carrying amount at 31 December 2017</b>	<b>184,505,639</b>	<b>468,821,840</b>	<b>8,424,548</b>	<b>118,812,978</b>	<b>780,565,005</b>
Additions	447,647	1,044,317	607,674	29,218,232	31,317,870
Transfers	3,533,737	26,132,385	360,652	(30,026,774)	-
Change in accounting estimates	(31,339)	-	-	-	(31,339)
Depreciation	(11,725,618)	(39,960,137)	(847,660)	-	(52,533,415)
Disposal	(913,091)	(1,359,581)	(11,542)	(126,233)	(2,410,447)
Impairment recognised in profit or loss	(4,774)	(103,899)	(7,953)	(83,091)	(199,717)
Transfer to assets held for sale	-	(2,435)	(5,331)	(246,570)	(254,336)
Cost at 31 December 2018	236,541,756	629,058,355	14,508,909	120,489,901	1,000,598,921
Accumulated depreciation and impairment	(60,729,555)	(174,485,865)	(5,988,521)	(2,941,359)	(244,145,300)
<b>Carrying amount at 31 December 2018</b>	<b>175,812,201</b>	<b>454,572,490</b>	<b>8,520,388</b>	<b>117,548,542</b>	<b>756,453,621</b>

Additions for 2018 include capitalised borrowing costs of Tenge 2,511,193 thousand (2017: Tenge 2,686,880 thousand). The average capitalization rate on interest expenses was 12.18% (2017: 11.78%). As at 31 December 2018 property, plant and equipment with the carrying amount of Tenge 5,556,204 thousand (31 December 2017: Tenge 5,433,561 thousand) were pledged as collateral for borrowings received by the Group from Development Bank of Kazakhstan JSC (Note 18).

Depreciation charge is allocated to the following items of profit and loss for the year:

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Cost of sales	52,012,889	43,514,613
General and administrative expenses	507,456	805,272
Other expense	13,070	13,588
<b>Total depreciation charges</b>	<b>52,533,415</b>	<b>44,333,473</b>

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**8 Intangible Assets**

<i>In thousands of Kazakhstani Tenge</i>	<b>Licenses</b>	<b>Computer software</b>	<b>Other</b>	<b>Total</b>
Cost at 1 January 2017	399,744	2,330,935	1,141,941	3,872,620
Accumulated amortisation	(210,057)	(1,237,424)	(219,870)	(1,667,351)
<b>Carrying amount at 1 January 2017</b>	<b>189,687</b>	<b>1,093,511</b>	<b>922,071</b>	<b>2,205,269</b>
Additions	399	1,638,462	128,240	1,767,101
Disposals	-	(1,742)	-	(1,742)
Transfers	-	306,996	15,650	322,646
Amortisation charge	(56,010)	(243,733)	(178,786)	(478,529)
Impairment	-	-	(15,650)	(15,650)
Cost at 31 December 2017	385,992	4,170,059	1,314,581	5,870,632
Accumulated amortisation	(251,916)	(1,376,565)	(443,056)	(2,071,537)
<b>Carrying amount at 31 December 2017</b>	<b>134,076</b>	<b>2,793,494</b>	<b>871,525</b>	<b>3,799,095</b>
Additions	11,751	631,807	764,207	1,407,765
Disposals	(957)	(2,838)	-	(3,795)
Transfers	-	80,160	18	80,178
Amortisation charge	(36,067)	(296,909)	(182,634)	(515,610)
Cost at 31 December 2018	396,786	4,879,188	2,078,806	7,354,780
Accumulated amortisation	(287,983)	(1,673,474)	(625,690)	(2,587,147)
<b>Carrying amount at 31 December 2018</b>	<b>108,803</b>	<b>3,205,714</b>	<b>1,453,116</b>	<b>4,767,633</b>

**9 Investments in Joint Ventures and Associates**

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

<i>In thousands of Kazakhstani Tenge</i>	<b>Joint venture</b>		<b>Associates</b>	<b>Total</b>
	<b>EGRES-2</b>	<b>Forum Muider B.V.</b>	<b>BTPP</b>	
<b>Balance at 1 January 2017</b>	<b>31,810,629</b>	<b>26,524,888</b>	<b>27,570,523</b>	<b>85,906,040</b>
Impairment of investment	-	-	(27,570,523)	(27,570,523)
Share of profit/(loss) for the year	(9,546,005)	10,480,790	-	934,785
Dividends received	-	(6,382,082)	-	(6,382,082)
<b>Balance at 31 December 2017</b>	<b>22,264,624</b>	<b>30,623,596</b>	<b>-</b>	<b>52,888,220</b>
Impairment of investment	-	-	-	-
Share of profit/(loss) for the year	(3,411,721)	13,162,336	-	9,751,872
Dividends received	-	(6,778,335)	-	(6,778,335)
<b>Balance at 31 December 2018</b>	<b>18,852,903</b>	<b>37,007,597</b>	<b>-</b>	<b>55,860,500</b>

**SAMRUK-ENERGY JSC**  
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**9 Investments in Joint Ventures and Associates (Continued)**

At 31 December 2018 the Group has interests in the following jointly controlled entities:

- EGRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.Forum Muider B.V. – 50%. The remaining 50% is owned by UC RUSAL.

100% of shares of EGRES-2 valued as of the date of the Guarantee contract of Tenge 10,582,636 thousand were pledged as collateral for the loan of EGRES-2 JSC from Eurasian Development Bank.

The Group has shares in associated company: BTPP (50% – 1 shares), the entity registered in the Republic of Kazakhstan and established by the Group in 2008 for the construction of the Balkhash thermal power plant. BTPP's shareholders are Samsung C&T and Company with the participation interests of 50% + 1 shares and 50% – 1 share, respectively, as of 31 December 2018 (2017: 50% +1 shares and 50% – 1 shares, respectively). In 2018, the Group recognized the impairment loss from the investment in BTPP of Tenge 27,570,523 thousand (Note 4).

The only difference at reconciliation of the amounts below and carrying values of investments in associates and joint ventures is the excluded share of other investors in these associates and joint ventures.

The Group's management believes that the Group's share in net assets in associates and joint ventures is limited to the investment in the associate.

Contingencies related to the Group's share in joint ventures are disclosed in Note 29. Related party balances and transactions are presented in Note 6.

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**9 Investments in Joint Ventures and Associates (Continued)**

Presented below is summarised financial information of joint ventures and associates at 31 December 2018 and 2017 and for the years then ended:

<i>In thousands of Kazakhstani Tenge</i>	EGRES-2		Forum Muider		BTTP	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Current assets, including	13,235,441	7,774,866	26,797,255	23,412,349	-	-
Cash and cash equivalents	4,613,012	1,212,749	6,392,803	8,063,925	-	-
Non-current assets	137,397,564	142,614,519	76,504,960	66,114,179	-	-
Current liabilities, including	(112,168,736)	(13,614,329)	(16,309,094)	(21,091,488)	(21,929,041)	(20,189,555)
Current financial liabilities (excluding trade and other payables and provisions)	(101,079,598)	(2,881,691)	(3,480,318)	(6,665,103)	-	-
Non-current liabilities, including	(758,463)	(92,245,808)	(12,977,928)	(7,187,848)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(434,156)	(91,471,497)	(10,781,585)	(5,047,219)	-	-
<b>Net assets</b>	<b>37,705,806</b>	<b>44,529,248</b>	<b>74,015,193</b>	<b>61,247,192</b>	<b>(21,929,041)</b>	<b>(20,189,555)</b>
<b>Share of the Group</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>49.99%</b>	<b>49.99%</b>
<b>Group's share in net assets/(liabilities)</b>	<b>18,852,903</b>	<b>22,264,624</b>	<b>37,007,597</b>	<b>30,623,596</b>	<b>(10,962,328)</b>	<b>(10,092,759)</b>
Revenue	38,922,163	34,435,729	122,983,998	109,907,455	-	-
Depreciation and amortization of property, plant and equipment and intangible assets	(3,931,570)	(4,226,986)	(3,522,104)	(4,712,820)	-	-
Interest income	98,635	21,814	562,668	463,309	-	-
Interest expense	(10,459,913)	(15,843,022)	(717,385)	(875,088)	-	-
Income tax	(952,135)	1,103,079	(7,564,751)	(6,387,813)	-	-
<b>Profit/(loss) before tax</b>	<b>(6,823,442)</b>	<b>(20,195,090)</b>	<b>26,518,437</b>	<b>27,349,394</b>	-	-
<b>Total comprehensive income/(loss)</b>	<b>(6,823,442)</b>	<b>(19,092,010)</b>	<b>26,324,672</b>	<b>20,961,580</b>	-	-



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**10 Other Non-Current Assets**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Long-term receivables	9,936,270	11,660,781
Bonds	2,543,159	1,972,522
Restricted cash	-	880,539
Long-term deposits	-	60,500
Less: impairment provision	(288,944)	-
<b>Total other non-current financial assets</b>	<b>12,190,485</b>	<b>14,574,342</b>
Prepayments for non-current assets	1,418,506	2,281,225
Non-current VAT recoverable	549,366	1,013,112
Other	124,637	122,575
<b>Total other non-current assets</b>	<b>14,282,994</b>	<b>17,991,254</b>

At 31 December 2018 accounts receivable of Tenge 12,021,725 thousand are long-term receivables from buyers of the Company's subsidiaries, that were sold during 2017 (Note 13 и 15). The accounts receivable of Tenge 1,312,241 thousand are payable by the company with the credit rating of BB+, Tenge 1,951,524 thousand are payable by the company with the credit rating of BB- -. The remaining financial receivables are due from the companies with the internal rating of SK A, excluding financial receivables of Tenge 600,397 thousand from Inform System LLP with the internal rating of SK C. At 31 December 2018 and 2017 receivables are neither past due nor impaired and are fully denominated in Tenge.

At 31 December 2018 financial receivables are not past due. At 31 December 2018 other non-current financial assets are fully denominated in Tenge (31 December 2017: not past due nor impaired and are fully denominated in Tenge). Long-term receivables are denominated in Tenge. At 31 December 2018 these receivables are neither past due nor impaired.

Bonds include coupon bonds with the carrying amount of Tenge 767,518 thousand, that were converted from the Group's deposits held with Bank RBK JSC in accordance with the Government Resolution (Note 6), and bonds of MEDC JSC.

In November 2018 the Company's deposits held with Tsesnabank JSC were converted into bonds of Tenge 600,397 thousand in accordance with the Government Resolution (Note 7). Carrying amount of the bonds represents a present value of future cash flows discounted at the interest rate of 14%.

The remaining part includes bonds of MEDC JSC with the coupon rate of 8% per annum payable in 2023.

*Prepayments for non-current assets*

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and property, plant and equipment:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Construction and reconstruction of substations in Almaty and Almaty region	934,240	1,342,245
Modernisation of Shardara GES	484,266	874,625
Other	-	64,355
<b>Total prepayments for non-current assets</b>	<b>1,418,506</b>	<b>2,281,225</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**11 Inventories**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Auxiliary production materials	5,241,855	4,751,852
Fuel	4,040,060	4,282,461
Spare parts	739,976	699,766
Raw materials	24,854	23,695
Other materials	320,730	315,334
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(993,814)	(1,026,184)
<b>Total inventories</b>	<b>9,373,661</b>	<b>9,046,924</b>

Presented below are movements in the Group's inventory provision:

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Provision at 1 January	1,026,184	974,193
Provision reversed	(201,230)	(72,170)
Accrual of provision	169,837	287,811
Inventories written off during the year	(977)	(163,650)
<b>Provision at 31 December</b>	<b>993,814</b>	<b>1,026,184</b>

**12 Trade and Other Receivables**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade receivables	24,538,649	23,997,452
Less: impairment provision	(1,170,314)	(198,281)
<b>Total financial trade receivables</b>	<b>23,368,335</b>	<b>23,799,171</b>
Other receivables	4,122,563	4,016,576
Less: impairment provision	(3,577,484)	(3,858,920)
<b>Total trade and other receivables</b>	<b>23,913,414</b>	<b>23,956,827</b>

As at 31 December 2018 other receivables from Maikuben West LLP of Tenge 3,477,982 thousand were fully impaired (2017: Tenge 3,477,982 thousand).

Movements in the impairment provision for financial assets:

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>		<b>2017</b>	
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Trade receivables</b>	<b>Other receivables</b>
Provision for impairment at 1 January	198,281	3,858,922	217,216	3,824,395
Change in opening balance in accordance with IFRS	211,814	230,135	-	-
Reclassification to other assets	-	(381,252)	-	-
Accrual of impairment provision	930,671	30,034	304	66,753
Reversal of provision during the year	(165,839)	(155,143)	(81)	(15,025)
Amounts written off during the year	(4,613)	(5,212)	(19,158)	(17,203)
<b>Provision for impairment at 31 December</b>	<b>1,170,314</b>	<b>3,577,484</b>	<b>198,281</b>	<b>3,858,920</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**13 Other Current Assets**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Restricted cash	13,853,678	6,760,611
Reimbursement receivable for BTPP (Note 4)	69,156,000	-
Term deposits	2,286,731	5,005,848
Other receivables	5,171,414	1,726,568
Dividends receivable	421	1,281,082
Loans issued	104,228	-
Bonds	29,449	23,732
Less: impairment provision	(1,222,362)	(328,427)
<b>Total other current financial assets</b>	<b>89,379,559</b>	<b>14,469,414</b>
Assets held for the benefit of the Shareholder	1,184,095	1,388,077
VAT recoverable and prepaid taxes	1,377,916	1,073,542
Advances to suppliers	1,011,092	595,911
Other	1,084,366	1,392,286
Less: impairment provision	(363,652)	(388,211)
<b>Total other current assets</b>	<b>93,673,376</b>	<b>18,531,019</b>

Restricted cash represents cash received from electricity sales and placed to the pledge bank account according to the loan agreement with Development Bank of China with the credit rating BB+ in the amount of Tenge 6,514,628 thousand (31 December 2017: Tenge 6,419,624 thousand). Management believes that it will be able to use this cash not only for repayment of loan interest, but also for covering its operating expenses. Restricted cash balances of Tenge 6,514,628 thousand are denominated in US dollars. Amount is neither past due nor impaired. Carrying amount of restricted cash approximates its fair value.

Other receivables primarily include short-term receivables from the buyers of subsidiaries of Tenge 2,085,454 thousand, there were sold in 2017, and receivables of Tauba Invest LLP of Tenge 2,934,450 thousand. In March 2018 the Company noticed the impairment indicators of cash at current accounts held with QazaqBank JSC due to deteriorated financial position of the bank. In accordance with the mutual settlement agreement dated 16 March 2018 between Samruk-Energy, Tauba Invest LLP and QazaqBank JSC, the Company's cash in QazaqBank JSC was converted into receivables from Tauba Invest LLP of Tenge 3,058,400 thousand payable until 31 December 2018. Receivables from Tauba Invest LLP are secured by the pledge agreement for immovable property dated 26 April 2018. In accordance with the addendum dated 29 December 2018, maturity period of the receivables from Tauba Invest LLP was extended until 31 December 2019. Due to lack of sufficient information on Tauba Invest LLP, for calculation of ECL model, the Group assigned SK D rating and recognized impairment of Tenge 716,319 thousand.

At 31 December 2018 receivables of Tenge 2,085,454 thousand represents a short-term portion of the long-term receivables from the buyers of subsidiaries, which were sold in 2017 (Note 13 and 15). Receivables of Tenge 1,312,241 thousand are payable by the company with the credit rating of BB+, Tenge 1,951,524 thousand are payable by the company with the credit rating of BB-. The remaining financial receivables from companies with the internal rating of SK A. At 31 December 2018 and 2017 receivables are neither past due nor impaired and are fully denominated in Tenge.

On behalf of the Shareholder, the Group accepted a commitment for the construction of a kindergarten in Astana for the amount of Tenge 1,174,068 thousand. The Group has accrued liability for the estimated amount of construction for amount of Tenge 1,174,068 thousands as other distributions to shareholder. As at 31 December 2018, the Group incurred expenses associated with the construction of a kindergarten of Tenge 1,184,095 thousands. These actually incurred expenses are recorded as current assets held for the benefit of the Shareholder, as it is expected that these assets will be transferred to the Shareholder during 2019 as the distribution to the shareholder pursuant to the decision of the Shareholder.

**SAMRUK-ENERGY JSC**  
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**14 Cash and cash equivalents**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Deposits on demand	4,075,646	23,665,974
Cash at current bank accounts	9,509,200	9,040,676
Cash on hand	19,489	12,393
<b>Total cash and cash equivalents</b>	<b>13,604,335</b>	<b>32,719,043</b>

Term deposits and current deposits have contractual maturity terms less than three months or are available on demand. Cash and cash equivalents balances are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Kazakhstani Tenge	12,003,955	23,276,716
US Dollar	1,493,875	8,148,596
Other currencies	106,505	1,293,731
<b>Total cash and cash equivalents</b>	<b>13,604,335</b>	<b>32,719,043</b>

**15 Non-current Assets Held for Sale and Disposal Groups**

In November 2016, the Board of Directors of Samruk-Energy JSC approved the privatisation plan of some subsidiaries in accordance with the privatization programme of state assets, and these companies were accordingly classified as held for sale in the consolidated financial statements of Samruk-Energy JSC.

All companies of this group have been already sold except for Tegis Munai LLP ("TM"), and its subsidiary Mangyshlak Munai LLP ("MM").

The main reasons for not selling TM are circumstances which are beyond the Group's control, particularly, complex corporate rules for asset sale, and the gas production agreement for Pridorozhnoye deposit was concluded with the Ministry of Energy of the Republic of Kazakhstan only on 30 July 2018.

Management is still committed to the plan for the subsidiary sale in accordance with the privatization programme and actively searching for investors. Management expects to sell TM in 2019.

Since the operations of MM and TM represent individually significant activities, this disposal group is presented as discontinued operations in the consolidated financial statements.

Major classes of assets classified as disposal group are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Property, plant and equipment	15,480,616	96,529
Exploration assets	-	14,086,775
Other non-current assets	621,948	619,332
Inventory	4,457	3,440
Other current assets	3,920	2,248
Cash and cash equivalents	19,830	11,601
<b>Total assets of disposal groups classified as held for sale</b>	<b>16,130,771</b>	<b>14,816,829</b>
Other liabilities	1,900,120	16,047
Trade payables	118,562	56,859
<b>Total liabilities of disposal group classified as held-for-sale</b>	<b>2,018,682</b>	<b>72,906</b>

**SAMRUK-ENERGY JSC****Notes to the Consolidated Financial Statements – 31 December 2018****15 Non-current Assets Held for Sale and Disposal Groups (Continued)**

In Q4 2017 the Group sold its controlling interest in East-Kazakhstan Regional Electricity Distribution Company JSC (“VKREC”), Shygys Energo Trade LLP (“SHET”), Mangistau Electricity Distribution Company (“MEDC”) and Aktobe Thermal Power Station JSC (“ATPS”). These subsidiaries were previously classified as disposal group and their assets and liabilities were accordingly reclassified in the consolidated statement of financial position. The details of the disposed assets and liabilities and disposal consideration are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>MEDC 9 November 2017</b>	<b>VKREC, including SHET 20 December 2017</b>	<b>ATPS 28 December 2017</b>	
Property, plant and equipment	33,484,539	18,762,428	10,139,104	
Intangible assets	234,684	425,752	26,400	
Other non-current and current assets	523,252	279,915	38,610	
Inventories	270,785	131,037	395,205	
Trade and other receivables	364,349	2,522,417	524,792	
Cash and cash equivalents	444,188	605,783	107,698	
Trade and other payables	568,222	3,992,427	2,551,646	
Income tax payable	276,823	-	-	
Borrowings	14,881,543	3,147,156	90,000	
Deferred tax liabilities	2,121,739	1,026,714	550,128	
Other liabilities	2,805,224	1,868,314	132,344	
<b>Net assets of subsidiary</b>	<b>14,668,246</b>	<b>12,692,721</b>	<b>7,907,691</b>	
Group's dividends receivable from subsidiary	-	-	1,140,233	
Less: non-controlling interest	(3,133,138)	-	-	
<b>Carrying amount of disposed net assets</b>	<b>11,535,108</b>	<b>12,692,721</b>	<b>9,047,924</b>	
<i>In thousands of Kazakhstani Tenge</i>	<b>MEDC 9 November 2017</b>	<b>VKREC, including SHET 20 December 2017</b>	<b>ATPS 28 December 2017</b>	<b>Total</b>
<b>Total disposal consideration</b>	<b>7,906,959</b>	<b>10,405,280</b>	<b>9,740,233</b>	<b>28,052,472</b>
Less: the fair value of accounts receivable arising from the sale	(5,313,966)	(6,859,280)	(1,140,233)	(13,313,479)
Less: cash and cash equivalents of a disposed subsidiary	(444,188)	(605,783)	(107,698)	(1,157,669)
<b>Receipt of cash from sale</b>	<b>2,148,805</b>	<b>2,940,217</b>	<b>8,492,302</b>	<b>13,581,324</b>
<i>In thousands of Kazakhstani Tenge</i>	<b>MEDC 9 November 2017</b>	<b>VKREC, including SHET 20 December 2017</b>	<b>ATPS 28 December 2017</b>	<b>Total</b>
Consideration for disposal of the subsidiary	7,906,959	10,405,280	9,740,233	28,052,472
Carrying amount of disposed net assets, net of non-controlling interest	11,535,108	12,692,721	9,047,924	33,275,753
<b>Gain/(loss) on disposal of subsidiary</b>	<b>(3,628,149)</b>	<b>(2,287,441)</b>	<b>692,309</b>	<b>(5,223,281)</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**15 Non-current Assets Held for Sale and Disposal Groups (Continued)**

The analysis of the results of discontinued operations for the year ended 31 December 2018 is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>TM</b>	<b>MM</b>	<b>Total</b>
Revenue	406	150	556
Expenses	(1,558,325)	(26,188)	(1,584,513)
Profit/(loss) before tax of discontinued operations	(1,557,919)	(26,038)	(1,583,957)
Income tax expense	-	-	-
<b>Profit/(loss) of discontinued operations</b>	<b>(1,557,919)</b>	<b>(26,038)</b>	<b>(1,583,957)</b>

The results of discontinued operations for the year ended 31 December 2018 include revenue and expenses of Tegis Munai LLP of Tenge 556 thousand and Tenge 1,584,513 thousand, respectively. Expenses of Tegis Munai LLP include impairment costs of Tenge 1 billion.

The analysis of the results of discontinued operations for the year ended 31 December 2017 is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>MEDC</b>	<b>VKREC and SHET</b>	<b>ATPS</b>	<b>TM</b>	<b>MM</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	9,307,345	41,784,094	8,851,819	-	-	(9,972,292)	49,970,966
Other income	252,411	200,860	38,449	7,746	101	(32,762)	466,805
Expenses	(5,299,284)	(38,604,393)	(8,315,170)	(159,190)	(25,863)	9,976,937	(42,426,963)
Profit/(loss) before tax of discontinued operations	4,260,472	3,380,561	575,098	(151,444)	(25,762)	(28,117)	8,010,808
Income tax expense	(680,189)	(435,380)	(333)	(1,386)	-	-	(1,117,288)
<b>Profit/(loss) of discontinued operations</b>	<b>3,580,283</b>	<b>2,945,181</b>	<b>574,765</b>	<b>(152,830)</b>	<b>(25,762)</b>	<b>(28,117)</b>	<b>6,893,520</b>
Gain/(loss) recognised on the remeasurement of net assets and disposal	(3,628,149)	(2,287,441)	692,309	-	-	-	(5,223,281)
<b>Profit/(loss) for the year from discontinued operations</b>	<b>(47,866)</b>	<b>657,740</b>	<b>1,267,074</b>	<b>(152,830)</b>	<b>(25,762)</b>	<b>(28,117)</b>	<b>1,670,239</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**16 Equity**

At 31 December 2018 5,601,687 issued common shares were fully paid (31 December 2017: 5,601,687 issued common shares were fully paid) and were owned by Samruk-Kazyna (31 December 2017: Samruk-Kazyna). Each ordinary share carries one vote. The Company does not have any preference shares. The number of authorised shares is 8,602,187.

**Other reserves**

<i>In thousands of Kazakhstani Tenge</i>	<b>Merger reserve</b>	<b>Result of transactions with shareholder</b>	<b>Other comprehensive income/(loss)</b>	<b>Total</b>
<b>Balance at 1 January 2017</b>	<b>37,282,287</b>	<b>90,607,549</b>	<b>(250,459)</b>	<b>127,639,377</b>
Other comprehensive income	-	-	(93,247)	(93,247)
<b>Balance at 31 December 2017</b>	<b>37,282,287</b>	<b>90,607,549</b>	<b>(343,706)</b>	<b>127,546,130</b>
Other comprehensive loss	-	-	(133,221)	(133,221)
<b>Balance at 31 December 2018</b>	<b>37,282,287</b>	<b>90,607,549</b>	<b>(476,927)</b>	<b>127,412,909</b>

On 15 June 2018 the Group announced the payment of dividends to the Sole Shareholder in the amount of Tenge 2,041,000 thousand – Tenge 421 per share. Dividends were fully paid on 16 August 2018.

On 25 May 2017 the Group announced the payment of dividends in the amount of Tenge 4,704,897 thousand – Tenge 840 per share. Dividends were fully paid on 25 July 2017.

*Merger reserve and results of transactions with shareholders*

The merger reserve represents the difference between the carrying amount of net assets of subsidiaries, previously being under common control, transferred to the Group, which also includes a goodwill of the transferring party, and value of consideration transferred.

*Results of transactions with the Shareholder*

Result of transactions with the shareholder is income on origination of loans from Samruk-Kazyna, acting as the shareholder, at the below-market rate (Note 18).

**17 Provision for Ash Dump Restoration**

Movements in provision for ash dump restoration are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
<b>Provision at 1 January</b>	<b>2,404,270</b>	<b>1,637,097</b>
Changes in estimates	370,204	788,289
Provision for the year	22,440	-
Increase by discount amount	174,398	119,205
Utilization of provision	(79,435)	(72,321)
Other	-	(68,000)
<b>Provision at 31 December</b>	<b>2,891,877</b>	<b>2,404,270</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Non-current portion</b>		
Bank term loans	164,318,418	233,726,534
Loans from Samruk-Kazyna	59,693,110	57,350,980
Bonds issued	41,648,019	19,921,800
Loans from customers	1,299,563	1,574,844
<b>Total non-current borrowings</b>	<b>266,959,110</b>	<b>312,574,158</b>
<b>Current portion</b>		
Bank term loans	38,961,930	41,276,690
Loans from Samruk-Kazyna	2,600,608	2,608,862
Loans from customers	707,043	924,444
Bonds issued	1,134,078	652,532
Notes payable	-	450,358
<b>Total current borrowings</b>	<b>43,403,659</b>	<b>45,912,886</b>
<b>Total borrowings</b>	<b>310,362,769</b>	<b>358,487,044</b>

Presented below are carrying amounts and fair value of borrowings:

<i>In thousands of Kazakhstani Tenge</i>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Bank term loans	203,280,348	275,003,224	205,557,359	264,076,287
Loans from Samruk-Kazyna	62,293,718	59,959,842	80,088,686	46,240,712
Bonds	42,782,097	20,846,244	46,566,694	20,923,104
Loans from customers	2,006,606	2,227,376	2,078,798	2,258,127
Notes payable	-	450,358	-	450,358
<b>Total borrowings</b>	<b>310,362,769</b>	<b>358,487,044</b>	<b>334,291,537</b>	<b>333,948,588</b>

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Borrowings due:</b>		
– within 1 year	43,403,659	45,912,886
– from 2 to 5 years	206,582,824	199,010,083
– over 5 years	60,376,286	113,564,075
<b>Total borrowings</b>	<b>310,362,769</b>	<b>358,487,044</b>

Borrowings of the Group are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Borrowings denominated in:</b>		
– Tenge	244,801,814	297,282,800
– US Dollars	65,560,955	61,204,244
<b>Total borrowings</b>	<b>310,362,769</b>	<b>358,487,044</b>

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures during the year ended 31 December 2018.



**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**Debt reconciliation**

The table below sets out an analysis 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 statement of cash flows.

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
<b>Borrowings at 1 January</b>	<b>358,487,044</b>	<b>387,560,600</b>
Proceeds from borrowings and bonds issued	88,332,055	201,251,132
Borrowings repaid	(149,727,522)	(236,797,334)
Interest accrued	25,980,802	22,953,749
Capitalised interest (Note 7)	2,511,193	2,686,880
Interest repaid	(26,658,066)	(20,811,669)
Capitalised interest repaid	(2,511,193)	(2,384,926)
Foreign exchange adjustments	9,081,960	1,309,400
Unwinding of present value discount	5,163,793	4,327,918
Other payments	(297,297)	(1,608,706)
<b>Borrowings at 31 December</b>	<b>310,362,769</b>	<b>358,487,044</b>

The carrying value of loans in the context of the Group companies is as follows:

**Samruk-Energy**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Samruk-Kazyna	62,293,718	59,959,842
Bonds	42,782,099	20,846,244
European Bank for Reconstruction and Development	31,608,886	39,022,497
Sberbank JSC SB	2,250,655	-
Halyk Bank JSC	-	24,767,435
Kazkommertsbank JSC	-	10,180,000
Eurobonds	-	-
<b>Total Samruk-Energy borrowings</b>	<b>138,935,358</b>	<b>154,776,018</b>

**Samruk-Kazyna**

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 48,200,000 thousand for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 7,000,000 thousand for the purpose of financing construction of substation of AZhK. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 200,000,000 thousand for the purpose of acquisition of remaining share in EGRES-1. The principal amount is payable on 1 December 2028 and interest at 7.8% is payable by semi-annual payments.

On 3 October 2014 the loan agreement was substantially modified pursuant to the addendum to the loan agreement in the following way:

- Principal amount Tenge 100,000,000 thousand was extinguished as a contribution to share capital.
- Interest rate on the remaining principal amount was increased to 9%, which approximates the market interest rate.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**Samruk-Energy (Continued)**

*Samruk-Kazyna (Continued)*

On 25 December 2015 the loan agreement was significantly amended in accordance with the addendum No.2 to credit agreement No.369-I, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant modification in the loan terms. Management believes that such change in the conditions of the loan should be considered as a settlement of the original loan and recognition of a new loan at a fair value. At the loan origination date, the market rate was 12.8% per annum. The Group recognised a gain on initial recognition of the loan of Tenge 72,581,903 thousand as part of other reserves. Management believes that by providing a loan at the below-market rate, Samruk-Kazyna acted as a shareholder. Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date, calculated using the discounted cash flow method at the effective rate of 12.8% per annum.

*European Bank for Reconstruction and Development*

In December 2016 the Group opened a non-revolving line of credit for EUR 100 million to refinance Eurobonds. In September 2017 the Group received two tranches of Tenge 39,114,450 thousand within this credit facility. The interest rate is set based on the independent indicative interest rate for loans at MosPrime Rate money market (Moscow Prime Offered Rate), plus margin of 3.5% and 4.5% per annum. Changes in the independent indicative interest rate are recorded on a quarterly basis. The principal is payable twice a year and at maturity.

*Halyk Bank JSC*

In August 2017 the Group opened a non-revolving credit facility for Tenge 40,000,000 thousand to refinance Eurobonds and for other corporate purposes. The interest rate is 14.2% per annum and is payable quarterly. The principal is payable twice a year. In 2018 the Company early repaid loans of Tenge 37,100,000 thousand.

*Bonds*

In August and September 2017 the Company issued and placed bonds for a total of Tenge 20,000,000 thousand and Tenge 28,000,000 thousand, respectively, with a nominal value of Tenge 1000 per bond with a five-year term. The coupon rate was 13% per annum and 11.5% per annum, respectively, and is payable twice a year and on a quarterly basis, respectively.

In November 2018 the Company issued and placed bonds for a total of Tenge 21,736,200 thousand, with a nominal value of Tenge 1000 per bond with a seven-year term. The coupon rate was 11.2% per annum and is payable twice a year.

*Kazkommertsbank JSC*

In 2015 within the credit line agreement the Group obtained a loan in the amount of Tenge 10,000,000 thousand for a period of 5 years for replenishing the working capital. The effective interest rate on this loan was 12%. In 2018 the Company early repaid its loans in Kazkommertsbank JSC in full.

*Eurobonds*

Based on Board of Directors approval the Group issued and placed 500,000 non-collateral Eurobonds on 7 September 2012 and 6 December 2012. The coupon interest rate was fixed at the rate of 3.75% per annum (effective rate 3.85%). Nominal value of one bond was USD 1,000. The issue was registered on the Irish Stock Exchange on 20 December 2012. The Group issued and placed Eurobonds of USD 500,000 thousand. The Group fully repaid Eurobonds in September and December 2017 according to the repayment schedule.

**Moinak Hydro Power Station JSC**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
State Development Bank of China	54,305,480	50,267,422
Development Bank of Kazakhstan JSC	19,848,705	20,300,470
<b>Total borrowings of Moinak HPS</b>	<b>74,154,185</b>	<b>70,567,892</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**Moinak Hydro Power Station JSC (Continued)**

*State Development Bank of China*

On 14 June 2006 Moinak Hydro Power Station JSC ("Moinak HPS") received the credit line from the State Development Bank of China in the amount of USD 200,000 thousand at the interest rate of 6MLIBOR+1.2%. The loan was provided for 20 years. Moinak HPS used loan in the amount of USD 196,337,143 for the construction of HPS in the period from 2006 to 31 December 2013. The remaining amount of USD 3,662,857 will not be used. During 2017 and 2016 Moinak HPS did not receive cash within this credit line. The loan is secured as follows:

- Guarantee of Samruk-Kazyna in the amount of USD 50,000,000.
- Rights to withdraw 80% of received payments for electricity.

In accordance with loan agreement Moinak HPS shall ensure minimum price for electricity in the amount of USD 0.0298 per 1 kWh from the beginning of HPS commissioning and till the moment, when loan is repaid in full. At 31 December 2017 USD 0.0298 equalled Tenge 9.90 at the exchange rate at that date. The rate at which Moinak HPS electricity sold since May 2015 has been Tenge 9.50 per 1 kWh. Management believes that the use of lower prices referred to in Loan Agreement, is not basis for a default. As per agreement, the price of electricity less than USD 0.02 per 1 kWh can be a reason for default. As of 31 December 2018 0.02 US dollars equals to Tenge 6.65 at the exchange rate at that date. Thus, management believes that it has not violated its obligations as at 31 December 2018. Note 28 discloses the current policy of the National Bank of the Republic of Kazakhstan in respect to currency regulation. If the exchange rate is more than Tenge 475 per 1 USD at the current rate of Tenge 9.5 per 1 kWh, the Moinak HPS may be declared as default.

Despite this, management believes that strong relationship between the State Development Bank of China JSC and the Government of the Republic of Kazakhstan will be a good support for the future business plans of MHPS. Additionally, the Company has intentions to obtain an individual tariff for power capacity upon introduction of the amendments to the Law *On Electric Power Industry* (Note 4).

*Development Bank of Kazakhstan JSC*

On 14 December 2005 and 16 January 2008 Moinak HPS received a loan in the form of two tranches from the Development Bank of Kazakhstan JSC, related party, in the amount of USD 25,000 thousand and USD 26,058 at the interest rate of 1.15\*6MLIBOR+1.15% and 8% per annum, respectively. The loans were granted for the period of 20 years. On 6 December 2012 Moinak HPS signed the supplementary agreement for changing the second tranche interest rate from 8% to 7.55%, relating to the amount of USD 1,563 thousand.

On 17 June 2011 Moinak HPS signed the contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of Tenge 12,285,000 thousands at the interest rate of 12% per annum. The loan is granted for the period of seventeen years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the third tranche interest rate from 12% to 7.55%, relating to the amount of Tenge 8,924,392 thousand. During 2015 Moinak HPS received cash on the third tranche in the amount of Tenge 1,867,551 thousand in accordance with supplementary agreements. During 2017 Moinak HPS did not receive additional tranches.

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the Republic of Kazakhstan of USD 25,000 thousand. The second-tier bank counter-guarantee of Tenge 880,539 thousand.
- Guarantee of Samruk-Kazyna in the amount of Tenge 12,285,000 thousand.
- Guarantee of Samruk-Kazyna JSC of Tenge 1,079,213 thousand dated 13 December 2012.
- In 2015 the Company obtained the guarantee of USD 26,058,000 from Samruk-Energy JSC, to exclude proceeds under the electricity sales agreements from the collateral structure.
- Property, plant and equipment with carrying amount of Tenge 5,556,204 thousand (2017: Tenge 5,433,561 thousand) (Note 29).

**EGRES-1**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Sberbank JSC SB	23,051,433	29,047,445
Halyk Bank of Kazakhstan JSC	-	28,117,641
<b>Total borrowings of EGRES-1</b>	<b>23,051,433</b>	<b>57,165,086</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**EGRES-1 (Continued)**

*Subsidiary bank of Sberbank of Russia JSC*

In August 2017 EGRES-1 opened two non-revolving credit lines with the subsidiary bank of Sberbank of Russia JSC and received borrowings of Tenge 7,000,000 thousand and Tenge 21,000,000 thousand, for a period of 5 years and 3 years, respectively. Borrowings are collateralised by future cash flows totalling Tenge 22,680,000 thousand. The interest rate was set at 12.5% per annum, and on 2 July 2018 was reduced down to 11.5% per annum. EGRES-1 made a cash contribution of Tenge 100 thousand for each line as a collateral.

*Halyk Bank of Kazakhstan*

In April 2015 the Company signed the loan agreement with Halyk Bank of Kazakhstan JSC of Tenge 12,000,000 thousand for one year. The loan was granted to replenish the working capital for a period of 12 months starting from the financing date being 10 April 2015 till 9 April 2016. The interest rate is 14% per annum

On 12 May 2016 the EGRES-1 signed addendum to credit line agreement on total limit increase to Tenge 43,000,000 thousands with the change of credit line terms including:

- Limit 1 – Tenge 35,000,000 thousand on non-revolving basis for 5 years (till 07 April 2021 – tranche terms till the end of financing).
- Limit 2 – Tenge 8,000,000 thousand on non-revolving basis (3 years – tranche terms up to 12 months).

On 16 May 2016 EGRES-1 LLP received loan within Limit 1 to finance payables to Sberbank in the amount of Tenge 23,000,000 thousand for the period of 5 years from the date of financing commencement to 7 April 2021. Interest rate as of the moment of contract signing date was 16% per annum. On 21 September 2016 an addendum to loan agreements was signed to decrease interest rate to 14% per annum.

Following bank loan agreements were signed within Limit 2:

- on 25 May 2016 in the amount of Tenge 3,000,000 thousand for the replenishment of property, plant and equipment for 12 months with the interest rate of 16% per annum.
- on 3 August 2016 in the amount of Tenge 1,000,000 thousand for expenses related to investment activities for 12 months with the interest rate of 14% per annum;

On 28 September 2016 in the amount of Tenge 500,000 thousand for replenishment of property, plant and equipment and Tenge 1,000,000 thousand for investment related expenses for 12 months at the interest rate of 14% per annum. In 2018 the Company early repaid its loans to Halyk Bank of Kazakhstan JSC in full.

**ALES**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Halyk Bank of Kazakhstan JSC	30,865,441	21,814,335
Bank CenterCredit JSC	-	12,117,534
<b>Total borrowings of ALES</b>	<b>30,865,441</b>	<b>33,931,869</b>

*Halyk Bank of Kazakhstan JSC*

26 November 2014 the Company signed a credit facility agreement with Halyk Bank of Kazakhstan JSC with the disbursement limit of Tenge 4,000,000 thousand for 36 months (“Agreement”). The loan was provided for replenishment of the working capital. The interest rate was 9.0% per annum. Principal was repaid upon maturity of each loan, the tranche was payable within 6 months. Interests were paid on a monthly basis. The loan was collateralised by future cash flows from the contract with Almatyenergosbyt LLP.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**ALES (Continued)**

On 27 July 2017 the Company signed the addendum to this Agreement, whereby loans are granted as follows: with the disbursement limit of Tenge 4,000,000 thousand for a period of 6 months till 2 December 2020 under the revolving line (Limit-1), with the disbursement limit of Tenge 5,000,000 thousand for a period of five years till 17 September 2021 (Limit-2), and with the disbursement limit of Tenge 13,000,000 thousand for a period of 7 years till 1 March 2024 (Limit-3) under the non-revolving credit lines. The purpose of Limit-2 is to recover previously incurred investment costs related to the Company's project "Almaty CHP-2 Reconstruction and Expansion. III Phase. Boiler Unit No.8" till 2024" and to reimburse costs on the Company's borrowing from Samruk-Energy. The interest rate was 14.0% per annum. The purpose of Limit-3 is to refinance payables on the index-linked bonds in issue. The interest rate was 13.5% per annum. The loans were collateralised by future cash flows from the contract with Almatyenergosbyt LLP and Alatau Zharyk Company JSC.

On 1 October 2018 the Company signed the addendum to this Agreement, whereby loans are granted as follows: with the disbursement limit of Tenge 2,000,000 thousand for a period of 6 months till 1 December 2020 under the revolving line (Limit-4), with the disbursement limit of Tenge 9,327,142 thousand for a period until 1 March 2024 under the non-revolving credit line (Limit-5). The purpose of Limit-4 is to replenish the working capital. Limit-5 is provided for refinancing the debt to bank CenterCredit JSC. The interest rate was 12.0% per annum and 12.5% per annum under Limit-4 and Limit-5, respectively. The terms and conditions of Limits 1-3 remained unchanged. The Agreement is secured by future cash flows from the contract with Almatyenergosbyt LLP, Alatau Zharyk Company JSC and Almaty Heating Networks LLP.

On 12 December 2018 the Company signed the addendum to this Agreement to change the interest rates beginning from 15 November 2018: for Limit-1 and Limit -4 from 12.0% per annum down to 11.5% per annum, for Limit-2 from 14.0% per annum down to 12.5% per annum, for Limit-3 from 13.5% per annum down to 13.0% per annum. As a result, the Company recognized income from changes in terms of loans and borrowings of Tenge 167,117 thousand.

During the year ended 31 December 2018, the Company repaid the loans of Tenge 9,120,578 thousand and obtained loans of Tenge 18,222,701 thousand.

**Bank CenterCredit JSC**

On 4 October 2017, ALEC concluded an agreement on the provision of a credit line with Bank CenterCredit JSC for a period of 60 months within the limit of Tenge 10,000,000 thousand.

The loan was granted for the purpose of redemption of intragroup indexed bonds. The interest rate is 13% per annum for the first two years of financing, further 14% per annum. Repayment of the principal debt is made by semi-annual equal payments, in the amount not exceeding Tenge 672,858 thousand, the remaining amount is repayable at the end of the term. Remuneration is paid on a monthly basis.

On 2 December 2017, ALEC concluded an agreement on the provision of a credit line for a period of 36 months within the limit of Tenge 2,000,000 thousand. The loan was provided for the purpose of replenishing working capital. The interest rate is 13% per annum. Principal is repayable at the end of the term of each tranche obtained, the maturity of the tranche is six months.

In 2018 the Company early repaid its loan to Bank CenterCredit JSC and terminated the above-mentioned credit facility agreements.

**Shardara HPS JSC**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
European Bank of Reconstruction and Development	13,763,824	14,471,232
<b>Total borrowings of Shardara HPS</b>	<b>13,763,824</b>	<b>14,471,232</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**Shardara HPS JSC (Continued)**

*European Bank of Reconstruction and Development*

On 24 August 2012 the Shardara HPS JSC entered into loan agreement with the European Bank of Reconstruction and Development (“EBRD”) on loan in the amount of Tenge 9,150,000 thousand. On 28 February 2014 the amount of the agreement increased to Tenge 14,350,000 thousand. On 2 December 2015 Shardara HPS JSC obtained a loan from EBRD under the loan agreement for the amount of Tenge 7,500,000 thousand at an interest rate of 3.9% + total costs. Total costs represent the cost of financing of EBRD that are linked to base rate of National Bank of RK and were equal to 5.5% at the moment when funds were received. The loan was granted for a period of 15 years. On 2 June 2016 and 10 October 2016 as part of the loan agreement Tenge 1,350,000 thousand and Tenge 2,600,000 thousand were received, respectively.

The principal is repayable in equal quarterly instalments. Date of first payment is 3<sup>rd</sup> quarter of 2018, and date of the last payment is 2<sup>nd</sup> quarter of 2028. The interest is repayable on a quarterly basis, other commissions as per invoice received.

**AZhK**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Halyk Bank of Kazakhstan JSC	15,927,690	11,612,389
Loans from consumers	2,006,604	2,227,376
Notes payable	-	450,358
<b>Total borrowings of AZhK</b>	<b>17,934,294</b>	<b>14,290,123</b>

*Halyk Bank of Kazakhstan JSC*

In 2015 AZhK and Halyk Bank of Kazakhstan JSC (“Halyk Bank”) signed an agreement on a credit line of Tenge 22,850,872 thousand with an interest rate of 13.0% per annum for 5 years. Credit line is collateralised by cash on current bank account and movable and immovable properties, which will be purchased/built/reconstructed at the expense of borrowings. At 31 December 2018 building/reconstruction of such properties has not been completed yet. The borrowing is repayable on a monthly basis, by equal instalments.

*Loans from consumers*

In accordance with the Resolution of Government of the Republic of Kazakhstan dated 21 February 2007, AZhK received loans from customers for additional power capacities through construction of power transmission lines and infrastructure of electricity grid connection or reconstruction of the existing power transmission lines and infrastructure. These loans are interest-free and not secured by any collateral. The loans from customers are repayable by equal payments within 20 years, beginning from the 4<sup>th</sup> year from the Group’s receipt of the loans.

The loans from customers were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate; and subsequently carried at amortised cost. At 31 December 2017 loans from customers for connection of additional capacity were Tenge 2,006,604 thousand (31 December 2017: Tenge 2,227,376 thousand). The difference between the nominal value and fair value of consideration received is recognised as deferred income.

In accordance with Law of the RoK No. 116-IV dated 29 December 2008, *On Introduction of Amendments and Additions to Certain Legislative Documents of the Republic of Kazakhstan Regarding the Issues of Operations of Independent Industry Regulators*, the amendments have been incorporated into the Law *On Electric Power Industry*, which became effective from 1 January 2009, and excluded obligations of consumers of electric and heating power to provide loans with regard to connection of additional capacities.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**18 Borrowings (Continued)**

**PVES LLP**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Eurasian Development Bank	9,166,840	11,223,457
<b>Total borrowings of PVES LLP</b>	<b>9,166,840</b>	<b>11,223,457</b>

*Eurasian Development Bank*

Under non-revolving credit facility agreement No.107 dated 29 April 2013, PVES LLP (“PVES”) raised a long-term loan for construction of a wind power electric plant in Akmola region. The interest rate for the tranches received from the agreement date until 28 April 2015 is 10.5% per annum, starting from 29 April 2015 the interest rate is 12.5% per annum. The interest and principal are payable quarterly by equals amounts.

**AlmatyEnergoSbyt**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Halyk Bank of Kazakhstan JSC	2,491,393	2,061,367
<b>Total borrowings of AlmatyEnergoSbyt LLP</b>	<b>2,491,393</b>	<b>2,061,367</b>

*Halyk Bank JSC*

AlmatyEnergoSbyt has a short-term credit line opened with Halyk Bank for purpose of replenishing the working capital. In 2018 the interest rate in Tenge was reduced from 13% down to 11.5% per annum. The outstanding amount at 31 December 2018 is payable in 2019.

**19 Other Non-current Liabilities**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade payables	2,805,502	2,257,670
Finance lease	401,393	-
<b>Total non-current financial liabilities</b>	<b>3,206,895</b>	<b>2,257,670</b>
Deferred income	1,300,278	1,849,314
Other	336,363	336,232
<b>Total other non-current liabilities</b>	<b>4,843,536</b>	<b>4,443,216</b>

Trade payables of Tenge 2,805,502 thousand represent the Group's non-current payables to contractors for modernisation of Shardara HPS JSC (2017: Tenge 2,257,670 thousand). These payables are fully denominated in Euro at 31 December 2018 and 31 December 2017.

Deferred income represents the difference between the nominal value of loans from AZhK customers for construction and reconstruction of new and existing power transmission lines and infrastructure to connect to electricity transmission lines and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognised in profit or loss over the useful lives of property, plant and equipment.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**19 Other Non-current Liabilities (Continued)**

Presented below is movement of deferred income:

<i>In thousands of Kazakhstani Tenge</i>	<b>AZhK</b>
Carrying amount at 1 January 2017	2,297,371
Change in the carrying amount of loans from customers adjusted against deferred income	(119,861)
Revenue recognition	(328,196)
<b>Carrying amount at 31 December 2017</b>	<b>1,849,314</b>
Change in the carrying amount of loans from customers adjusted against deferred income	(240 817)
Revenue recognition	(308 219)
<b>Carrying amount at 31 December 2018</b>	<b>1,300,278</b>

**20 Trade and Other Payables**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade payables	14,048,376	9,602,687
Payables to Samsung C&T for BTTP (Note 4)	69,156,000	-
Payable to Almaty Akimat (Note 4)	5,841,513	5,841,513
Dividends payable	834,849	774,653
Finance lease	144,244	
Other financial payables	1,122,724	939,210
<b>Total financial trade payables</b>	<b>91,147,706</b>	<b>17,158,063</b>
Advances received from customers	1,941,232	2,094,737
Accrued provisions for unused vacations	1,861,398	1,826,821
Other payables	2,099,050	1,355,122
Salaries payable	1,667,526	1,288,728
Other distributions to shareholder (Note 13)	1,184,095	1,174,066
<b>Total trade and other payables</b>	<b>99,901,007</b>	<b>24,897,537</b>

On 16 November 2018 the settlement agreement with Samsung C&T was signed. In accordance with this agreement, Kazakh side, Government and Samruk-Energy are jointly obliged to pay the agreed upon amount in US dollars to Samsung C&T during 2019. In this regard, at 31 December 2018 the Company recognised provision for this liability of Tenge 69,156,000 thousand.

**21 Revenue**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Sale of electricity	223,722,768	188,575,044
Sale of heating energy	21,675,428	17,370,681
Income from lease of renewable energy power plants	4,600,580	4,519,035
Electricity transmission	4,837,033	4,003,680
Income from lease of investment property	3,539,557	3,286,762
Sale of chemical water	1,824,019	1,671,706
Other	200,515	465,038
<b>Total revenue</b>	<b>260,399,900</b>	<b>219,891,946</b>



**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**22 Cost of Sales**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	52,363,515	43,823,948
Fuel	56,768,378	43,363,810
Payroll and related expenses	25,230,812	24,034,759
Electricity transmission and other services	10,018,563	8,506,226
Third party services	8,219,452	7,393,595
Cost of purchased electricity from renewable energy sources	10,178,369	7,256,421
Repairing and maintenance	6,344,424	6,517,020
Water supply	4,663,549	4,455,268
Taxes other than on income	8,912,310	4,142,818
Materials	1,773,501	1,762,361
Security services	1,018,971	999,265
Accrual/(reversal) of provision on obsolete and slow-moving inventories	(31,951)	213,506
Electricity losses on transmission	193,170	204,960
Rent services	212,890	183,608
Other	2,490,170	6,753,770
<b>Total cost of sales</b>	<b>188,356,123</b>	<b>159,611,335</b>

**23 Selling Expenses**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Electricity transmission	8,158,425	11,785,615
Dispatch and electricity control	6,164,531	3,343,648
Payroll and related expenses	16,786	15,186
Other	451	458
<b>Total selling expense</b>	<b>14,340,193</b>	<b>15,144,907</b>

**24 General and Administrative Expenses**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Payroll and related expenses	5,862,284	5,762,238
Consulting and other professional services	2,193,183	1,414,352
Depreciation of property, plant and equipment and amortisation of intangible assets	775,561	1,077,587
Rent expense	651,066	653,155
Taxes other than on income	479,518	410,661
Security services	338,370	325,385
Materials	197,181	230,842
Business trips and representative expenses	270,351	229,715
Expo related expenses	-	187,970
Software maintenance	148,676	173,304
Membership fees	104,994	159,668
Repair and maintenance	138,301	157,854
Bank fees	-	144,195
Communication	115,905	114,410
Insurance	102,359	98,659
Other	1,640,279	1,568,897
<b>Total general and administrative expenses</b>	<b>13,018,028</b>	<b>12,708,892</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**25 Other Income, Net**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Income from sale of inventory	927,260	804,646
Income from gratuitously received services	641,361	453,551
Income from connection of additional capacities	308,219	328,196
Income from loan write-off	450,358	83,314
Foreign exchange gains less losses	473,931	-
Income from liability write-off	13,967	(715)
Other operating income	875,386	1,313,737
<b>Total other income</b>	<b>3,690,482</b>	<b>2,982,729</b>
Loss on impairment and disposal of property, plant and equipment	(2,410,447)	(1,415,673)
Other expenses	(1,356,533)	(1,429,173)
<b>Total other expense</b>	<b>(3,766,980)</b>	<b>(2,844,846)</b>
<b>Total other income/(expense)</b>	<b>(76,498)</b>	<b>137,883</b>

**26 Finance Income**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Interest income on bank deposits	1,125,347	2,550,534
Interest income on bonds	-	9,467
Income from unwinding of discount on non-current receivables	817,642	-
Income from unwinding of discount on bonds	156,866	107,558
Other	233,420	137,768
<b>Total finance income</b>	<b>2,333,275</b>	<b>2,805,327</b>

**27 Finance Costs**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Interest expense on borrowings	23,171,168	16,368,689
Interest expense on bonds	2,809,634	6,585,060
Unwinding of the present value of discount:		
- loans and financial aids from shareholders	4,723,240	3,967,433
- ash dump restoration provision	174,398	119,205
- loans from customers	245,410	270,567
- employee benefit	120,373	107,131
- bonds issued	195,143	89,918
- bonds purchased	809,426	-
Foreign exchange losses less gains	9,081,960	1,273,718
Impairment of loans issued	-	348,009
Dividends on preference shares of subsidiaries	141,107	141,110
Other	739,489	389,590
<b>Total finance costs recognized in profit or loss</b>	<b>42,211,348</b>	<b>29,660,430</b>
Capitalised borrowing costs (Note 7)	2,511,193	2,686,880
<b>Total finance costs</b>	<b>44,722,541</b>	<b>32,347,310</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**28 Taxes**

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
Current income tax expense, including:		
- Continuing operations	7,004,139	3,713,974
- Discontinued operations	-	783,956
Deferred income tax expense		
- Continuing operations	713,801	1,839,210
- Discontinued operations	-	333,332
<b>Total income tax expense, including:</b>		
- <b>Continuing operations</b>	<b>7,717,940</b>	<b>5,553,184</b>
- <b>Discontinued operations</b>	<b>-</b>	<b>1,117,288</b>

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	<b>2018</b>	<b>2017</b>
<b>Profit before tax from continuing operations under IFRS</b>	<b>12,726,520</b>	<b>(23,320,212)</b>
<b>Profit before tax from discontinued operations under IFRS</b>	<b>(1,583,957)</b>	<b>2,787,527</b>
Theoretical tax (benefit)/expense at statutory rate of 20% (2017: 20%)	2,228,513	(4,106,537)
Adjustments for:		
Share in profit of joint ventures and associates not subject to income tax	(1,950,374)	(186,957)
Other non-deductible expenses	868,095	1,121,441
Adjustment of prior-year income tax	613,508	171,048
Withholding tax	105,074	208,077
Temporary differences to be recognised upon termination of investment contract	272,307	331,833
(Profit)/loss of Moinak HPS exempted from income tax	1,004,661	(904,873)
Unused tax exemption due to lack of taxable income	-	2,626,182
Non-deductible loss from disposal of assets and discontinued operations	-	1,044,656
Changes in unrecognised deferred income tax assets – continuing operations	4,576,156	7,147,544
Unrecognised deferred income (liabilities)/assets – discontinued operations	-	(781,942)
<b>Total income tax expense, including:</b>		
- <b>Continuing operations</b>	<b>7,717,940</b>	<b>5,553,184</b>
- <b>Discontinued operations</b>	<b>-</b>	<b>1,117,288</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**28 Taxes (Continued)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences are detailed below, and are recorded at the rate applicable to period of assets realisation or liabilities settlement.

<i>In thousands of Kazakhstani Tenge</i>	<b>1 January 2018</b>	<b>Charged/ (credited) to profit or loss</b>	<b>31 December 2018</b>
<b>Tax effect of deductible temporary differences</b>			
Tax losses carried forward	22,980,082	5,015,172	27,995,254
Employee benefit obligation	169,267	15,958	185,225
Bonds	776,098	33,339	809,437
Ash dump restoration provision	446,703	116,412	563,115
Inventories	182,507	(4,556)	177,951
Trade and other receivables	713,676	32,039	745,715
Taxes other than income tax	89,870	(12,932)	76,938
Provision for unused vacation	322,188	(95,323)	226,865
Provision for impairment of investment in BTPP	5,514,105	-	5,514,105
Other	461,242	(125,806)	335,436
<b>Gross deferred income tax assets</b>	<b>31,655,738</b>	<b>4,974,303</b>	<b>36,630,041</b>
Unrecognised gross deferred income tax assets	(10,520,031)	(4,576,155)	(15,096,186)
Less offsetting with deferred income tax liabilities	(21,135,707)	(398,147)	(21,533,854)
<b>Recognised deferred income tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax effect of taxable temporary differences</b>			
Property, plant and equipment	(87,336,824)	(1,705,010)	(89,041,834)
Borrowings	(15,856,997)	593,061	(15,263,936)
Other	-	-	-
<b>Gross deferred income tax liabilities</b>	<b>(103,193,821)</b>	<b>(1,111,949)</b>	<b>(104,305,770)</b>
Less offsetting with deferred income tax assets	(21,135,707)	(398,147)	(21,533,854)
<b>Recognised deferred income tax liabilities</b>	<b>(82,058,114)</b>	<b>(713,801)</b>	<b>(82,771,915)</b>
Continuing operations	(82,058,114)	(713,801)	(82,771,915)

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**28 Taxes (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	<b>1 January 2017</b>	<b>Charged/ (credited) to profit or loss</b>	<b>31 December 2017</b>
<b>Tax effect of deductible temporary differences</b>			
Tax losses carried forward	23,367,460	(387,378)	22,980,082
Employee benefit obligation	121,364	47,903	169,267
Bonds	-	776,098	776,098
Ash dump restoration provision	248,844	197,859	446,703
Inventories	169,642	12,865	182,507
Trade and other receivables	328,575	385,101	713,676
Taxes other than income tax	125,744	(35,874)	89,870
Provision for unused vacation	334,566	(12,378)	322,188
Provision for impairment of investment in BTPP	-	5,514,105	5,514,105
Other	93,559	367,683	461,242
<b>Gross deferred income tax assets</b>	<b>24,789,754</b>	<b>6,865,984</b>	<b>31,655,738</b>
Unrecognised gross deferred income tax assets	(3,071,480)	(7,448,551)	(10,520,031)
Less offsetting with deferred income tax liabilities	(21,718,274)	582,567	(21,135,707)
<b>Recognised deferred income tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax effect of taxable temporary differences</b>			
Property, plant and equipment	(85,421,996)	(1,914,828)	(87,336,824)
Borrowings	(16,654,903)	797,906	(15,856,997)
Other	139,721	(139,721)	-
<b>Gross deferred income tax liabilities</b>	<b>(101,937,178)</b>	<b>(1,256,643)</b>	<b>(103,193,821)</b>
Less offsetting with deferred income tax assets	(21,718,274)	582,567	(21,135,707)
<b>Recognised deferred income tax liabilities</b>	<b>(80,218,904)</b>	<b>(1,839,210)</b>	<b>(82,058,114)</b>
Continuing operations	(80,218,904)	(1,839,210)	(82,058,114)
Discontinued operations	-	-	-

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be charged even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

The Group has potential deferred tax assets in respect of unused tax losses carry forwards of Tenge 15,096,186 thousand (2017: Tenge 10,520,031 thousand). The above tax losses carry forwards expire in 2027.

The Group did not recognise deferred tax liabilities of Tenge 144,293 thousand (2017: tax liabilities of Tenge 186,957 thousand) in respect of temporary differences associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Management believes that deferred tax assets of Tenge 1,308,241 thousand (2017: Tenge 958,527 thousand) will be recovered within less than 12 months after the reporting date.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**28 Taxes (Continued)**

**Taxes payable**

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Corporate income tax	908,056	369,334
<b>Corporate income tax payable</b>	<b>908,056</b>	<b>369,334</b>
Environmental taxes	1,021,906	937,870
VAT	2,858,329	899,428
Individual income tax	382,180	335,699
Social tax	316,281	294,398
Other taxes	57,742	133,348
<b>Taxes payable other than income tax</b>	<b>4,636,438</b>	<b>2,600,743</b>
<b>Total taxes payable</b>	<b>5,544,494</b>	<b>2,970,077</b>

**29 Contingencies, Commitments and Operating Risks**

***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.

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, the power and utilities 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 has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from the current expectations of management.

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**29 Contingencies, Commitments and Operating Risks (Continued)**

***Political and economic situation in the Republic of Kazakhstan (Continued)***

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Company'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 power sector supplying power energy to the population and industrial entities. 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 existing power stations. Management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the power sector is a strategically important part of the national economy.

For the purpose of measurement of expected credit losses ("ECL") the Company 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 Company incorporated forward-looking information in the ECL models.

***Tax legislation***

The tax conditions in the Republic of Kazakhstan are changeable and subject to inconsistent application, and interpretation. Discrepancies in the interpretation of Kazakh laws and regulations by the Group and Kazakhstan's authorized bodies may result in imposition of additional taxes, fines and penalties. This applies to Group's contracts for transportation signed with non-residents. As a result, tax authorities may challenge deals, and the Group may be imposed additional taxes of Tenge 2,996,869 thousand.

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In some cases, in order to determine the taxable base, the tax law refers to the provisions of IFRS, and the interpretation of the relevant provisions of IFRS by Kazakhstani tax authorities may differ from the accounting policies, judgments and estimates applied by management in the preparation of these financial statements, which may lead to additional tax liabilities of the Group. Fiscal periods remain open to review by the authorities in respect of taxes for five years after the end of the fiscal year.

The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

***Legal proceedings***

***ALES JSC's review by the Prosecutor's Office***

In July 2018 the Prosecutor's Office of Almaty initiated a review of ALES JSC's activities in terms of compliance with the laws on natural monopolies, protection of competition, electric power industry, Procurement Rules for goods, works and services for the period of 2015-2017 and 6 months of 2018.

On 24 September 2018 the Prosecutor of Almaty filed a claim with the Bostandykskiy District Court for invalidation of: the sale-purchase agreement of the Corporate Training Centre dated 9 January 2017 between the Company and Superior KZ LLP in the amount of Tenge 230,000 thousand, subsequent sale and purchase agreements between Superior KZ LLP and Mrs. G. Sh.Baygazinova, the decision of ALES JSC Tender Committee; and cancellation of the state registration of these contracts.

On 12 February 2019 the Bostandykskiy District Court of Almaty city decided to recognise as invalid the above-mentioned agreement and decision of ALES JSC Tender Committee. At the date of approval of these consolidated financial statements, the court judgement has not come into legal force. The Group's management plans to appeal against the court decision.

***Legal proceedings on violation of investment liabilities by Ekibastuz GRES-1 LLP***

In accordance with the amendment agreement No.498 dated 18 December 2015 *On Amendments and Supplements to Contract No.422 dated 20 December 2014 for investment liabilities of Ekibastuz GRES-1 LLP for 2015*, concluded with the Ministry of Energy of the Republic of Kazakhstan, the Company's investment liabilities for 2015 amount to Tenge 56,481,100 thousand, VAT not included.

However, the investment liabilities for 2015 were not performed in full, and Ekibastuz GRES-1 LLP assumed to fulfil such liabilities in 2016. According to the Addendum concluded with the Ministry of Energy of the Republic of Kazakhstan, the Company's investment liabilities for 2016 were Tenge 12,004,800 thousand, VAT not included. As at 31 December 2016 investment liabilities to the competent authority were fully performed.

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**29 Contingencies, Commitments and Operating Risks (Continued)**

***Legal proceedings on violation of investment liabilities by Ekibastuz GRES-1 LLP (Continued)***

On 6 April 2017 the Prosecutor's Office of Ekibastuz city submitted a protest to the Specialised Administrative Court of Pavlodar city against Decision No. 5 dated 16 June 2016 to terminate the administrative proceedings.

27 April 2017 the Specialised Administrative Court of Pavlodar city determined to cancel Decision No. 5 dated 16 June 2016. Ekibastuz GRES-1 LLP was charged with the penalty of 10% of outstanding investment liabilities, being Tenge 775,800 thousand.

On 31 May 2017 Ekibastuz GRES-1 LLP filed an application for reconsideration of the case due to newly discovered evidences.

On 12 June 2017 the Court considered the application and decided to uphold Decision No. 5 dated 16 June 2016 (on termination of the administrative proceedings in relation to Ekibastuz GRES-1 LLP). The protest of the Prosecutor's Office was dismissed. As at 31 December 2018 the Group did not create provision for penalties for investment liabilities since the Company has reasons and documents to support performance of the investment liabilities in full.

***Insurance***

The insurance market in the Republic of Kazakhstan is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

***Environmental matters***

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

***Provision for liquidation of ash dump***

In accordance with the environmental regulations the Group has a legal obligation to liquidate ash dumps that are disposal polygons of waste of operations of the Group. At 31 December 2018 the carrying amount of ash dump liquidation provision was Tenge 2,891,877 thousand (31 December 2017: Tenge 2,404,270 thousand). Ash dump liquidation provision is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

***Capital commitments***

As at 31 December 2018 the Group had long term contractual commitments to purchase the property, plant and equipment for Tenge 163,374,052 thousand (31 December 2017: Tenge 189,610,926 thousand).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

***Capital commitments of joint ventures and associates***

As at 31 December 2018 the Group's share in long term capital expenditure commitments of Forum Muider and EGRES-2 was Tenge 47,314,072 thousand and Tenge 47,992,570 thousand, respectively (31 December 2017: Tenge 42,687,895 thousand and Tenge 48,381,496 thousand).

***Compliance with covenants***

The Group has certain covenants on loans and bonds. Failure to comply with these covenants may result in negative consequences for the Group, including the growth of borrowing costs and the announcement of a default. Based on the 2018-year results, the Group complied with the regulatory values of the loan covenants and received waivers in case of any violation.



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**30 Non-controlling Interest**

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group.

<i>In thousands of Kazakhstani Tenge</i>	Place of business (and country of incorporation if different)	Proportion of non- controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non- control-ling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non- controlling interest during the year		
<b>Year ended 31 December 2018</b>								
Bukhtarminskaya HPS	Kazakhstan	10%	10%	251,167	1,072,610	234,640		
Shulbinskaya HPS	Kazakhstan	7,86%	7,86%	(990)	27,858	-		
Ust-Kamenogorskaya HPS	Kazakhstan	10,01%	10,01%	(429)	3,804	-		
Energiya Semirechiya LLP	Kazakhstan	75%	75%	(65,796)	(303,311)	-		
<b>Total</b>				<b>183,952</b>	<b>800,962</b>	<b>234,640</b>		
<b>Year ended 31 December 2017</b>								
Bukhtarminskaya HPS	Kazakhstan	10%	10%	277,873	912,073	287,452		
Shulbinskaya HPS	Kazakhstan	7,86%	7,86%	(1,853)	28,849	-		
Ust-Kamenogorskaya HPS	Kazakhstan	10,01%	10,01%	(189)	4,233	-		
Mangistau Electricity Distribution Company JSC	Kazakhstan	21.36%	21.36%	460,567		66,150		
Energiya Semirechiya LLP	Kazakhstan	49%	49%	(55,612)	(237,515)	-		
<b>Total</b>				<b>680,786</b>	<b>707,640</b>	<b>353,602</b>		
<i>In thousands of Kazakhstani Tenge</i>	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Revenue	Profit/ (loss)	Total compre- hensive income	Cash flows
<b>Year ended 31 December 2018</b>								
Bukhtarminskaya HPS	1,690,182	1,194,857	416,758	154,916	3,540,975	2,511,669	2,637,620	(885,480)
Shulbinskaya HPS	150	-	547,154	7,512	-	(12,599)	(12,599)	-
Ust-Kamenogorskaya HPS	150	-	107,933	7,338	-	(4,285)	(4,285)	-
Energiya Semirechiya LLP	3,152	312,221	903,247	-	-	(100,452)	(100,452)	(9,707)
<b>Total</b>	<b>1,693,634</b>	<b>1,507,078</b>	<b>1,975,092</b>	<b>169,766</b>	<b>3,540,975</b>	<b>2,394,333</b>	<b>2,520,284</b>	<b>(895,187)</b>
<b>Year ended 31 December 2017</b>								
Bukhtarminskaya HPS	2,230,901	1,194,857	357,392	154,916	3,288,379	2,778,727	2,778,727	226,457
Shulbinskaya HPS	-	-	535,640	6,277	-	(23,579)	(23,579)	-
Ust-Kamenogorskaya HPS	-	-	104,729	6,107	-	(1,885)	(1,885)	-
Mangistau Electricity Distribution Company JSC	-	-	-	-	-	-	-	-
Energiya Semirechiya LLP	33,255	230,254	750,925	-	-	(84,696)	(84,696)	4,919
<b>Total</b>	<b>2,264,156</b>	<b>1,425,111</b>	<b>1,748,686</b>	<b>167,300</b>	<b>3,288,379</b>	<b>2,668,567</b>	<b>2,668,567</b>	<b>231,376</b>

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**31 Principal Subsidiaries, Associates and Joint Venture**

<b>Name</b>	<b>Nature of business</b>	<b>Percentage of voting rights</b>	<b>Percentage of ownership</b>	<b>Country of registration</b>
<b>Subsidiaries:</b>				
Alatau Zharyk Company JSC	Electricity transmission and distribution in Almaty and the Almaty region	100%	100%	Kazakhstan
Almaty Power Stations JSC	Production of electrical, heating energy and hot water in Almaty and the Almaty region	100%	100%	Kazakhstan
AlmatyEnergoSbytt LLP	Sale of electricity in Almaty and the Almaty region	100%	100%	Kazakhstan
Shardara HPS JSC	Power generation at in Almaty and the Almaty region in the Southern Kazakhstan	100%	100%	Kazakhstan
Moinak HPS JSC	Power generation at in Almaty and the Almaty region in the Almaty region	100%	100%	Kazakhstan
Ekibastuzskaya GRES-1 named after Bulat Nurzhanov	Production of electrical and heating energy on the basis of coal	100%	100%	Kazakhstan
Bukhtarminskaya HPS	Owner of Bukhtarminskaya hydropower station transferred under lease arrangement Since hydropower station is under lease, this company is inoperative	90%	90%	Kazakhstan
Ust-Kamenogorskaya HPS	Since hydropower station is under lease, this company is inoperative	89.99%	89.99%	Kazakhstan
Shulbinskaya HPS	Since hydropower station is under lease, this company is inoperative	92.14%	92.14%	Kazakhstan
Samruk Green Energy LLP	Development of renewable electricity	100%	100%	Kazakhstan
First Wind Turbine LLP	Power generation at the wind-power station	100%	100%	Kazakhstan
KazGidroTekhEnergO LLP	Implementation of projects on renewable energy sources	100%	100%	Kazakhstan
TeploEnergOMash LLP	Implementation of projects on renewable energy sources	95%	95%	Kazakhstan
Energy Solutions Centre LLP	Transportation and other services	100%	100%	Kazakhstan
<b>Associates:</b>				
Balkhashskaya TES	Construction of Balkhash TPS	50%- 1 share	50%- 1 share	Kazakhstan
Energiya Semirechiya LLP	Power generation at the solar plant near Almaty city	25%	25%	Kazakhstan
<b>Joint ventures:</b>				
EGRES-2 JSC	Production of electrical and heating energy on the basis of coal Company holding 100% charter in Bogatyr Komir (Company involved in production of power generating coal) and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations	50%	50%	Kazakhstan
Forum Muider BV		50%	50%	Netherlands
Tegis Munai LLP and Mangyshlak Munai LLP	Gas field exploration and development	100%	100%	Kazakhstan

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### **32 Presentation of Financial Instruments by Measurement Category**

According to IFRS 9 “Financial Instruments”, the Group classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI, (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

As at 31 December 2017, according to IAS 39 “Financial Instruments: Recognition and Measurement”, the Group classified financial assets into the following categories: (a) L&R; (b) AFS financial assets; (c) financial assets HTM and (d) financial assets at FVTPL (“FVTPL”). Financial assets at FVTPL had two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables formed a separate category.

As of 31 December 2018 all financial assets of the Group were carried at amortised cost. At 31 December 2017 all financial assets of the Group were classified to loans and receivables and assets HTM. As at 31 December 2018 and 31 December 2017 all financial liabilities of the Group were carried at amortised cost.

### **33 Financial Risk Management**

#### **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), which provides principles for risk management, covering specific areas, such as credit risk, liquidity risk, and market risk.

#### **(a) 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 Group depending on the class of the asset.

The Group applies IRB systems for measuring credit risk for non-current receivables.

The rating models are regularly reviewed, backtested 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.

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**33 Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

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 other than trade receivables and non-current receivables

**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.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure within a defined period. PD 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. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

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 expected 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 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:
  - suspending accrual of interest/reduction in the interest rate on a financial asset;
  - writing-off the principal amount;
  - sales of a financial asset at a significant discount to its nominal value;
  - restructuring that will result in reduction in/write-off of the loan/debt release;
  - increase in the maturity of a financial asset;
  - granting of indulgence on the principal/interests;
  - filing a bankruptcy claim against the counterparty in line with the legislation of the Republic of Kazakhstan;
  - bankruptcy claim filed by the counterparty;
  - liabilities covered by the guarantee agreement or payment under the guarantee agreement are past due more than 90 days.

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.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**33 Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

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 of three months 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 consolidated 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 Group monitors whether that indicator continues to exist or has changed.

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

The table below classifies financial assets, such as other long-term receivables and bonds and loans given carried at amortised cost, by separate stage of impairment models. ECL provisions of other financial assets is insignificant as at 31 December 2018.

	ECL allowance			Total	Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
<b>Other long-term receivables</b>								
<b>At 1 January 2018</b>	<b>(230,315)</b>	-	-	<b>(230,315)</b>	<b>13,387,349</b>	-	-	<b>13,387,349</b>
New originated or purchased	(17,829)	-	(716,319)	(734,148)	272,541	-	3,058,400	3,330,941
Derecognised during the period	21,359	-	(151,510)	(130,151)	(2,118,549)	-	27,560	(2,090,989)
Unwinding of discount	-	-	-	-	452,636	-	-	452,636
Other movements	-	-	-	-	27,689	-	-	27,689
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>3,530</b>	-	<b>(867,829)</b>	<b>(864,299)</b>	<b>(1,365,683)</b>	-	<b>3,085,960</b>	<b>1,720,277</b>
FX and other movements	-	-	-	-	58	-	-	58
<b>At 31 December 2018</b>	<b>(226,785)</b>	-	<b>(867,829)</b>	<b>(1,094,614)</b>	<b>12,021,724</b>	-	<b>3,085,960</b>	<b>15,107,684</b>

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**Notes to the Consolidated Financial Statements – 31 December 2018**

**33 Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

	ECL allowance			Total	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
<b>Bonds and loans given</b>								
<b>At 1 January 2018</b>	<b>(36,943)</b>	<b>-</b>	<b>-</b>	<b>(36,943)</b>	<b>1,996,254</b>	<b>-</b>	<b>-</b>	<b>1,996,254</b>
New originated or purchased	(46,402)	-	(26)	(46,428)	1,435,741	-	-	1,435,741
Derecognised during the period	21,179	-	-	21,179	(44,264)	-	-	(44,264)
Unwinding of discount, net	-	-	-	-	(825,081)	-	-	(825,081)
Changes in accrued interest	-	-	-	-	9,958	-	-	9,958
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(25,223)</b>	<b>-</b>	<b>(26)</b>	<b>(25,249)</b>	<b>576,354</b>	<b>-</b>	<b>-</b>	<b>576,354</b>
<b>At 31 December 2018</b>	<b>(62,166)</b>	<b>-</b>	<b>(26)</b>	<b>(62,192)</b>	<b>2,572,608</b>	<b>-</b>	<b>-</b>	<b>2,572,608</b>

The Group has three approaches for ECL measurement: (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; and (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 discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The table below summarises external (if any) and internal credit ratings at the end of the relevant reporting period:

<i>31 December 2018</i>	<i>Cash</i>	<i>Restricted cash</i>	<i>Term deposits</i>	<i>Bonds and loans</i>
<i>In thousands of Kazakhstani Tenge</i>				
BBB+	-	-	-	-
BBB- (negative)	-	-	-	-
BB+	65,181	6,514,628	-	-
BB (negative)	8,777,050	6,968,605	558,308	-
BB-	2,710,872	46,716	-	-
B+ (stable)	-	-	-	-
B (negative)	2,030,797	-	1,659,568	1,199,356
B- (negative)	1,772	-	68,855	600,397
CCC (negative)	-	-	-	-
D (negative)	-	323,729	-	710,695
N/a	18,663	-	-	104,229
<b>Total financial assets</b>	<b>13,604,335</b>	<b>13,853,678</b>	<b>2,286,731</b>	<b>2,614,677</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**33 Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

<i>1 January 2018</i>				
<i>In thousands of Kazakhstani Tenge</i>	<b>Cash</b>	<b>Restricted cash</b>	<b>Term deposits</b>	<b>Bonds and loans</b>
BBB+	4,674	-	-	-
BBB- (negative)	-	6,419,624	-	-
BB+	-	-	-	-
BB (negative)	16,762,550	304	129,844	-
BB-	189,037	-	-	-
B+ (stable)	1,227,606	-	-	-
B (negative)	956,850	-	2,220,759	1,228,736
B- (negative)	14,381,452	-	2,715,745	-
CCC (negative)	59,088	-	-	-
D (negative)	-	328,427	-	767,518
N/a	18,326	12,256	-	-
<b>Total financial assets</b>	<b>33,599,583</b>	<b>6,760,611</b>	<b>5,066,348</b>	<b>1,996,254</b>

The Group applies the provision matrix for calculation of ECL on trade receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the overdue days.

The levels of default and calculation of loss allowance at the end of the relevant reporting period were as follows:

<b>Trade receivables from legal entities</b>						
<i>In thousands of Kazakhstani Tenge</i>	<b>Total</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>&gt;90 days</b>
Trade receivables at 31 December 2018	20,487,270	13,527,396	3,869,849	457,623	119,823	2,512,579
Level of default		0.09%	0.50%	1.35%	3.44%	34.61%
ECL	(912,171)	(12,646)	(19,485)	(6,194)	(4,120)	(869,726)
<b>Total</b>	<b>19,575,099</b>	<b>13,514,750</b>	<b>3,850,364</b>	<b>451,429</b>	<b>115,703</b>	<b>1,642,853</b>

<b>Trade receivables from legal entities</b>						
<i>In thousands of Kazakhstani Tenge</i>	<b>Total</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>&gt;90 days</b>
Trade receivables at 1 January 2018	19,774,337	17,676,666	1,685,151	83,948	44,526	284,046
Level of default		0.25%	0.50%	6.27%	12.93%	12.93%
ECL	(102,368)	(42,849)	(11,767)	(5,261)	(5,758)	(36,733)
<b>Total</b>	<b>19,671,969</b>	<b>17,633,817</b>	<b>1,673,384</b>	<b>78,687</b>	<b>38,768</b>	<b>247,313</b>

<b>Trade receivables from individuals</b>						
<i>In thousands of Kazakhstani Tenge</i>	<b>Total</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>&gt;90 days</b>
Trade receivables at 31 December 2018	4,051,379	3,605,437	158,144	61,900	34,402	191,496
Level of default	-	0.57%	5.15%	21.98%	70.58%	100.00%
ECL	(258,143)	(20,616)	(8,147)	(13,604)	(24,280)	(191,496)
<b>Total</b>	<b>3,793,236</b>	<b>3,584,821</b>	<b>149,997</b>	<b>48,296</b>	<b>10,122</b>	<b>-</b>

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**33 Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	<b>Trade receivables from individuals</b>					
	<b>Total</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>&gt;90 days</b>
Trade receivables at 1 January 2018	4,223,115	3,828,778	153,908	58,326	20,628	161,475
Level of default ECL	(109,446)	(5,360)	(6,880)	(6,667)	(4,049)	(86,490)
		0.14%	4.47%	11.43%	19.63%	53.56%
<b>Total</b>	<b>4,113,669</b>	<b>3,823,418</b>	<b>147,028</b>	<b>51,659</b>	<b>16,579</b>	<b>74,985</b>

Analysis by group of consumers of trade and other receivables is as follows (Neither past due nor impaired):

<i>31 December 2018</i>		
<i>In thousands of Kazakhstani Tenge</i>	<b>Trade receivables</b>	<b>Other financial receivables</b>
Major entities	1,271,868	129
Small and medium-sized entities	12,255,528	557,510
Individuals	3,605,437	-
<b>Total</b>	<b>17,132,833</b>	<b>557,639</b>

<i>31 December 2017</i>		
<i>In thousands of Kazakhstani Tenge</i>	<b>Trade receivables</b>	<b>Other financial receivables</b>
Major entities	1,140,050	126
Small and medium-sized entities	16,536,616	157,530
Individuals	3,828,778	-
<b>Total</b>	<b>21,505,444</b>	<b>157,656</b>

**Forward-looking information incorporated in the ECL models.** The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs: GDP, inflation, exchange rate, oil price, and short-term economic indicator used for description of the economic development trend based on changes in the performance of primary sectors.

The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next ten years. In planning cash flows, the Group also accounts for income from temporary excess cash using the bank deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including future payment of interest and principal.



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**33 Financial Risk Management (Continued)**

**(b) Liquidity risk (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>
<i>At 31 December 2018</i>					
Borrowings	4,579,924	19,396,427	38,065,239	203,251,394	209,148,504
Other non-current financial liabilities	-	-	-	2,805,502	-
Trade and other payables	18,940,638	1,475,241	70,587,583	-	-
Finance lease	18,053	1,833	124,851	525,927	-
<b>Total future payments, including future principal and interest payments</b>	<b>23,538,615</b>	<b>20,873,501</b>	<b>108,777,673</b>	<b>206,582,823</b>	<b>209,148,504</b>
<i>At 31 December 2017</i>					
Borrowings	3,718,440	16,232,161	47,180,591	272,168,444	213,491,282
Other non-current financial liabilities	-	-	-	-	2,257,670
Trade and other payables	14,685,746	1,697,664	774,653	-	-
<b>Total future payments, including future principal and interest payments</b>	<b>18,404,186</b>	<b>17,929,825</b>	<b>47,955,244</b>	<b>272,168,444</b>	<b>215,748,952</b>

**(c) Market risk**

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements.

**Currency risk.** The Group's certain borrowings (Note 18) and trade payables (Note 20) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently the benefits from implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

<i>In thousands of Kazakhstani Tenge</i>	<b>USD</b>	<b>Euro</b>	<b>Other currencies</b>	<b>Total</b>
<i>At 31 December 2018</i>				
Assets	8,469,942	7,121,553	13	15,591,508
Liabilities	(65,831,215)	(2,847,605)	-	(68,678,820)
<b>Net position</b>	<b>(57,361,273)</b>	<b>4,273,948</b>	<b>13</b>	<b>(53,087,312)</b>
<i>At 31 December 2017</i>				
Assets	18,129,531	1,293,446	2,578,331	22,001,308
Liabilities	(61,214,298)	(2,349,725)	(6,537)	(63,570,560)
<b>Net position</b>	<b>(43,084,767)</b>	<b>(1,056,279)</b>	<b>2,571,794</b>	<b>(41,569,252)</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2018**

**33 Financial Risk Management (Continued)**

**(c) Market risk (Continued)**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant.

<i>In thousands of Kazakhstani Tenge</i>	<b>At 31 December 2018</b>	<b>At 31 December 2017</b>
	<b>Impact on profit or loss</b>	<b>Impact on profit or loss</b>
US Dollar strengthening by [10]% (2017: strengthening by [10]%)	(4,588,902)	(3,463,442)
US Dollar weakening by [10]% (2017: weakening by [10]%)	4,588,902	3,463,442
Euro strengthening by 10% (2017: strengthening by [10]%)	341,916	164,594
Euro weakening by 15% (2017: weakening by [10]%)	(512,874)	(164,594)
Euro weakening by 19% (2017: strengthening by [10]%)	2	(67,602)
Euro weakening by 19% (2017: weakening by [10]%)	(2)	67,602

**Interest rate risk.** The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk arises from long-term and short-term borrowings. The Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange and All-in-Cost (total bank costs, taking into account the inflation rate in the Republic of Kazakhstan and other bank charges). Increase in LIBOR and All-in-Cost would have an adverse effect on the Group's cash flows. The Group carefully monitors changes in floating interest rates. The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates.

If at 31 December 2018 interest rates had been 60 basis points higher, with all other variables held constant, profit for the year would have been Tenge 634,465 thousand higher/less, mainly as a result of higher/lower interest expense on floating interest rate liabilities (31 December 2017: Tenge 688,546 thousand).

**Management of capital**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. Management considers the current gearing ratio as acceptable for the risk profit of the Group.

<i>In thousands of Kazakhstani Tenge</i>	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Total borrowings	18	310,362,769	358,487,044
<i>Less:</i>			
Cash and cash equivalents	14	(13,604,335)	(32,719,043)
Net borrowings		296,758,434	325,768,001
Total equity		480,011,945	479,510,676
<b>Total capital</b>		<b>776,770,379</b>	<b>805,278,677</b>
<b>Gearing ratio</b>		<b>38%</b>	<b>40%</b>

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**34 Fair Value Disclosures**

**Fair value measurement**

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 observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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:

<i>In thousands of Kazakhstani Tenge</i>	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
<b>Assets</b>								
Cash and cash equivalents	-	13,604,335	-	13,604,335	-	32,719,043	-	32,719,043
Restricted cash	-	13,529,949	-	13,529,949	-	7,312,723	-	7,312,723
Term deposit	-	2,255,927	-	2,255,927	-	5,066,348	-	5,066,348
Financial receivables	-	23,368,335	-	23,368,335	-	23,799,171	-	25,525,739
Other financial receivables	-	73,015,816	-	73,459,585	-	1,726,568	-	1,726,568
Long-term receivables	-	9,255,653	-	9,709,486	-	11,660,781	-	11,660,781
Dividends receivable	-	-	421	421	-	-	1,281,082	1,281,082
Borrowings	-	-	104,228	104,228	-	-	-	-
Bonds	-	1,136,872	1,311,150	2,510,448	1,228,736	-	767,518	1,996,254
<b>Total financial assets</b>	<b>-</b>	<b>136,166,887</b>	<b>10,495,996</b>	<b>138,971,448</b>	<b>1,228,736</b>	<b>82,284,634</b>	<b>11,656,537</b>	<b>87,820,390</b>
<b>Liabilities</b>								
Borrowings	-	334,848,802	-	310,362,769	-	333,948,588	-	358,487,044
Financial payables	-	91,147,706	-	91,147,706	-	17,158,063	-	17,158,063
Non-current trade payables	-	-	2,805,502	2,805,502	-	-	2,257,670	2,257,670
Finance lease	-	-	563,051	545,637	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>425,996,508</b>	<b>3,368,553</b>	<b>404,861,614</b>	<b>-</b>	<b>351,106,651</b>	<b>2,257,670</b>	<b>377,902,777</b>

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 approximates 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 Eurobonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. 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.

**Fair value of investment property.** Investment property include the lease agreement of Bukhtarminskaya HPS evaluated based on the present value of future lease payments. Fair value of the investment property is Tenge 9,080,197 thousand (2017: 9,607,937 thousand)

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**35 Events after the Reporting Period**

On 22 January 2019, based on Decision of the Management Board No.1 dated 22.01.2019, the Company approved the following amendments to the prospectus for bond issue of Tsesnabank JSC (TSBNb33): interest rate reduced from 4% down to 0.1% per annum, the commencement date of bond circulation is the date on which bonds are quoted on the official list of Kazakhstan Stock Exchange JSC, the tenor increased up to 15 (fifteen) years from the commencement date of their circulation. The total nominal value of bonds is Tenge 1,432,009 thousand.

On 25 January 2019, according to the repayment schedule, the Group repaid the principal amount on the loan to EBRD of Tenge 1,500,000 thousand.

On 30 January 2019 the Group obtained tranches totalling Tenge 30,468,800 thousand, under the credit facility agreement dated 8 November 2018 concluded with the Asian Development Bank (B line – Tenge 15,234,400 thousand, C line – Tenge 15,234,400 thousand).

On 18 February 2019 Almaty Power Stations JSC obtained the tranche of Tenge 1,000,000 thousand under the credit facility opened with Halyk Bank of Kazakhstan JSC.

On 5 March 2019 the Group early repaid the outstanding principal amount, accrued interests under Tranche 2 of Loan Agreement No.48308 dated 9 December 2016 to EBRD totalling Tenge 7,404,411 thousand, including the principal amount of Tenge 7,312,637 thousand.

On 18 March 2019, according to the repayment schedule, the Group repaid the principal amount on the loan to Samruk-Kazyna of Tenge 2,381,109 thousand (No.BAK-48 dated 17 March 2010).

**36 Accounting Policies before 1 January 2018**

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

**Financial instruments**

*(i) Classification of financial assets*

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Upon initial recognition, loans and receivables are carried at amortised cost. The Group's loans and receivables comprise of 'trade and other receivables', 'cash and cash equivalents', and financial assets within other non-current assets and other current assets.

*(ii) Classification of financial liabilities*

Financial liabilities have the following measurement categories: (i) held for trading which also includes financial derivatives and (ii) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Upon initial recognition, other financial liabilities are carried at amortised cost.

The Group's other financial liabilities comprise of 'trade and other payables', 'borrowings', and financial liabilities within other non-current liabilities in the statement of financial position.

**Revenue recognition**

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from sale of electricity and transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by the Government.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

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**36 Accounting Policies before 1 January 2018 (Continued)**

When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time proportion basis using the effective interest method.

**37 Earnings/(Loss) per Share**

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

	<b>2018</b>	<b>2017</b>
Profit/(Loss) for the year from continuing operations (in thousands of Kazakhstani Tenge)	5,008,580	(28,873,396)
Profit/(Loss) for the year from continuing operations, attributable to the Group's owners (in thousands of Kazakhstani Tenge)	4,824,628	(29,554,182)
Weighted average number of ordinary shares in issue	5,601,687	5,601,687
<b>Basic and diluted earnings/(loss) per ordinary share from continuing operations attributable to the Group's owners (rounded to Tenge)</b>	<b>894</b>	<b>(5,154)</b>
<b>Basic and diluted earnings/(loss) per ordinary share attributable to the Group's owners (rounded to Tenge)</b>	<b>861</b>	<b>(5,276)</b>

