SAMRUK-ENERGY JSC

International Financial Reporting Standards
Separate Financial Statements and
Independent Auditor's Report

31 December 2019

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Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Samruk-Energy JSC (the "Company") as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

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

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 separate 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 Company 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.

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Our audit approach

Overview

Materiality	• Overall Company's materiality: Tenge 2,200,000 thousand, which represents 0.35 % of the carrying amount of the Company's total assets.
Key audit matters	• Impairment of investment in the subsidiary Ekibastuzskaya GRES- 1 named after Bulat Nurzhanov LLP ("EGRES-1"); • Impairment of investment in the joint venture Station Ekibastuz GRES-2 JSC ("SEGRES-2").

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

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the 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 separate financial statements.

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

Overall company materiality	Tenge 2,200,000 thousand
How we determined it	0.35 % of the total carrying amount of the assets
Rationale for the materiality benchmark applied	We chose the total carrying amount of the Company's assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We determined materiality as 0.35%. In practice, we chose 1%, which is consistent with quantitative materiality thresholds used for investment-oriented companies in this

	sector, however, in this case, we reduced this level down to 0.35% based on our materiality assessment as applied to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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	How our audit addressed the Key audit matter
Impairment of the investment in the subsidiary EGRES-1 *See Note 4 to the separate financial statements.* Based on the impairment indicators analysis performed as of 31 December 2019, management of the Company concluded that changes in the law regulating tariffs are the factors of possible impairment of non-financial assets of EGRES-1, accordingly, the Company's investment in EGRES-1. We paid special attention to the issue of impairment of the investment in EGRES-1 due to the impairment indicators identified, significance of the carrying value of investments in this subsidiary (Tenge 333,382,126 thousand at 31 December 2019, comprising 54% of the assets of the Company), as well as due to the fact that estimating values in use of the investments is complex as it is based on the use of significant estimates and judgments with respect to future market and economic conditions and performance of the entity.	The Company's management together with independent experts has carried out the impairment test of property, plant and equipment and intangible assets of EGRES-1, and, accordingly, the Company's investment in EGRES-1. We received, inspected and evaluated the model used by management's experts to assess the impairment of non-financial assets and assessed the methodology and the main assumptions used in the model, 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 the investment in EGRES-1 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

Key audit matter	How our audit addressed the Key audit matter
	Kazakhstan *On Electricity*; • consideration of other input data for the model and reconciliation of them with supporting documents, such as the Development plan and comparison of the Development plan with actual results, where relevant; • making a series of inquiries with management to assess the impairment test; • comparison of actual performance for the year against the prior year forecast; • consideration of the potential impact of reasonably possible changes in key assumptions. Also, we paid attention to the adequacy of disclosures in Note 4 to the separate financial statements in accordance with the requirements of IAS 36 "Impairment of Assets".
Impairment of investment in SEGRES-2 *See Note 4 to the separate financial statements.* Based on the impairment indicators analysis performed as of 31 December 2019, management of the Company concluded that changes in the law regulating tariffs are the factors of possible impairment of non-financial assets of SEGRES-2 and, accordingly, the Company's investments in SEGRES-2. At 31 December 2019 the carrying value of the Company's investment in SEGRES-2 amounts to Tenge 8,725,133 thousand. 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.	We have reviewed the working papers of the component auditor and discussed the key assumptions and the methodology used in the impairment test model on property, plant and equipment of SEGRES-2, made by management of SEGRES-2. We assessed whether key assumptions are in line with our understanding of SEGRES-2 operations. We also discussed with management of the Company and the Audit Committee plans in respect of this investment. Also, we paid attention to the adequacy of disclosures in Note 4 to the separate financial statements in accordance with the requirements of IAS 36 "Impairment of Assets".

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

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 separate 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

26 February 2020
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 №0000005
dated 21 October 1999)

Auditor in charge
(Qualified Auditor's Certificate
№0000492 dated 18 January 2000)

In thousands of Kazakhstani Tenge	Note	31 December 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
ASSETS				
Non-current assets				
Property, plant and equipment		373,929	284,384	264,320
Intangible assets		763,873	1,551,991	935,329
Right-of-use assets	3	982,052	-	-
Investments in subsidiaries and joint ventures	6	541,364,649	520,853,804	520,239,619
Loans issued	7	47,955,694	8,351,988	12,279,695
Other non-current assets	8	2,160,716	11,103,483	12,929,246
Total non-current assets		**593,600,913**	**542,145,650**	**546,648,209**
Current assets				
Inventories		36,431	31,327	27,293
Loans issued	7	15,669,815	11,727,024	295,102
Other current assets	9	11,396,351	75,090,524	12,781,711
Cash and cash equivalents	10	1,298,005	256,275	14,080,457
Total current assets		**28,400,602**	**87,105,150**	**27,184,563**
TOTAL ASSETS		**622,001,515**	**629,250,800**	**573,832,772**
EQUITY				
Share capital	11	373,314,888	373,314,888	373,314,888
Other reserves		91,643,030	91,643,564	91,668,501
Accumulated loss		(54,741,536)	(86,635,985)	(79,097,457)
TOTAL EQUITY		**410,216,382**	**378,322,467**	**385,885,932**
LIABILITIES				
Non-current liabilities				
Borrowings	12	183,760,143	157,847,954	173,625,358
Lease liabilities		689,052	-	-
Non-current financial guarantee	20	1,469,449	2,206,475	2,262,892
Total non-current liabilities		**185,918,644**	**160,054,429**	**175,888,250**
Current liabilities				
Borrowings	12	23,638,774	18,053,964	9,437,246
Lease liabilities		346,314	-	-
Other payables and accrued liabilities	13	1,414,783	71,510,094	1,354,331
Liability to the shareholder		363,571	1,184,095	1,174,066
Other taxes payable		103,047	125,751	92,947
Total current liabilities		**25,866,489**	**90,873,904**	**12,058,590**
TOTAL LIABILITIES		**211,785,133**	**250,928,333**	**187,946,840**
TOTAL LIABILITIES AND EQUITY		**622,001,515**	**629,250,800**	**573,832,772**
Carrying amount of an ordinary share	25	**73,094**	**67,260**	**68,720**

Signed on behalf of management on 26 February 2020.

Aidar K. Ryskulov

Managing Director on Economics and Finance

Saule B. Tulekova

Head of Accounting and Tax Department
Chief Accountant

«САМҰРЫҚ-ЭНЕРГО» АКЦИОНЕРЛІК ҚОҒАМЫ * АКЦИОНЕРНОЕ ОБЩЕСТВО «САМРУК-ЭНЕРГО» * ҚАЗАҚСТАН РЕСПУБЛИКАСЫ НҰР-СҰЛТАН ҚАЛАСЫ * РЕСПУБЛИКА КАЗАХСТАН Г. НУР-СУЛТАН
«САМҰРЫҚ-ЭНЕРГО»
БСН/БИН 070540008104

In thousands of Kazakhstani Tenge	**Note**	**2019**	**2018**
Dividend income	14	47,449,224	21,465,116
Other operating income and expenses (net)	15	4,383,983	(1,382,719)
General and administrative expenses	16	(6,357,556)	(7,055,786)
Profit from reversal of/(loss from) impairment of financial assets (net)		1,126,631	(623,921)
Operating profit		**46,602,282**	**12,402,690**
Finance income	17	10,274,163	3,118,500
Finance cost	18	(22,692,988)	(20,903,616)
Profit/(loss) before tax		**34,183,457**	**(5,382,426)**
Income tax expense	19	(248,008)	(105,074)
Profit/(loss) for the year		**33,935,449**	**(5,487,500)**
Other comprehensive loss		(534)	(24,937)
Total comprehensive profit/(loss) for the year		**33,934,915**	**(5,512,437)**
Profit/(loss) per ordinary share for the year (in Kazakhstani Tenge)	25	6,058	(980)

In thousands of Kazakhstani Tenge	**Note**	**Share capital**	**Other reserves**	**Accumulated deficit**	**Total equity**
Balance at 1 January 2018		**373,314,888**	**91,668,501**	**(79,097,457)**	**385,885,932**
Loss for the year		-	-	(5,487,500)	(5,487,500)
Total comprehensive loss for the year		**-**	**-**	**(5,487,500)**	**(5,487,500)**
Other comprehensive loss		-	(24,937)	-	(24,937)
Total comprehensive loss for the year		**-**	**(24,937)**	**(5,487,500)**	**(5,512,437)**
Other equity distributions		-	-	(10,028)	(10,028)
Dividends declared		-	-	(2,041,000)	(2,041,000)
Balance at 1 January 2019		**373,314,888**	**91,643,564**	**(86,635,985)**	**378,322,467**
Profit for the year		-	-	**33,935,449**	**33,935,449**
Other comprehensive loss		-	(534)	-	(534)
Total comprehensive (loss)/income for the year		**-**	**(534)**	**33,935,449**	**33,934,915**
Dividends declared		-	-	(2,041,000)	(2,041,000)
Balance at 31 December 2019		**373,314,888**	**91,643,030**	**(54,741,536)**	**410,216,382**

In thousands of Kazakhstani Tenge	**2019**	**2018**
Cash flows from operating activities:		
Profit/(loss) before tax:	34,183,457	(5,382,426)
Adjustments for:		
Dividend income	(47,449,224)	(21,465,116)
Depreciation and amortisation	488,174	258,169
Finance cost	22,692,988	20,903,616
Finance income	(10,274,163)	(3,118,500)
Foreign exchange (gain)/loss	(50,068)	321,501
(Profit from reversal of)/loss from impairment of assets	(5,617,311)	1,757,629
Loss on disposal of assets	208,351	-
Cash used in operating activities before working capital changes:	**(5,817,796)**	**(6,725,127)**
Increase in inventories	(5,104)	(4,034)
Decrease/(increase) in trade and other receivables and other current and non-current assets	891,476	(68,395,150)
(Decrease)/increase in other payables	(1,585,943)	70,153,326
Increase/(decrease) in other taxes payable	23,568	(31,823)
Cash flows used in operating activities	**(6,493,800)**	**(5,002,808)**
Income tax paid	(455,208)	(105,074)
Dividends received	47,498,029	27,860,099
Interest paid	(12,337,811)	(15,220,371)
Net cash from operating activities	**28,211,210**	**7,531,846**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(148,299)	(414,010)
Proceeds from the sales of intangible assets	39,002	-
Proceeds from disposal of subsidiaries	2,085,454	1,859,548
Loans and financial aid provided to subsidiaries and associates	(20,543,232)	(14,618,402)
Proceeds from the Shareholder at a non-reimbursable basis allocated for the acquisition of shares of Balkhash TPP JSC (Note 4)	70,196,400	-
Purchase of shares in Balkhash TPP JSC (Note 4)	(70,196,400)	-
Purchase of debt instruments of subsidiaries	(47,000,000)	(153,620)
Contribution to equity of subsidiaries and associates	(20,839,422)	(1,663,772)
Return of bank deposits, net	75,594	2,948,684
Interest received on deposits	369,905	249,567
Interest received from loans issued	4,057,152	1,019,893
Proceeds from repayment of financial assistance granted to subsidiaries and jointly controlled entities, bonds	24,311,413	7,472,117
Collection of receivables/(conversion of current deposits to financial receivables) - Tauba Invest LLP (Note 9)	1,516,580	(2,934,450)
Net cash used in investing activities	**(56,075,853)**	**(6,234,445)**
Cash flows from financing activities:		
Redemption of bonds and repayment of borrowings	(125,568,479)	(77,698,042)
Proceeds from borrowings and bonds issued	158,280,800	65,089,200
Dividends paid	(2,041,000)	(2,041,000)
Finance lease principal repayment	(205,531)	-
Other payments	(1,559,095)	(188,980)
Net cash from/(used in) financing activities	**28,906,696**	**(14,838,822)**
Effect of exchange rate changes on cash and cash equivalents	(323)	(345,133)
Net increase/(decrease) in cash and cash equivalents	1,041,730	(13,886,554)
Cash and cash equivalents at the beginning of the year	256,275	14,142,829
Cash and cash equivalents at the end of the year	**1,298,005**	**256,275**

1 Samruk-Energy and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2019 for Samruk-Energy JSC (the "Company").

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").

As at 31 December 2018 the Company's shareholder is Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna"), which holds 100% of the Company's shares. The Company's ultimate controlling party is the Government of the RoK.

Principal activity

The Company is a holding company (the "Company") controlling the entities (Note 6) which carry out activities on production of electrical and heating power based using coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission and technical distribution of electricity within the network, construction of hydro and heat power plants, construction and operation of renewable energy sources, and leasing of property of hydro power plants.

Registered address and place of business

15A Kabanbay Batyr Avenue, Block B, Nur-Sultan, Republic of Kazakhstan.

Presentation currency

All amounts in these financial statements are presented in Kazakhstani Tenge ("Tenge").

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These separate financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented. Apart from the accounting policy changes resulting from the adoption of IFRS 16 *Leases* effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated.

The principal accounting policies in respect of financial instruments applied till 31 December 2018 are presented in Note 24.

The Company has prepared these separate financial statements for its management.

In addition, the Company has prepared the consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"). The operations of the subsidiaries defined as companies in which the Group, directly or indirectly, has an interest of more than one half of the voting shares or otherwise has power to govern the financial and operating policies, are fully consolidated in these consolidated financial statements. The Group's consolidated financial statements are available at the Company's office located at the following address: 15A Kabanbay Batyr Avenue, Block B, Nur-Sultan, Republic of Kazakhstan.

These separate financial statements should be read in conjunction with the consolidated financial statements as of 31 December 2019 and for the year then ended, in order to obtain full information about the financial position, operational performance and changes in the overall financial position of the Company.

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

2 Basis of Preparation and Significant Accounting Policies (Continued)

Going concern

Management prepared these financial statements on a going concern basis. Management decision is based on the financial position of the Company, its current intentions, profitability of operations and access to financial resources and Government support, as well as on the analysis of the impact of recent changes in macroeconomic conditions on future operations of the Company. As at December 31, 2019, the Company's current assets exceed its current liabilities by KZT 2,534,113 thousand.

Foreign exchange rates

At 31 December 2019 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 381,18 (31 December 2018: US Dollar = Tenge 384,20). Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is written down. All other repairs and maintenance are charged to profit or loss for the reporting period as incurred.

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

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
Other property, plant and equipment	3 – 10

2 Basis of Preparation and Significant Accounting Policies (Continued)

The residual value of an asset is the estimated amount that the Company 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 Company 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.

Intangible assets

All of the Company'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 3 to 5 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.

Right-of-use assets

The Company leases various offices, equipment and vehicles. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

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

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Buidlings and cosntructions (office facilities)	5 – 50

2 Basis of Preparation and Significant Accounting Policies (Continued)

Investments in subsidiaries and entities

For the purpose of these separate financial statements, the Company accounted for these investments using historical cost convention less provision for impairment.

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 22).

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 statement of financial position.

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 Company 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 Company'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 Company manages the assets in order to generate cash flows – whether the Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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

The Company 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 Company 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 Company 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 Company 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 Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company 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 Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company 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 Company 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 Company 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 Company 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 Company 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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 Company 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.

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.

Changes in presentation

The Board of Directors of Samruk Energy earlier has approved the privatization plan of some subsidiaries in accordance with the state assets privatization program and those entities were classified as held for sale in the separate financial statements of Samruk Energy and disposed subsequently, except for Tegis Munay, including its subsidiary Mangyshlak Munay (“Tegis Munay”).

By a decision of the State Commission on the Issues of Modernization of the Economy of the Republic of Kazakhstan on October 14, 2019, the meeting approved the proposal of the sole shareholder of SWF Samruk-Kazyna JSC on the re-inclusion of Tegis Munay in the list of assets of Samruk-Energy, which subsequently led to the reclassification of that entity from assets held-for-sale back to the continuing operations.

In accordance with IFRS 5, if non-current assets and disposal groups previously classified as held for sale no longer meet the necessary classification criteria, the Company ceases to account for them as held for sale.

The effect of reclassifications for presentation purposes was as follows at 31 December 2018:

In thousands of Kazakhstani Tenge	**As originally presented at 31 December 2018**	**Reclassification Tegis Munay**	**31 December 2018 (restated*)**
Non-current assets held for sale	15,821,888	(15,821,888)	-
Investsments in associates and joint ventures	505,031,916	15,821,888	520,853,804

2 Basis of Preparation and Significant Accounting Policies (Continued)

The effect of reclassifications for presentation purposes was as follows at 1 January 2018:

In thousands of Kazakhstani Tenge	**As originally presented at 1 January 2018**	**Reclassification Tegis Munay**	**1 January 2018 (restated*)**
Non-current assets held for sale	15,810,776	(15,810,776)	-
Investsments in associates and joint ventures	504,428,843	15,810,776	520,239,619

Advances to suppliers

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other advances are written off to profit or loss when the goods or services relating to the advances are received.

If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out (“FIFO”) 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.

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of property lease agreements across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method; the difference between the amount of funds received (net of transaction costs) and the redemption amount is recognized in profit or loss during the loan period using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Company 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 financial statements.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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. Other borrowing costs are recognized as an expense using the effective interest method. The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Company 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.

Borrowings are classified as current liabilities unless the Company 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.

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 Company.

On behalf of its employees, the Company withholds and transfer those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. Upon retirement, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the national and private pension funds.

Income taxes

Income taxes have been provided for in these separate 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.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

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".

3 New Accounting Pronouncements

The following standards were adopted by the Company for the first time in 2019:

IFRS 16, Leases. The Company decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

The weighted average incremental borrowing rate applied be the Company to the leased liabilities on 1 January 2019 was 12,8%. A reconciliation of the operating lease commitments to the recognised liability is as follows.

In thousands of Kazakhstani Tenge	**31 December 2018 / 1 January 2019**
Total future minimum lease payments for operating leases as at 31 December 2018	1,730,464
- Effect of discounting to present value	(502,342)
- Contractual obligations related to leases previously classified as finance leases	516,230
- Less short-term leases not recognised as a liability	-
Total lease liabilities recognised as at 1 January 2019	**1,743,795**
Of which are:	
Short-term lease liabilities	499,564
Long-term lease liabilities	1,244,231

The change in accounting policy affected the following items in the separate statement of financial position on 1 January 2019:

In thousands of Kazakhstani Tenge	**Impact of adopting IFRS 16**
Increase in right-of-use assets	1,730,464
Increase in lease liabilities	(1,730,464)

3 New Accounting Pronouncements (Continued)

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

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

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 2020 or later, and which the Company 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 Company is currently assessing the impact of the amendments on its financial statements.

IFRS 17 "Insurance Contracts"(issued on 18 May 2019 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.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2019 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 remeasuring 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 Company is currently assessing the impact of the amendments on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2019 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.

3 New Accounting Pronouncements (Continued)

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2019 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Company 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 2019 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 Company is currently assessing the impact of the amendments on its financial statements.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the separate 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 separate separate 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 property, plant and equipment, 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 Company that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Company operates or in the market for which the asset is used.

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

In assessing the recoverable amount of assets, the Company 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.

As specified in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended on 31 December 2019, the management of the Group draw a conclusion that as at the reporting date there are indicators of impairment of property, plant and equipment of Ekibastus GRES-1 named after Bulat Nurzhanov ("EGRES -1") and investments in the joint venture of Stanciya Ekibastuz GRES-2 JSC ("SEGRES-2"). In order to prepare these separate financial statements, the management of the Company has considered this fact as an indication of a possible impairment of investments in these subsidiaries and associates.

The Company has reclassified investments in Tegis Munay from assets held for sale back to the continuing operations at the end of 2019 as specified in Note 2. IFRS 5 requires that an asset that is no longer classified as held for sale be measured at the lower of: carrying value and recoverable amount at the date of the decision not to sell. The management of the Company assessed the recoverable amount of net assets of Tegis Munay at the end of 2019. Tegis Munay has a direct subsidiary, Mangyshlak Munay, which has a contract for the production of natural gas at the Pridorozhnoye gas field.

In 2016, as a result of the devaluation of Tenge and lack of tariffs to cover foreign exchange losses and, accordingly, to repay loans, the Company recognized impairment losses on investments in Moinak HPP JSC ("MHPP") in the separate statements of the Company. In 2019, MHPP received an individual tariff for power capacity and an electricity tariff sufficient to repay borrowed funds, as well as a foreign currency loan of USD 136,3 million was repaid early through bonds issue in Tenge. Management believes that the new tariffs received are an indication of a decrease in the impairment loss recognized in prior periods. Accordingly, the Company's management decided to conduct a test for the impairment of investments in MHPP as of 31 December 2019.

The Company engaged independent experts to conduct the impairment test of EGRES-1 and SEGRES-2, in accordance with IAS 36 *Impairment of Assets.* The impairment test of Tegis Munay and MHPP's 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 investments in subsidiaries and joint ventures property 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 investment in every subsidiary and joint venture as a single cash generating unit since it is the smallest identifiable assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which every subsidiary monitors recovery of the assets' cost. Management estimated the recoverable amount of investment in subsidiaries and joint ventures based on value in use determined as estimated discounted future cash flows that the Company expects to obtain from their use.

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

Impairment test of investments in EGRES-1

In 2018-2019, the Ministry of Energy of the Republic of Kazakhstan issued several orders aimed at amending the approved cap tariffs for electricity and power capacity maintenance services, as well as rules for approving cap tariffs for electricity, cap tariffs for balancing electricity and cap tariffs for power capacity maintenance services. In this regard, the Company revised its assumptions and tested its property, plant and equipment, and intangible assets for impairment considering 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 2020 – 2025:

- Forecasted tariffs.
- Forecasted volumes.
- Forecast of capital and other expenditures;
- Forecast of macroeconomic indicators;
- Discount rate (weighted average cost of capital (WACC) method.

The forecast period for economic impairment test is six years since the EGRES-1 plans to complete works on reconstruction of Power Unit 1 by the end of 2023. Power Unit 1 will reach the scheduled production level in 2024-2025. The EGRES-1 believes that the performance of Power Unit 1 is essential for the calculation of discounted cash flows. As of December 31, 2019, the reconstruction of Power Unit 1 was partially completed.

In accordance with the Law of the Republic of Kazakhstan *On Electricity,* power 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 tariffs are adjusted where necessary. The cap tariff is approved by the Ministry of Energy of the Republic of Kazakhstan for a particular group of power plants, 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 Power Generating Entities Selling Electric Power* dated 5 December 2018, the Company is attributed to the group 1 of power plants. Based on Order of the Minister of Energy of the Republic of Kazakhstan No.514 dated 14 December 2018, as amended on 23 September 2019 №313, the cap tariff of Tenge 5,76 per kWh was established for group 1, effective from 1 October 2019, valid for the period of seven years with a breakdown by years.

However, if the effective cap tariff for electricity does not cover related production costs, in accordance with the Rules for approval of cap electricity tariff and tariff for services on maintenance of power capacity as approved by Order of the Ministry of Energy of the Republic of Kazakhstan No.147 dated 27 February 2015 (as amended at 18 October 2019), power producers may report to the competent authority until 1 September of each year on the forecasted increase in main costs of power generation 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.

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

Due to the anticipated growth of production costs at the CPI level, increased load of power plant, as well as the planned increase in the costs for purchase of power from renewable energy sources, in accordance with the Law *On Support of the Use of Renewable Energy Sources*, the estimated cap tariff for electricity from 2021 is forecasted to be higher than the approved tariffs for 2020-2025.

Accordingly, the cap electricity tariff of Tenge 5,76 per 1 kWh in 2020 was set based on the tariff approved by Order of the Minister of Energy of the Republic of Kazakhstan No. 313 dated 23 September 2019.

Beginning from 2021 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 2019, based on the forecast expenses according to the Development Plan for 2020-2024 and correction factor for calculation of fixed profit at 6% for 2021, 10% for 2022, and 12% for 2023-2025. Initially, the Methodology for determining fixed profit assumed the possibility of applying profitability of up to 12%. However, subsequently a zero rate of profit was set. However, Pavlodarenergo JSC, an independent power plant, won the case against the Competent Authority on establishing of zero fixed profit and the court found this decision unlawful. In this regard, the Kazakhstan Electric Energy Association has begun to develop a methodological justification for the presence and amount of fixed profit (profitability) in the cap tariffs for power generation entities. For this purpose, two international consulting firms were engaged to develop two alternative options for the above methodological justification.

EGRES-1 expects to receive an individual tariff for services to maintain of electric power capacity from 2024 due to the scheduled completion of the investment project “Restoration of Power Unit No.1 with the installation of new electrostatic precipitators” using borrowed funds. On 30 January 2020 an application for the Market Council was submitted in accordance with the Rules of the Ministry of Energy “Admission for consideration, consideration and selection of investment programs of modernization, expansion, reconstruction and (or) renewal, the conclusion of investment agreements for modernization, expansion, reconstruction and (or) renewal, the corresponding conclusion of contracts on the purchase of service on maintaining the readiness of electric capacity and establishment of individual tariffs for these contracts for the service on maintaining the readiness of electric capacity, volumes and terms of purchase of service on maintaining the availability of electric capacity".

Also, in connection with the conclusion of a preliminary agreement between EGRES-1 and KEGOC JSC regarding the connection of EGRES-1 to the automatic regulation of the frequency and capacity of the Unified Electric Power Network of Kazakhstan, a tariff increase is expected from mid-2021 up to the level of Tenge 800/kWh.

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

Forecasted volumes and tariffs for the sale of electricity and services for maintaining the availability of power capacity.

Tariffs	Unit	2020	2021	2022	2023	2024	2025
Cap electricity tariff - Kazakhstan	Tenge/kWh	5.76	6.51	6.78	7.06	7.62	7.79
Export tariff - Uzbekistan	Tenge/kWh	9.93	10.22	10.47	-	-	-
Tariff for maintenance of power capacity	mln Tenge/ (MW*month)	0.59	0.62	0.65	0.67	0.70	0.72
Tariff for maintenance of power capacity – individual	mln Tenge/ (MW*month)	-	-	-	-	0.939	0.939
Tariff for regulation of power capacity	thous Tenge/ kWh	0.69	0.72	0,76	0.79	0.82	0.84
Tariff for regulation of power capacity (KEGOC)	thous Tenge/ kWh	0.69	0.80	0,84	0.87	0.90	0.93

A forecast of the sales volume was based on information from previous years and management expectations in accordance with the entity's Development Plan for 2020-2024. It was assumed that the electricity sales volume of EGRES-1 will grow by an average of 5-7% in 2020-2022, and there will be a further growth by 0%-3% in 2023-2025.

The capacity sales volume in 2020 was adopted based on the results of centralized tenders held in December 2019. Starting from 2021, EGRES-1 expects evenly distribution of power capacity sales at auction between the main market participants at an average market tariff. The management believes that EGRES-1 will be able to sell forecast capacity volumes starting from 2021, since the capacity is in demand, and the current load of the power plant and the sales volume indicate this.

Volume of sales	Unit	2020	2021	2022	2023	2024	2025
Sale of electricity – Kazakhstan	mln kWh	17,527	18,935	20,261	21,404	22,117	22,616
Sale of electricity – Uzbekistan	mln kWh	1,500	1,500	1,174	-	-	-
Sale of power capacity	MW/month	1,562	2,150	2,187	2,256	2,338	2,397
including services to maintain the availability of power capacity at an individual tariff		-	-	-	-	500	500
Regulation of power capacity	MW/year	1,654	2,154	2,754	2,754	2,754	2,754

Based on the impairment test, the recoverable amount of investments at 30 November 2019 is Tenge 496,156,529 thousand, which is Tenge 162,774,403 thousand higher than their carrying amount. Accordingly, EGRES-1 did not recognise impairment losses in 2019.

If the cap electricity tariff remains 5,76 Tenge/ kWh for 2019-2025, the recoverable amount of the Company's investments will be Tenge 130,729,076 thousand less than their carrying amount.

The long-term inflation rate used to calculate the terminal value is 2,31% per annum. The discount rate was calculated taking into account the current market assessment of risks specific to the industry and was measured on the basis of the weighted average cost of capital of each company in the amount of 10,62%.

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

Impairment test for investments in SEGRES-2

As stated in Note 6, the Company has the investment in the joint venture SEGRES-2. As at 31 December 2019, the carrying amount of this investment is Tenge 8,725,133 thousand. Management of SEGRES-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 SEGRES-2 property, plant and equipment, consequently, possible impairment of the Company's investment in SEGRES-2.

As result, management tested investments in SEGRES-2 for impairment as at 30 November 2019 within a single cash-generating unit. Management of SEGRES-2 considers its property, plant and equipment 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 SEGRES-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 2020 to 2024. So, calculated recoverable amount of property, plant and equipment exceeded their carrying amount, based on the impairment test as at 30 November 2019. Key assumptions on recoverable amount of non-financial assets 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 2019 was Tenge 7,42 per 1 kWh, which represents the actual tariff applicable to electricity sale by the entity in 2019 and does not exceed the cap tariff of Tenge 7,73 per 1 kWh established and approved by the Ministry of Energy for 2019-2025.
- Projected weighted average tariffs for subsequent periods are as follows:

SEGRES-2		**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Electricity tariff	Tenge/kWh	7.73	7.73	7.73	7.73	7.73	7.73	7.96	8.18	8,39
Tariff for power capacity	mln. Tenge per 1 MW month	0.59	0.62	0.65	0.67	0.70	7.30	7.30	6.73	6.29

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 Electricity,* the entity 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 entity, 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 3. The entity projects an individual tariff for the power of Power Unit 3 from 2025-2034 inclusive, which corresponds to the planned period of repayment of borrowed funds raised to complete the project.

A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of investment of not more than Tenge 4,484,121 thousand and Tenge 5,956,124 thousand, respectively.

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

Forecasted volumes of production and sales

For calculation of the recoverable amount of assets, the Company 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:

SEGRES-2		2020	2021	2022	2023	2024	2025	2026	2027	2028
Sales of electricity	mln. kWh	4,252	5,248	5,462	5,686	5,924	5,924	5,924	5,924	5,924
Sales of electrical power capacity per month	MW	761	731	744	767	795	1,408	1,433	1,459	1,486

Management expects that volumes of production and sales during the forecast period prior to commissioning of Power Unit 3 will be stable. After the launch of power unit No.3, SEGRES-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 loss of investment.

Discount rate

The discount rate of 12,67%, was estimated taking into consideration the current market assessment of SEGRES-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 investment of Tenge 430,356 thousand.

<u>Impairment test for investments in Tegis Munay</u>

Proved and probable gas reserves are used in the impairment test. There are many uncertainties associated with the estimation of gas reserves, in particular assumptions that are valid at the time of the assessment, may change significantly when new information is available. Changes in forecast commodity prices, exchange rates, production costs or return rates can change the economic condition of reserves and eventually lead to changes in reserves.

The Company's management makes estimates and assumptions concerning the future. By definition, accounting estimates rarely equal the corresponding actual results. Such estimates and assumptions are constantly measured and based on historical experience and other factors, including expectations of future events that are considered reasonable in the current environment. The recoverable amount was measured using value in use.

The recoverable amount was calculated using the discounted cash flow model based on proved and probable reserves using estimated oil and gas prices and a post-tax discount rate of 13,9%. Based on the results of impairment testing, the recoverable amount of assets at 31 December 2019 exceeds the carrying amount of investments.

An increase in the discount rate of 1% would lead to an impairment of Tenge 2,791 million. A 5% reduction in oil prices would lead to an impairment of Tenge 3,018 million.

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

It is projected that natural gas production will begin in 2023, and it is estimated that 65% of produced gas will be exported annually beginning from 2023.

According to the calculated value in use, the following forecast prices for oil sales in US dollars per barrel, which was based on the Consensus economics price forecasts of 31 December 2019, and management also suggested that the gas export prices at the Chinese border are related to the oil price, due to high correlation between them, which is supported by the analysis.

In US Dollars	**2022**	**2023**	**2024**	**2025**
Oil Price per Barrel (Brent)*	63.33	64.37	67.19	68.00
Estimated export gas price at the Chinese border per thousand m3	225	234	247	253

* *source: Consensus economics*

Impairment test for investments in MHPP

On 16 October 2019, an Individual Investment Agreement was signed on the commissioned power plant between the MHPP and the Ministry of Energy of the Republic of Kazakhstan. According to the signed Investment Agreement, the individual tariff for the power capacity availability maintenance service was set in an amount that would provide the necessary cash flows for repayment of the principal of the existing loans, particularly: 2020 - 2025 - Tenge 2,563.67 thousand/ MW per month, for 2026 year - Tenge 1,887.82 thousand/MW per month (2019: Tenge 590 thousand).

In addition, by order of the Ministry of Energy of the Republic of Kazakhstan No. 313 dated 23 September 2019, the cap tariff for electricity was approved in the amount of Tenge 12,02 per 1 kW/h, effective from 1 October 2019 to 2025 (until 1 October 2019 was Tenge 7, 14 per 1 kW/h). The cap tariff for electricity covers the operating expenses as well as interest expenses.The cash flows expected from the sale of electricity and services on maintaining power capacity under the new tariffs will provide the necessary cash flows for the payment of the loans and the distribution of dividends to shareholders in the future.

Following the result of the test for the impairment of investments in MHPP, the Company reversed the provision for impairment of investment in MHPP in the amount of Tenge 5,399,568 thousand, previously recognized in 2016. The carrying amount of investments in MHPP as of 31 December 2019 is Tenge 21,864,416 thousand.

Balkhash Thermal Power Plant

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 13). 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 2019 the recoverable amount was recognised as a separate asset equal to the provision amount (Note 9). 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 Company does not control BTPP. Accordingly, at 31 December 2018 BTPP is still accounted for using the equity method.

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

On 29 October 2019, the Company received a consideration and paid the amount of the obligation to Samsung C&T and received 50% + 1 share of BTPP. The management of the Company believes that as a result of the acquisition of a share in BTPP, the Company does not have a legal obligation to creditors and suppliers of BTPP.

At the time of the Company's acquisition of a 100% share, BTPP was on the verge of bankruptcy and did not actually carry out significant activities. Since 2017, creditors and suppliers have repeatedly sued due to the insolvency of BTPP, which in turn led to the seizure of property, and also significantly limited the activities of BTPP. On 6 December 2019, a trust manager was appointed by the court to control and conduct the bankruptcy process.

Therefore, the management of the Company believes that fair value of net assets of BTPP is equal to zero.

Agreement on the assignment of rights to a loan between the Company, Vnesheconombank, the Eurasian Development Bank and SEGRES-2

In 2019, as part of the transaction to acquire a 50% share in SEGRES-2 of the Samruk-Kazyna National Welfare Fund from Inter PJSC RAO UES, an agreement on the transfer of debt between Vnesheconombank and the Eurasian Development Bank (as original lenders), Eurasian Development Bank (as a Loan Agent), Samruk-Energy (as the Acquirer) and SEGRES-2 (as the Borrower) was signed. It provides for Vnesheconombank's assignment of its right of claim under the loan agreement in favor of Samruk-Energy.

According to the agreement on the assignment of debt dated 9 December 2019, Samruk-Energy shall receive a loan in Roubles from Vnesheconombank no later than 21 June 2021, or 60 days after the date of receipt of the notification of the default event, whichever of the said dates falls first.

The management of the Company believes that the events of default did not take place on 31 December 2019.

After the repurchase of the debt, the rights of claim under this debt transfer from Vnesheconombank to Samruk-Energy and the loan currency should change from Roubles to Tenge. The change in the loan currency, according to the terms of the Loan Agreement dated 23 June 2010, implies a corresponding change in the initial interest rate in Roubles to the interest rate in Tenge.

This transaction meets the criteria of a derivative financial instrument, as:

(i) its value changes as a result of a change in the price of a financial instrument or exchange rate;

(ii) an initial net investment is not required for its acquisition or a relatively small initial net investment is required compared to other types of contracts that are expected to respond similarly to changes in market factors;

(iii) it will be settled at some point in the future.

Accordingly, Management calculated the fair value of the consideration payable and compared it with the fair value of the current loan under the terms of the original contract. Following the analysis, Management concluded that the fair value of this derivative financial instrument is not material at the reporting date and, accordingly, did not recognise the asset or liability.

The fair value of the consideration payable and the loan under the original contract was determined based on the future cash flows presented at the reporting date, taking into account the forecast data on inflation in the Republic of Kazakhstan and the Russian Federation, the Central Bank of Russia refinancing rate, currency exchange rates, and market loan rates issued by companies with similar credit ratings on similar terms.

5 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 Company. The Company decided to apply the exemption from disclosure of individually insignificant transactions and balances with the Government related entities because the Government has control, joint control or significant influence over such party.

The Company 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.

At 31 December 2019 the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Shareholder**	**Companies under common control**	**Subsidiaries and Joint ventures**
Loan issued to subsidiaries	-	-	61,726,090
Trade receivables	-	-	3,334
Other asset held for the benefit of Shareholder	363,571	-	-
Other non-current assets	-	-	1,358,784
Interest income on loans issued	-	-	267,373
Dividends receivable	-	-	405
Trade payables	-	4,604	220,614
Liability to the Shareholder	363,571	-	-
Borrowings and bonds	64,876,984	-	43,763,045

At 31 December 2018 the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Shareholder**	**Companies under common control**	**Subsidiaries and Joint ventures**
Loan issued to subsidiaries	-	-	17,335,399
Trade receivables	-	-	3,639
Other asset held for the benefit of Shareholder	1,184,095	-	-
Other current assets	69,156,000	-	-
Other non-current assets	-	-	1,307,817
Interest income on loans issued	-	-	958,939
Dividends receivable	-	-	421
Other trades payable and accrued liabilities	516,230	-	-
Trade payables	-	66,156	277,573
Liability to the shareholder	1,184,095	-	-
Finance lease payable	516,230	-	-
Borrowings	62,293,718	-	36,450,333

5 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and Joint ventures
Dividend income	-	-	47,449,224
Finance income	-	-	7,998,732
Finance cost	6,432,969	-	4,006,264
Impairment losses	-	-	419,062
General and administrative expenses	-	124,508	802,762
Foreign exchange gains (net)	1,040,400	-	48,789

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and Joint ventures
Dividend income	-	-	21,465,116
Finance income	-	-	1,626,669
Finance cost	6,276,893	-	3,485,959
Impairment losses	-	-	90,753
General and administrative expenses	-	92,185	750,239
Foreign exchange gains (net)	-	-	15,353

The Company also provided guarantees to its subsidiaries as disclosed in Note 20.

Key management personnel compensation for the year ended 31 December 2019 represents the salaries, bonuses and other short-term employee benefits and amounts to Tenge 139,906 thousand (31 December 2018: Tenge 104,896 thousand). Key management personnel as at 31 December 2019 include 5 persons (2018: 6 persons).

6 Investments in Subsidiaries and Joint ventures

Table below summarises the cost of investments as at 31 December 2019:

			31 December 2019		31 December 2018	
in thousands of Kazakhstani Tenge	Acquisition date	Country of registration	Cost of investments	Percentage of ownership	Cost of investments	Percentage of ownership
Subsidiaries						
Ekibastuzskaya GRES-1 named after Bulat Nurzhanov	31.10.2012	Kazakhstan	333,382,126	100%	338,272,063	100%
Alatau Zharyk Company JSC	29.07.2009	Kazakhstan	58,974,235	100%	53,047,487	100%
Almaty Power Stations JSC	26.07.2011	Kazakhstan	34,061,653	100%	30,386,653	100%
Moinak HPS JSC	04.01.2008	Kazakhstan	21,864,616	100%	21,864,616	100%
Tegis Munay LLP	29.12.2012	Kazakhstan	17,137,421	100%	16,821,888	100%
First Wind Turbine LLP	28.05.2016	Kazakhstan	14,914,271	100%	8,543,591	100%
Shardara HPS JSC	03.06.2011	Kazakhstan	2,524,771	100%	2,524,771	100%
Ereymentau Wind Power LLP	28.05.2016	Kazakhstan	3,780,724	100%	1,711,375	100%
Bukhtarminskaya HPS JSC	04.01.2008	Kazakhstan	1,050,790	90%	1,050,790	90%
KazGidroTekhEnergo LLP	31.03.2014	Kazakhstan	283,864	100%	244,572	100%
AlmatyEnergoSbyt LLP	26.07.2011	Kazakhstan	136,003	100%	136,003	100%
Energy Solutions Center LLP	16.03.2019	Kazakhstan	52,999	100%	52,999	100%
Joint ventures and associates						
Forum Muider B.V.	23.12.2008	Netherlands	41,759,543	50%	41,759,543	50%
Ekibastuz SEGRES-2 JSC	04.01.2008	Kazakhstan	8,725,133	50%	8,725,133	50%
Energiya Semirechiya LLP	28.05.2016	Kazakhstan	2,411,010	25%	7,509	25%
Impaired investments						
Balkhash Termal Power Plant (Note 4)	24.06.2008	Kazakhstan	32,085,280	100%	32,085,280	49.99%
Samruk-Green Energy LLP	13.06.2012	Kazakhstan	2,953,614	100%	2,843,614	100%
Shulbinskaya HPS NJSC	04.01.2008	Kazakhstan	1,230,658	92.14%	1,230,658	92.14%
Ust-Kamenogorskaya HPS JSC	04.01.2008	Kazakhstan	465,019	89.99%	465,019	89.99%
Less:						
Impairment of investments			(36,429,081)		(40,919,760)	
Total investments			**541,364,649**		**520,853,804**	

6 Investments in Subsidiaries and Joint ventures (Continued)

As at 31 December 2019, the Company has ownership interests in the following jointly controlled entities:

- SEGRES -2 - 50%. The remaining 50% share is held by Samruk-Kazyna National Welfare Fund JSC.
- Forum Muider - 50%. The remaining 50% is held by UC RUSAL.

In December 2019, Samruk-Kazyna SWF acquired a 50% ownership interest from Inter-RAO UES for USD 25 million.

The Company has a share in the associated company Energiya Semirechiya LLP (25%). Energiya Semirechiya LLP plans to build a renewable energy station. The shareholders of Energiya Semirechiya LLP are Hydrochina Corporation (50%), Samruk Energy JSC (25%), Powerchina Chegdu Engineering Corporation (15%), and Powerchina Resourses Ltd (participation 10%). The Company's ownership interest in Energiya Semirechiya LLP has not changed due to the proportional contribution to the authorized capital by all shareholders according to their ownership interests.

100% of SEGRES-2 shares valued at the date of the Guarantee Contract in the amount of Tenge 10,582,636 thousand were pledged as collateral for a SEGRES-2 loan to Eurasian Development Bank JSC.

7 Loans Issued

In thousands of Kazakhstani Tenge	**31 December 2019**	**31 December 2018**
Non-current portion		
Loan issued to Alatau Zharyk Company JSC	4,777,939	4,350,426
Loan issued to First Wind Turbine LLP	1,757,608	1,470,652
Bonds of Moinak HPP JSC	40,000,000	-
Accrued interest on loan to First Wind Turbine LLP	5,289	890,506
Bonds of Mangistau Electricity Distribution Company JSC	1,220,424	1,212,459
Bonds of Special Financial Company DSFK LLP	395,094	431,558
Bonds of Tsesnabank JSC	21,536	53,431
Less: impairment provision	(222,196)	(57,044)
Total Loans issued – non-current borrowings	**47,955,694**	**8,351,988**
Current portion		
Loan issued to Shardara HPS JSC	-	9,600,000
Loan issued to Almaty Power Stations JSC	3,000,000	1,950,000
Bonds of Moinak HPP JSC	7,000,000	-
Loan issued to Ekibastuz GRES-1	4,000,000	-
Loan issued to Moinak HPP JSC	1,400,000	-
Loan issued to Energiya Semirechiya LLP	-	713,361
Loan issued to Balkhash Termal Power Plant JSC	377,301	377,301
Accrued interest on loans issued	177,360	154,182
Accrued interest on bonds	210,523	25,029
Financial assistance to Ust-Kamenogorskaya HPS JSC	30,390	30,390
Loans issued to Zhambyl GRES named after T.I.Baturov JSC	5,442	5,442
Less: impairment provision	(531,201)	(1,128,681)
Total Loans issued – current borrowings	**15,669,815**	**11,727,024**

7 Loans Issued (Continued)

Bonds of Moinak HPP JSC

On 18 June 2019, the Company acquired bonds of Moinak HPP JSC issued on the AIX site for Tenge 47,000,000 thousand, with a maturity of 7 years, coupon rate of 11% per annum.

Bonds of Tsesnabank JSC

In November 2018 the Company's cash placed with Tsesnabank JSC was converted to bonds of Tenge 153,236 thousand in accordance with the Government Decree (Note 7). The carrying amount of the bonds is the present value of future cash flows discounted at 14 %. on 18 January 2019, the National Bank of the Republic of Kazakhstan registered changes to the bond issue prospectus, according to which the interest rate was changed from 4% to 0,1% per annum.

Loan issued to Alatau Zharyk Company JSC

On 31 January 2011 the Company provided a loan to Alatau Zharyk Company JSC of Tenge 7,000,000 thousand for construction and reconstruction of substations and other facilities. The loan maturity is 21 January 2024, the interest rate is 2% per annum, payable on a quarterly basis.

The outstanding amount as at 31 December 2019 is Tenge 4,829,416 thousand (31 December 2018: Tenge 4,402,852 thousand). The carrying amount of the loan is the present value of future cash flows discounted at 12.5%. A difference between the loan's fair value on origination and its nominal value of Tenge 3,675,691 thousand, less income tax, was recognised as additional investments in Alatau Zharyk Company JSC.

Loan issued to First Wind Turbine LLP

In 2016 the Company issued loans to First Wind Turbine LLP of Tenge 1,828,288 thousand to settle the borrowing from Eurasian Development Bank. The fixed interest rate is 14%. The principal and interest are payable at the end of the loan term. In 2019, PVES LLP repaid the loan interest of Tenge 1,141,177 thousand in advance.

Loan issued to Almaty Power Stations JSC

In 2019 the Company concluded a revolving credit facility with Almaty Power Stations JSC for providing loans in cash with the disbursement limit of Tenge 3,000,000 thousand, for the period till 31 October 2019. Loans are provided for replenishment of working capital. The interest rate is 8,0% per annum. The principal and interest are payable at the end of the loan term. The loans are not secured. During the year ended 31 December 2019, the Company provided loans of Tenge 7,200,000, of which Tenge 6,150,000 thousand are repaid. The outstanding principal amount as of 31 December 2019 is Tenge 3,000,000 thousand.

Debt reconciliation

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

In thousands of Kazakhstani Tenge	2019	2018
Loans at 1 January	**20,079,012**	**12,635,688**
Loans issued	20,543,232	14,618,402
Purchase of debt instruments	47,000,000	153,620
Repayment of loans and bonds purchased	(24,311,413)	(7,472,117)
Interest obtained	(4,057,152)	(1,269,460)
Interest income on loans issued and bonds	3,434,009	1,094,377
Discounting of loans issued and bonds	(112,755)	(189,809)
Income from extinguishment of loans issued	365,541	-
Finance income on amortization of discount on financial assistance provided	499,555	401,233
Other	(196,633)	312,641
Provision for impairment (net)	382,113	(205,563)
Loans at 31 December	**63,625,509**	**20,079,012**

8 Other Non-Current assets

In thousands of Kazakhstani Tenge	**31 December 2019**	**31 December 2018**
Trade receivables from acquirers of disposed subsidiaries	733,735	9,936,271
Receivables under financial guarantee issued to First Wind Turbine LLP	1,363,280	1,312,241
Other receivables from employees	79,698	86,181
Less: provision for impairment	(15,997)	(231,210)
Total other non-current financial assets	**2,160,716**	**11,103,483**

At 31 December 2019 accounts receivable of Tenge 733,735 thousand are financial receivables from Inform System LLP with the internal rating of ‘SK A’. At 31 December 2019 receivables are neither past due nor impaired and are fully denominated in Tenge.

9 Other Current Assets

In thousands of Kazakhstani Tenge	**31 December 2019**	**31 December 2018**
Trade receivables from acquirers of disposed subsidiaries	9,952,869	2,240,603
Receivables from Tauba Invest	1,038,725	2,934,450
Consideration receivable for BTPP (Note 4)	-	69,156,000
Term deposits	304	77,048
Dividends receivable	405	421
Less: provision for impairment	(226,299)	(868,454)
Total other current financial assets	**10,766,004**	**73,540,068**
Assets held for the benefit of the Shareholder	363,571	1,184,095
Advances paid	25,864	162,084
Other	240,912	204,277
Total other current assets	**11,396,351**	**75,090,524**

Term deposits

Other accounts receivable primarily comprise the short-term portion of the debt of acquirers of disposed subsidiaries of Tenge 10,065,377 thousand that were disposed during 2017, as well as receivables from Tauba Invest LLP of Tenge 1,038,725 thousand. The receivables from Tauba Invest LLP are secured by the pledge agreement for immovable property dated 26 April 2018. In the reporting period, Tauba Invest LLP paid off Tenge 1,516,580 thousand.

Due to the lack of relevant information on Tauba Invest LLP in calculating the expected credit loss model, the Company assigned a 'SK D' rating and recognized an impairment of Tenge 137,906 thousand. The receivables from acquireres of disposed subsidiaries at 31 December 2019 in the amount of Tenge 9,952,869 thousand are receivable from KBI Energy LLP with an internal rating of 'SK A', in the amount of Tenge 1,056,563 thousand, from the East Kazakhstan Energy Company LLP with an internal rating of 'SK A', in the amount of Tenge 7,782,955 thousand, from Inform-System LLP with an internal rating of 'SK A', in the amount of Tenge 56,788 thousand, from the Kazakhstan Utility Systems LLP with an internal rating of 'SK A' in the amount of Tenge 1,056,563 thousand. At 31 December 2019 and 2018 other receivables are neither past due not impaired and are fully denominated in Tenge.

9 Other Current Assets (Continued)

Asset held for the benefit of the Shareholder

Under the instruction of the Shareholder, the Company assumed an obligation to construct a kindergarten in Nur Sultan. The Company recognised the liability for the estimated construction cost of Tenge 1,184,095 thousand as other distributions for the benefit of the shareholder. The Company recognised the expenses incurred during the construction of a kindergarten as current assets held for the benefit of the Shareholder. Pursuant to the gift agreement No. 56 dated 28 August 2019, the Company transferred to the State Institution, Department of Asset Management and Public Procurement of Nur-Sultan city a part of the Asset, specifically, a kindergarten building with technical equipment and boiler equipment for a total amount of Tenge 820,524 thousand. According to clause 11 of IFRIC 17 “Distribution of non-monetary assets to owners”, the Company shall evaluate the obligation to distribute non-monetary assets as a dividend for the benefit of its owners at the fair value of the assets distributed. The management of the Company believes that the assessment of the fair value of the kindergarten is equal to the carrying amount since neither the Company nor its Sole Shareholder derive any economic benefit from this transaction, and it was made exclusively at the request of the ultimate shareholder, the Government of the Republic of Kazakhstan. Involvement in social projects is a common practice among shareholder groups. In addition, the Company did not participate in the planning and construction of the kindergarten, but only allocated the necessary funds for its construction, and the transfer of the asset at a carrying amount below fair value does not negatively affect the interests of any other shareholders because there is only one Shareholder in the Company. In 2019, the Company transferred a part of the Asset, a kindergarten building with technical equipment and boiler equipment for the total amount of Tenge 820,524 thousand to the State Institution, Department of Asset Management and Public Procurement of Nur-Sultan city. The transfer of the remaining part of the Asset, a transformer substation and engineering networks to Akimat of Nur-Sultan for a total amount of Tenge 363,571 thousand is planned in the first half of 2020.

10 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**31 December 2019**	**31 December 2018**
Cash at current bank accounts – Tenge	385,541	231,942
Cash at current bank accounts – US Dollar	2,280	14,551
Cash on hand	5,413	6,590
Cash at current bank accounts – Euro	145	3,225
Term deposits up to 3 months - Tenge	905,001	-
Less: provision for impairment	(375)	(33)
Total cash and cash equivalents	**1,298,005**	**256,275**

The credit quality of cash and cash equivalents balances may be summarised as follows as of 31 December 2019. At 31 December 2019 and 2018 cash and cash equivalents are not past due.

In thousands of Kazakhstani Tenge	**Rating (S&P)**	**31 December 2019**	**31 December 2018**
Neither past due nor impaired:			
Halyk Bank	BB	80,708	243,056
Alfa-Bank	BB-	8,571	3,078
Sberbank SB	BB+	104	2,248
ATF Bank	B-	930	939
Tsesnabank	B-	-	216
Altyn Bank JSC	BB+	318	-
VTB Bank JSC SB (Kazakhstan)	BB+	300,007	181
ForteBank JSC	B+	902,633	-
Total cash and cash equivalents		**1,293,271**	**249,718**

11 Share Capital

At 31 December, 5,601,687 issued common shares were fully paid in the amount of Tenge 373,314,888 thousand as at 31 December 2018 (2018: 5,601,687 shares). Each ordinary share carries one vote. The Company does not have any preference shares. The number of authorised shares is 8,602,187. As at 31 December 2019 SWF Samruk-Kazyna holds 100% shares in the Company (2018: 100%).

In 2019 the Company declared dividends of Tenge 2,041,000 thousand – Tenge 364,35 per share (2018: Tenge 2,041,000 thousand - Tenge 364,35 per share). Dividends were fully paid in 2019 and 2018.

12 Borrowings

In thousands of Kazakhstani Tenge	31 December 2019	31 December 2018
Non-current portion		
Bank loans	63,208,148	28,124,335
Loans from Samruk-Kazyna	62,284,630	59,693,108
Bonds issued	24,800,157	69,648,019
Loans from subsidiaries	33,467,208	-
Finance lease liabilities	-	382,492
Total non-current borrowings	**183,760,143**	**157,847,954**
Current portion		
Loans from subsidiaries	10,294,522	8,250,000
Bank loans	8,942,235	5,292,235
Loans from Samruk-Kazyna	2,381,108	2,381,109
Interests accrued – bonds	360,287	1,286,134
Interests accrued – bank loans	1,448,062	442,971
Interests accrued – loans from Samruk-Kazyna and subsidiaries	212,560	267,777
Current portion of finance lease liabilities	-	133,738
Total current borrowings	**23,638,774**	**18,053,964**
Total borrowings	**207,398,917**	**175,901,918**

Carrying amounts and fair value of borrowings are analysed below:

	31 December 2019		31 December 2018	
In thousands of Kazakhstani Tenge	Carrying amount	Fair value	Carrying amount	Fair value
Loans from Samruk-Kazyna and subsidiaries	108,640,029	93,139,224	70,591,994	88,016,649
Bonds	25,160,443	21,644,161	70,934,153	75,336,201
Bank loans	73,598,445	70,584,418	33,859,541	33,936,600
Finance lease liabilities	-	-	516,230	536,932
Total borrowings	**207,398,917**	**185,367,803**	**175,901,918**	**197,826,382**

Samruk-Kazyna

On 17 March 2010 the Company 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 Company signed a loan agreement with Samruk-Kazyna for Tenge 7,000,000 thousand for the purpose of financing construction of substation of Alatau Zharyk Company JSC. The interest rate is 2% per annum, the maturity is 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Company 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 addendum No. 1 to loan agreement No. 369 as follows:

- 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%.

12 Borrowings (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 Company 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 Company opened a non-revolving line of credit for EUR 100 million to refinance Eurobonds. In September 2019 the Company 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 on All-in-cost basis, 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. In 2019, the Company made an early repayment of the second tranche of a loan from the EBRD for Tenge 10,354,871 thousand.

Asian Development Bank

On 8 November and 5 December 2018, the Company opened non-revolving credit facilities in the amount of USD 120 million with the Asian Development Bank in order to increase the operational efficiency of core activities and identify opportunities associated with renewable energy sources. In 2019, the Company received three tranches under Credit facilities for a total of Tenge 45,860,800 thousand with maturities of tranche A and B after 5 years, tranche C after 7 years. The interest rate is set on the basis of actual inflation indicators of the Republic of Kazakhstan, plus bank margin. Principal debt is payable at maturity.

Halyk Bank JSC

In August 2017 the Company opened a non-revolving credit facility for Tenge 40,000,000 thousand to refinance Eurobonds and for other corporate purposes. The interest rate is 10.3 % per annum and is payable quarterly. The principal is payable twice a year. During 2019, the Company received borrowings total of Tenge 21,900,000 thousand, of which Tenge 20,000,000 thousand were repaid. The borrowings balance as of 31 December 2019 is Tenge 1,900,000 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 12.5% per annum, respectively, and is payable twice a year and on a quarterly basis, respectively. On 18 February 2019, the Company performed a buyback of the bonds of the second tranche in the amount of Tenge 28,000,000 thousand. In April 2019, the Company performed a buyback of 16,872,498 bonds of the first tranche at a market price of tenge 17,655,846 thousand. As of 31 December 2019, the balance of the main debt for the first tranche is Tenge 3,127,502 thousand.

In November 2018, the Company issued and placed bonds in the amount of Tenge 21,736,200 thousand with a nominal value of 1,000 Tenge per 1 bond for a period of seven years. The coupon interest rate was 11.2% per annum and is payable twice a year.

Sberbank JSC SB

During 2019, Samruk-Energy JSC received 5 short-term tranches in the framework of a revolving credit facility for a total of Tenge 32,400,000 thousand from a credit facility with Sberbank JSC SB for a period of 2 months, of which Tenge 30,650,000 thousand were repaid in advance during the reporting period. As of 31 December 2019, the outstanding debt on the principal debt to Sberbank JSC SB is Tenge 4,000,000 thousand, and the interest rate is 9.8% per annum.

12 Borrowings (Continued)

Debt reconciliation. The table below sets out an analysis of liabilities from financing activities and the movements in the Company'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.

In thousands of Kazakhstani Tenge	2019	2018
Borrowings at 1 January	**175,901,918**	**182,941,295**
Proceeds from borrowings obtained and issued bonds	158,280,800	65,089,200
Repayment of borrowings and bonds	(125,568,479)	(77,698,042)
Interest paid	(12,067,571)	(15,220,371)
Proceeds/(disposal) from finance lease	(516,230)	502,898
Interest accrued	12,356,074	15,165,247
Finance lease expenses	-	64,741
Finance lease payments	-	(51,409)
Unwinding of present value discount	8,572,925	5,018,014
Gain on loan origination	(5,575,617)	-
Gain from loan modification	(3,720,428)	-
Other payments	(264,475)	90,345
Borrowings at 31 December	**207,398,917**	**175,901,918**

13 Other Payables and Accrued Liabilities

In thousands of Kazakhstani Tenge	31 December 2019	31 December 2018
Trade payables	720,973	1,462,497
Payables to Samsung C&T (Note 4)	-	69,156,000
Warranty liability for tender participation	159,653	434,809
Other payables	534,157	456,788
Total other payables and accrued liabilities	**1,414,783**	**71,510,094**

14 Dividend Income

In thousands of Kazakhstani Tenge	2019	2018
Dividends from Ekibastuzskaya GRES-1 n.a. Bulat Nurzhanov	29,000,000	11,041,000
Dividends from Forum Muider B.V	15,263,146	6,762,983
Dividends from Bukhtarminskaya HPS JSC	2,246,746	2,545,764
Dividends from Alatau Zharyk Company JSC	879,332	815,278
Dividends from Almaty Power Stations JSC	-	228,260
Other	60,000	71,831
Total dividend income	**47,449,224**	**21,465,116**

15 Other Operating Income and Expenses (net)

In thousands of Kazakhstani Tenge	2019	2018
Recovery of impairment/(impairment) of investments in subsidiaries and associates (net)	4,490,680	(1,000,000)
Other expenses	(251,763)	(386,139)
Other income	145,066	3,420
Total other operating expenses	**4,383,983**	**(1,382,719)**

16 General and Administrative Expenses

In thousands of Kazakhstani Tenge	**2019**	**2018**
Payroll and related expenses	2,902,446	2,393,020
Consulting and other professional services	830,632	1,907,322
Office maintenance services	656,787	577,407
Taxes	253,604	399,432
Rent expense	2,230	304,657
Information system maintenance	244,399	259,655
Depreciation of and amortisation	488,174	258,169
Provisions for doubtful debts	-	163,087
Business trip expenses	153,110	129,922
Employee training and related expenses	111,967	74,462
Membership fee	71,302	40,118
Insurance	39,581	39,428
Communication	25,988	32,708
Other	577,336	476,399
Total general and administrative expenses	**6,357,556**	**7,055,786**

17 Finance Income

In thousands of Kazakhstani Tenge	**2019**	**2018**
Unwinding of discount on financial assets	1,696,382	1,515,755
Interest income on bonds and loans issued	3,434,009	1,094,377
Income from extinguishment of loans issued	365,541	-
Gain on disposal of financial guarantee	466,968	-
Gain on modification of the loan received	3,720,428	-
Income on guarantees issued	208,027	274,072
Interest income on bank deposits	369,700	218,591
Other	13,108	15,705
Total finance income	**10,274,163**	**3,118,500**

18 Finance Costs

In thousands of Kazakhstani Tenge	**2019**	**2018**
Interest expense on borrowings and bonds	12,356,074	15,165,247
Amortisation of present value discount on loans and financial assistance	8,572,925	5,018,014
Discounting of loans issued and non-current receivables	42,075	573,093
Loss on retirement of bonds	783,348	-
Loss on modification of the guarantee issued	247,840	-
Finance lease	270,240	64,741
Other	420,486	82,521
Total finance cost	**22,692,988**	**20,903,616**

19 Income Taxes

In thousands of Kazakhstani Tenge	**2019**	**2018**
Current income tax	248,008	105,074
Deferred income tax	-	-
Total income tax expense	**248,008**	**105,074**

19 Income Taxes (Continued)

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

In thousands of Kazakhstani Tenge	2019	2018
Profit/(loss) under IFRS before tax	**34,183,457**	**(5,382,426)**
Theoretical tax (benefit)/expense at statutory rate of 20% (2018: 20%)	6,836,691	(1,076,485)
Adjustments for:		
Dividend income	(9,489,845)	(4,293,023)
Withholding tax	248,008	105,074
Non-deductible expense for the acquisition of shares and write-offs of investments in BTPP (Note 4)	19,209,251	-
Other non-deductible expenses (non-taxable income)	1,412,061	(37,493)
Changes in unrecognised deferred income tax assets	(17,968,158)	2,835,770
Prior year adjustments including related to expiry of the statute of limitation on tax loss carry forwards	-	2,571,231
Total income tax expense	**248,008**	**105,074**

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.

In thousands of Kazakhstani Tenge	1 January 2019	Charged/ (credited) to profit or loss	31 December 2019
Tax effect of deductible temporary differences			
Tax loss carry forwards	22,739,523	(10,968,247)	11,771,276
Loans issued	1,425,181	(226,891)	1,198,290
Investments in subsidiaries, joint ventures and associates	7,378,299	(6,305,401)	1,072,898
Other receivables	872,476	(44,619)	827,857
Guarantee	491,376	(203,426)	287,950
Gross deferred income tax assets	32,906,855	(17,748,584)	15,158,271
Unrecognised tax assets	(18,244,793)	17,968,158	(276,635)
Less offsetting with deferred income tax liabilities	(14,662,062)	(219,574)	(14,881,636)
Recognised deferred income tax assets	**-**	**-**	**-**
Tax effect of taxable temporary differences			
Property, plant and equipment	(234,246)	(92,704)	(326,950)
Borrowings	(14,427,815)	(126,871)	(14,554,686)
Gross deferred income tax liabilities	(14,662,062)	(219,575)	(14,881,637)
Less offsetting with deferred income tax assets	14,662,062	219,575	14,881,637
Recognised deferred income tax liabilities	-	-	-

19 Income Taxes (Continued)

The Company does not expect to obtain taxable income in the foreseeable future other than income subject to withholding tax.

In thousands of Kazakhstani Tenge	**1 January 2018**	**Charged/ (credited) to profit or loss**	**31 December 2018**
Tax effect of deductible temporary differences			
Tax loss carry forwards	21,426,985	1,312,538	22,739,523
Loans issued	1,426,353	(1,172)	1,425,181
Investments in subsidiaries, joint ventures and associates	7,225,477	152,822	7,378,299
Other receivables	789,015	83,461	872,476
Guarantee	452,578	38,798	491,376
Gross deferred income tax assets	31,320,408	1,586,447	32,906,855
Unrecognised tax assets	(15,409,023)	(2,835,770)	(18,244,793)
Less offsetting with deferred income tax liabilities	(15,911,385)	1,249,323	(14,662,062)
Recognised deferred income tax assets	-	-	-
Tax effect of taxable temporary differences			
Property, plant and equipment	(74,643)	(159,603)	(234,246)
Borrowings	(15,836,742)	1,408,927	(14,427,815)
Gross deferred income tax liabilities	(15,911,385)	1,249,323	(14,662,062)
Less offsetting with deferred income tax assets	15,911,385	(1,249,323)	14,662,062
Recognised deferred income tax liabilities	-	-	-

At 31 December 2019 the Company did not recognise deferred income tax assets in relation to unused tax loss carry forwards of Tenge 276,635 thousand (31 December 2018: Tenge 18,244,793 thousand).

20 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 376,72 per USD 1, compared to Tenge 381,18 per USD 1 as at 31 December 2019 (31 December 2018: Tenge 384,20 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

20 Contingencies, Commitments and Operating Risks (Continued)

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 2019. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 Company's control. Management has assessed the potential impairment of long-term assets of the Company, 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.

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 Company 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. Management expects that the Company 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.

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 Company and Kazakhstan's authorized bodies may result in imposition of additional taxes, fines and penalties.

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 Company. Fiscal periods remain open to review by the authorities in respect of taxes for five years after the end of the fiscal year. The Company management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. In the opinion of the Company 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 financial statements.

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 Company 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 Company's operations. Unless the Company has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Company's operations and financial position.

20 Contingencies, Commitments and Operating Risks (Continued)

Legal proceedings. From time to time and in the normal course of business, the Company may be involved in certain legal proceedings. Management is of the opinion that no other current legal proceedings or other outstanding claims which may result in significant adverse impact on the Company's financial position.

Compliance with covenants. The Company has certain covenants on loans and bonds. Failure to comply with these covenants may result in negative consequences for the Company, including the growth of borrowing costs and the announcement of a default. Based on the 2019-year results, the Company complied with the loan covenants and received waivers in case of any violation.

Long-term financial guarantees. At 31 December 2019 the Company has guarantees issued in relation to the loans of its subsidiary Shardara HPS JSC. Fair value of guarantees at initial recognition was determined as the amount resulted from application to the guaranteed amount of interest rates, being the difference the interest rate at which the borrower obtained a loan secured by the Company, and the interest rate that would be applied if the Company had not issued a guarantee. The cost of guarantees is deemed as an investment in a subsidiary.

In thousands of Kazakhstani Tenge	**Long-term financial guarantee**		**Amount of liabilities guaranteed**		**Guarantee period**		**Estimated**
Company	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**Issue date**	**Validity period**	**rate under guarantee**
Shardara HPS JSC	1,439,752	1,639,195	23,717,500	13,763,823	2015	13 y	3%
First Wind Turbine LLP	-	567,280	-	9,266,472	2014	10 y	1%
Total	**1,439,752**	**2,206,475**	**23,717,500**	**23,030,295**			

21 Financial Risk Management

Financial risk factors

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

Risk management is carried out by management under policies, which provides principles for risk management, covering specific areas, such as credit risk, liquidity risk, and market risk.

(a) Credit risk

The Company 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 Company's lending and other transactions with counterparties, giving rise to financial assets.

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

Credit risk management. Credit risk is the single largest risk for the Company'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.

21 Financial Risk Management (Continued)

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

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

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

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

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

21 Financial Risk Management (Continued)

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 Company 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 Company 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 Company.

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 financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition.

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

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

21 Financial Risk Management (Continued)

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

ECL provisions of other financial assets is insignificant as at 31 December 2019.

The Company 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.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Company 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 Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back-testing is performed at least once a year.

The results of back-testing the ECL measurement methodology are communicated to Company 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 Company policy on formation and monitoring of development plans the Company manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Company develops and approves development strategy of the Company for the next ten years. In planning cash flows, the Company also accounts for income from temporary excess cash using the bank deposits.

21 Financial Risk Management (Continued)

The table below analyses the Company'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.

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**
At 31 December 2019					
Borrowings	7,621,426	1,069,168	22,663,833	127,630,375	143,089,381
Bonds	-	203,288	2,637,742	13,678,470	24,170,654
Other payables and accrued liabilities	1,255,130	159,653	-	-	-
Finance lease	-	-	346,314	1,179,671	-
Financial guarantee	23,717,500	-	-	-	-
Derivative financial instruments	-	-	-	29,622,719	-
Total future payments, including future principal and interest payments	**32,594,056**	**1,432,109**	**25,647,889**	**172,111,235**	**167,260,035**
At 31 December 2018					
Borrowings	89,688	6,942,838	13,189,710	40,000,734	139,626,191
Bonds	-	2,105,000	6,149,454	74,392,818	26,605,109
Other payables and accrued liabilities	1,424,677	472,630	69,156,000	-	-
Finance lease	17,136	-	116,602	506,677	-
Financial guarantee	23,030,295	-	-	-	-
Total future payments, including future principal and interest payments	**24,561,796**	**9,520,468**	**88,611,766**	**114,900,229**	**166,231,300**

(c) Market risk

Currency risk

Financial assets and liabilities of the Company are mainly denominated in Tenge, as a result, the Company is not significantly exposed to currency risk. However, the Company continues to monitor changes in the financial derivatives market to introduce a hedging structure in the future or, if necessary.

In thousands of Kazakhstani Tenge	**At 31 December 2019** **Impact on profit or loss**	**At 31 December 2018** **Impact on profit or loss**
Rouble strengthening by [12]% (2018: strengthening by [19]%)	(171,633)	-
Rouble weakening by [12]% (2018: weakening by [19]%)	445,820	-

Interest rate risk

Interest rate risk arises from floating interest rate borrowings. The Company is exposed to potential market risk of MosPrime Rate quotas at the Moscow Foreign Exchange. The Company carefully monitors changes in floating interest rates. Additionally, within optimisation of its loan portfolio, the Company reduced rates on existing loans by 1-1.5% on the average. The Company has no formal agreements for the analysis and mitigation of risks related to changes in interest rates.

21 Financial Risk Management (Continued)

If at 31 December 2019 interest rates had been 20 basis points higher, with all other variables held constant, profit for the year would have been Tenge 44,419 thousand higher, mainly as a result of lower interest expense on floating interest rate liabilities and Tenge 172,629 thousand less as a result of higher interest expense floating interest rate liabilities.

Management of capital

The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company 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 separate statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the separate statement of financial position plus net debt.

In thousands of Kazakhstani Tenge	**Note**	**31 December 2019**	**31 December 2019**
Total Borrowings	12	207,398,917	175,901,918
Less:			
Cash and cash equivalents	10	(1,298,005)	(256,275)
Net borrowings	12	206,100,912	175,645,643
Total equity		410,216,382	378,322,467
Total equity		**616,317,294**	**553,968,110**
Gearing ratio		**33%**	**32%**

22 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.

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.

22 Fair Value Disclosures (Continued)

In thousands of Kazakhstani Tenge	31 December 2019				31 December 2018			
	Level 1 fair value	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
Assets								
Cash and cash equivalents	-	1,298,005	-	1,298,005	-	256,275	-	256,275
Fixed term deposits	-	304	-	304	-	76,423	-	76,422
Financial receivables	-	11,240,997	-	11,487,529	-	82,522,965	-	83,172,084
Dividends receivable	-	405	-	405	-	421	-	421
Receivables from subsidiaries under guarantee issued	-	1,463,478	-	1,358,784	-	1,769,666	-	1,307,817
Loans issued	-	58,746,861	-	63,625,509	-	21,918,209	-	20,079,012
Receivables from employees	-	79,698	-	79,698	-	86,181	-	86,181
Total financial assets	**-**	**72,829,748**	**-**	**77,850,234**	**-**	**106,630,140**	**-**	**104,978,212**
								-
				-				-
Liabilities								
Borrowings	-	185,367,803	-	207,398,917	-	197,826,382	-	175,901,918
Lease liabilities	-	711,285	-	1,035,366	-	-	-	-
Financial guarantees	-	1,330,326	-	1,439,752	-	2,206,475	-	2,206,475
Financial payables	-	720,973	-	720,973	-	70,618,497	-	70,618,497
Total financial liabilities	**-**	**188,130,387**	**-**	**210,595,008**	**-**	**270,651,354**	**-**	**248,726,890**

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.

23 Events after the Reporting Period

For the period from 1 January 2020 to 21 February 2020, the Company received tranches of Tenge 2,100,000 thousand on a credit facility with Sberbank JSC SB No.16-14285-01-KL dated 16 June 2016.

For the period from 1 January 2020 to 21 February 2020, under the credit facility with Sberbank JSC SB No.16-14285-01-KL dated 16 June 2016, the Company repaid Tenge 5,932,667 thousand in advance, including the principal amount of Tenge 5,900,000 thousand, interest of Tenge 32,666 thousand.

For the period from 1 January 2020 to 21 February 2020, under the credit facility with Halyk Bank of Kazakhstan JSC No.KS 01-17-19 dated 9 August 2017, the Company received tranches for Tenge 2,000,000 thousand.

On 27 January 2020 under Tranche 2 of the Loan Agreement No.48308 dated 9 December 2016 with the EBRD, the Company made scheduled repayments for the total of Tenge 1,938,305 thousand, including the principal amount of Tenge 1,521,118 thousand, interest of Tenge 417,188 thousand.

On 28 January 2020, the Company made scheduled repayment of interest under the Credit Facility Agreement dated 8 November 2018 with ADB, including under Tranche A - Tenge 528,008 thousand, under Tranche B - Tenge 503,135 thousand, under Tranche C - Tenge 542,457 thousand.

24 Accounting Policies before 1 January 2019

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

Operating leases. Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, 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.

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

	2019	**2018**
Profit/(Loss) for the year attributable to the Company's owners (in thousands of Kazakhstani Tenge)	33,935,449	(5,487,500)
Weighted average number of ordinary shares in issue	5,601,687	5,601,687
Profit/(Loss) for the year attributable to the Company's owners (rounded to Tenge)	**6,058**	**(980)**

Carrying value of one share

Pursuant to the resolution of the Exchange Council of Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010, financial statements must contain data on the carrying amount of one share (ordinary and preferred) at the reporting date calculated in accordance with the rules approved by KASE. At 31 December 2019, this indicator calculated by the management of the Company based on the financial statements constituted to Tenge 73,094 (31 December 2018: Tenge 67,260). The table for calculating the carrying amount of one share is as follows:

In thousands of Kazakhstani Tenge	**2019**	**2018 (restated)**
Total assets	622,001,515	629,250,800
Less: intangible assets	(763,873)	(1,551,991)
Less: total liabilities	**(211,785,133)**	**(250,928,333)**
Net assets for ordinary shares	409,452,509	376,770,476
Number of ordinary shares at 31 December	5,601,687	5,601,687
Carrying amount of one share, Tenge	**73,094**	**67,260**