# SAMRUK-ENERGY JSC

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

## 31 December 2018

# Contents

# *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 2018 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 2018;
- 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.

## *Our audit approach*

**Overview**

| | |
|---|---|
| **Materiality** | • Overall Company's materiality: Tenge 2,300,000 thousand, which represents 0.41 % of the carrying amount of the Company's total assets. |
| **Key audit matters** | • Impairment of investments in the subsidiaries Ekibastuzskaya GRES- 1 named after Bulat Nurzhanov LLP ("EGRES-1"), Almaty Power Stations JSC ("ALES"), Moinak HPP named after U.D. KANTAYEV JSC ("MHPP");<br>• Impairment of investments in the joint venture Ekibastuz GRES-2 JSC ("EGRES-2");<br>• Liability from the Put option on BTPP shares. |

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 2,300,000 thousand |
| ***How we determined it*** | 0.41 % 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 0.41%. 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 0.41% 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 investments in the subsidiaries EGRES-1, ALES and MHPP*<br><br>*See Note 5 to the separate financial statements.*<br><br>Based on the impairment indicators analysis performed as of 31 December 2018, management of the Company concluded that changes in the regulatory tariffs law as of 1 January 2019 and lower actual weighted average tariffs are the factors of possible impairment of non-financial assets of EGRES-1, ALES and MHPP and, accordingly, the Company's investments in EGRES-1, ALES and MHPP.<br><br>We paid special attention to the issue of impairment of investments in EGRES-1, ALES and MHPP due to the impairment indicators identified, significance of the carrying value of investments in these subsidiaries (Tenge 390,523,332 thousand at 31 December 2018, comprising 70% 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 Company. | The Company's management together with independent experts has carried out the impairment test of property, plant & equipment and intangible assets of EGRES-1, ALES and MHPP, and, accordingly, the Company's investments in EGRES-1, ALES and MHPP.<br><br>We received, inspected and evaluated the models used by management's experts to assess the impairment of non-financial assets and assessed the methodology and the main assumptions used in the models, and their consistency with the budgets and business plans, external information and our expertise, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment.<br><br>Our procedures in respect of management's assessment of the impairment of investments in EGRES-1, ALES and MHPP included:<br><br>• assessment of competence, qualifications, experience and objectivity of independent experts, involved by management;<br>• analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets;<br>• verification of accuracy and relevance of key assumptions used by management to perform the test; |

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| | • consideration of Kazakhstan's Government statement on introducing amendments and addenda to the law of the Republic of Kazakhstan *On Electric Power Industry*;<br>• consideration of other input data for the models and reconciliation of them with supporting documents, such as the Development plan and comparison of the Development plan with actual results, where relevant;<br>• making a series of inquiries with management to assess the impairment tests;<br>• comparison of actual performance for the year against the prior year forecast;<br>• consideration of the potential impact of reasonably possible changes in key assumptions.<br><br>Also, we paid attention to the adequacy of disclosures in Note 5 to the separate financial statements in accordance with the requirements of IAS 36 "Impairment of Assets". As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets". |
| *Impairment of investment in EGRES-2*<br><br>*See Note 5 to the separate financial statements.*<br><br>Based on the impairment indicators analysis performed as of 31 December 2018, management of the Company concluded that changes in the regulatory tariffs law as of 1 January 2019 and lower actual weighted average tariffs are the factors of possible impairment of non-financial assets of EGRES-2 and, accordingly, the Company's investments in EGRES-2.<br><br>At 31 December 2018 the carrying value of the Company's investment in EGRES-2 amounts to Tenge 8,725,133 thousand.<br><br>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 | We have reviewed the working papers of the component auditor and discussed the key assumptions and the methodology used in the impairment test models on property, plant and equipment of EGRES-2, made by management of EGRES-2. We assessed whether key assumptions are in line with our understanding of EGRES-2 operations.<br><br>We also discussed with management of the Company and the Audit Committee plans in respect of this investment.<br><br>Also, we paid attention to the adequacy of disclosures in Note 5 to the separate financial statements in accordance with the requirements of IAS 36 "Impairment of Assets".<br><br>As a result of the procedures performed, we came to |

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| recoverable value. | the conclusion that the key assumptions used by management are appropriate in the current circumstances, there is no need to recognise loss on impairment in the separate financial statements, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets". |
| *Liability from Put option on BTPP shares*<br><br>*See Notes 5, 15 to the separate financial statements.*<br><br>Within the framework of the "Construction of Balkhash Thermal Plant" project, the Company entered into a share option agreement ("Option Agreement") in relation to shares in BTPP that allowed Samsung C&T in certain circumstances to require the Company to purchase its shares in BTPP. On 31 August 2016 Samsung C&T notified the Company of its intention to exercise their option to require the Company to acquire Samsung C&T's shares in BTPP in accordance with the Option Agreement.<br><br>On 16 November 2018 the Company concluded a settlement agreement with Samsung C&T. In accordance with the agreement, the Company and the Government agreed to pay a settlement amount to Samsung C&T, following that Samsung C&T will transfer 50% + 1 share in the BTPP to the Company. Thus, the liability under the Option Agreement will cease.<br><br>The Government has obliged to provide the necessary funding to settle the liability to Samsung C&T. Based on the settlement agreement, management recognized provision for liability, as well as the asset for its reimbursement in the same amount as the provision, as it is assumed that the expenses necessary to settle the liability will be reimbursed in full.<br><br>We paid special attention to the issue due to its significance to the financial statements. | We have reviewed the Option Agreement, Put Option exercise notice, the settlement agreement, the minutes and decisions of the Government and the Board of Sole Shareholder NWF Samruk-Kazyna JSC to provide funding to settle liabilities to Samsung C&T.<br><br>We had a meeting with management of the Group and the Sole Shareholder, NWF Samruk-Kazyna JSC, and obtained an understanding of the management's position on this issue.<br><br>We have considered the technical requirements of IAS 36 "Impairment of assets", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS 10 "Consolidated Financial Statements", IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" with respect to the accounting treatment and disclosures of the investment in BTPP, provisions for liabilities and assets for its repayment.<br><br>We also paid attention to sufficiency of disclosures in Note 5 to the financial statements in accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".<br><br>As a result of these procedures, we did not propose any adjustments in the financial statements regarding the Put Option on shares. |

## *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

20 March 2019
Almaty, Kazakhstan

Approved and signed by:

Dana Inkarbekova

Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance
of the Republic of Kazakhstan №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 2018 | 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 284,384 | 264,320 |
| Intangible assets | | 1,551,991 | 935,329 |
| Investments in joint ventures and associates | 7 | 505,031,916 | 504,428,843 |
| Loans issued | 8 | 8,351,988 | 12,279,695 |
| Other non-current assets | 9 | 11,103,483 | 13,164,208 |
| **Total non-current assets** | | **526,323,762** | **531,072,395** |
| **Current assets** | | | |
| Inventories | | 31,327 | 27,293 |
| Loans issued | 8 | 11,727,024 | 355,993 |
| Other current assets | 10 | 75,090,524 | 12,823,443 |
| Cash and cash equivalents | 11 | 256,275 | 14,142,829 |
| Non-current assets held for sale | 12 | 15,821,888 | 15,810,776 |
| **Total current assets** | | **102,927,038** | **43,160,334** |
| **TOTAL ASSETS** | | **629,250,800** | **574,232,729** |
| **EQUITY** | | | |
| Share capital | 13 | 373,314,888 | 373,314,888 |
| Other reserves | | 91,643,564 | 91,668,501 |
| Accumulated loss | | (86,635,985) | (78,576,191) |
| **TOTAL EQUITY** | | **378,322,467** | **386,407,198** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 14 | 157,847,954 | 173,504,049 |
| Long-term financial guarantee | 22 | 2,206,475 | 2,262,892 |
| **Total non-current liabilities** | | **160,054,429** | **175,766,941** |
| **Current liabilities** | | | |
| Borrowings | 14 | 18,053,964 | 9,437,246 |
| Other payables and accrued liabilities | 15 | 71,510,094 | 1,354,331 |
| Liability to the shareholder | | 1,184,095 | 1,174,066 |
| Other taxes payable | | 125,751 | 92,947 |
| **Total current liabilities** | | **90,873,904** | **12,058,590** |
| **TOTAL LIABILITIES** | | **250,928,333** | **187,825,531** |
| **TOTAL LIABILITIES AND EQUITY** | | **629,250,800** | **574,232,729** |

Signed on behalf of management on 20 March 2019

| | |
|---|---|
| Yerlan Zh. Aliyev | Saule B. Tulekova |
| *Managing Director on Economics and Finance* | *Head of Accounting and Tax Department - Chief Accountant* |

| *In thousands of Kazakhstani Tenge* | **Note** | **2018** | **2017** |
|---|---|---|---|
| *Continuing operations* | | | |
| Dividend income | 16 | 21,465,116 | 20,160,743 |
| Other operating income | | 92,398 | 513,190 |
| General and administrative expenses | 17 | (7,055,786) | (6,178,591) |
| Other operating expenses | 18 | (2,102,458) | (33,492,651) |
| **Operating profit/(loss)** | | **12,399,270** | **(18,997,309)** |
| Finance income | 19 | 3,118,500 | 5,372,962 |
| Finance costs | 20 | (20,903,616) | (19,966,188) |
| Gain on disposal of subsidiary | | 3,420 | - |
| **Loss before income tax** | | **(5,382,426)** | **(33,590,535)** |
| Income tax expense | 21 | (105,074) | (177,890) |
| **Loss for the year from continuing operations** | | **(5,487,500)** | **(33,768,425)** |
| Profit for the year from discontinued operations | | - | 11,573,212 |
| **Loss for the year** | | **(5,487,500)** | **(22,195,213)** |
| Other comprehensive income | | (24,937) | - |
| **Total comprehensive loss for the year** | | **(5,512,437)** | **(22,195,213)** |
| Basic and diluted loss per share from continuing operations attributable to the owners of the Company (rounded to Tenge share) | 28 | (980) | (6,028) |
| Basic and diluted loss per share attributable to the owners of the Company (rounded to Tenge share) | 28 | (980) | (3,962) |

| *In thousands of Kazakhstani Tenge* | **Note** | **Share capital** | **Other reserves** | **Accumulated deficit** | **Total equity** |
|---|---|---|---|---|---|
| **Balance at 1 January 2017** | | **373,314,888** | **91,668,501** | **(49,725,062)** | **415,258,327** |
| Loss for the year | | - | - | (22,195,213) | (22,195,213) |
| **Total comprehensive loss for the year** | | **-** | **-** | **(22,195,213)** | **(22,195,213)** |
| Other equity distributions | | - | - | (1,951,021) | (1,951,021) |
| Dividends declared | | - | - | (4,704,895) | (4,704,895) |
| **Balance at 31 December 2017** | | **373,314,888** | **91,668,501** | **(78,576,191)** | **386,407,198** |
| Adjustment to opening balance (IFRS 9) | 3 | - | - | (521,266) | (521,266) |
| **Restated 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) |
| 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 31 December 2018** | | **373,314,888** | **91,643,564** | **(86,635,985)** | **378,322,467** |

| *In thousands of Kazakhstani tenge* | **2018** | **2017** |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Pre-tax loss of continued operations: | (5,382,426) | (33,590,535) |
| Pre-tax profit of discontinued operations: | - | 11,573,212 |
| Adjustments for: | | |
| Dividend income | (21,465,116) | (20,160,743) |
| Depreciation and amortization | 258,169 | 327,513 |
| Finance costs | 20,903,616 | 19,966,188 |
| Finance income | (3,118,500) | (5,372,962) |
| Foreign exchange loss | 321,501 | 127,441 |
| Asset impairment costs | 1,757,629 | 33,227,188 |
| Loss on disposal of asset | - | 680 |
| **Cash flows received from/ used in operating activities before working capital changes:** | **(6,725,127)** | **6,097,982** |
| Increase/(decrease) in inventories | (4,034) | (4,897) |
| Decrease/(increase) in accounts receivable and other current and non-current assets | (68,395,150) | (11,297,312) |
| Increase in other accounts payable | 70,153,326 | 303,711 |
| (Decrease)/increase in other taxes payable | (31,823) | 15,426 |
| **Cash used in operating activities** | **(5,002,808)** | **(4,885,090)** |
| Income tax paid | (105,074) | (177,890) |
| Dividends received | 27,860,099 | 15,812,271 |
| Interest paid | (15,220,371) | (11,323,554) |
| **Net cash received from (used in) operating activities** | **7,531,846** | **(574,263)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (414,010) | (158,705) |
| Proceeds from sale of shares of subsidiaries | 1,859,548 | 14,738,993 |
| Borrowings and financial aid provided to subsidiaries and jointly controlled entities | (14,618,402) | (13,065,435) |
| Contribution to equity of subsidiaries | (1,663,772) | (2,038,888) |
| Refund of bank deposits, net | 2,948,684 | 21,080,058 |
| Interest received | 1,269,460 | 4,040,928 |
| Proceeds from the repayment of financial assistance issued to subsidiaries and jointly controlled entities | 2,980,479 | 12,770,130 |
| Proceeds from repayment of bonds | 4,491,638 | 36,941,495 |
| Purchase of debt instruments | (153,620) | - |
| Conversion of current deposits into financial receivables (Note 10) | (2,934,450) | - |
| Return of advance provided | - | 2,200,000 |
| **Net cash used in/received from investing activities** | **(6,234,445)** | **76,508,576** |
| **Cash flows from financing activities:** | | |
| Bond redemption | - | (167,994,272) |
| Proceeds from borrowings | 43,353,000 | 79,114,450 |
| Proceeds from issued bonds | 21,736,200 | 48,000,000 |
| Repayment of loans | (75,316,933) | (16,921,628) |
| Repayment of Samruk-Kazyna loans | (2,381,109) | (2,381,109) |
| Dividends paid | (2,041,000) | (4,704,895) |
| Other payments | (188,980) | (1,709,498) |
| **Net cash used in financing activities** | **(14,838,822)** | **(66,596,952)** |
| Foreign exchange difference effect on cash and cash equivalents | (345,133) | (7,008) |
| Net increase/decrease in cash and cash equivalents | (13,541,421) | 9,337,361 |
| Cash and cash equivalents at the beginning of the year | 14,142,829 | 4,812,476 |
| **Cash and cash equivalents at the year-end** | **256,275** | **14,142,829** |

## 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 2018 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") combining several entities (Note 7) 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, Astana, 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 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated.

The principal accounting policies in respect of financial instruments applied till 31 December 2017 are presented in Note 27.

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, Astana, Republic of Kazakhstan.

These separate financial statements should be read in conjunction with the consolidated financial statements as of 31 December 2018 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 consolidated financial statements are disclosed in notes. Actual results could differ from those estimates.

*Foreign exchange rates*

At 31 December 2018 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 384.20 (31 December 2017: US Dollar = Tenge 332.33). Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

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

*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 |

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.

*Investments in subsidiaries and joint 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.

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

*(i) Key measurement terms (continued)*

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 25).

*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.

*(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.

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

*(ii) Financial assets (Continued)*

*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.

Debt instruments measured at AC are presented in the separate 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)

*(iii) Financial liabilities (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.

*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.

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

*Non-current assets held for sale*

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

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

*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.

*Borrowings*

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Company records gain on origination within profit and loss for the year or a directly in equity as a capital contribution to the Company. The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Company capitalises borrowing costs that would 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 ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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 of employees, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

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

*Income taxes*

Income taxes have been provided for in these 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 Adoption of New or Revised Standards and Interpretations

***IFRS 9 “Financial Instruments”.*** The Company adopted IFRS 9, Financial Instruments, from 1 January 2018. The Company elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 27.

## 3 Adoption of New or Revised Standards and Interpretations (Continued)

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

| *(In thousands of Kazakhstani Tenge)* | Measurement category | | Carrying value under IAS 39 at 31 December 2017 | Effect of adopting IFRS 9 | | | | Carrying value under IFRS 9 - 1 January 2018 |
|---|---|---|---|---|---|---|---|---|
| | | | | Reclassification | | Remeasurement | | |
| | IAS 39 | IFRS 9 | | Mandatory | Voluntary | ECL | Other | |
| **Cash and cash equivalents** | Loans and receivables | AC | **14,142,829** | - | - | **(62,372)** | - | **14,080,457** |
| *Investments in debt securities* | | | | | | | | |
| - Corporate bonds | Held to maturity | AC | **13,615,879** | - | - | **(60,891)** | - | **13,554,988** |
| **Total investments in debt securities** | | | **13,615,879** | - | - | **(60,891)** | - | **13,554,988** |
| **Due from other banks** | | | | | | | | |
| -Placements with other banks with original maturities of more than three months | Loans and receivables | AC | **3,037,304** | - | - | **(37,898)** | - | **2,999,406** |
| **Total due from other banks and debt securities** | | | **30,796,012** | **-** | **-** | **(161,161)** | **-** | **30,634,851** |
| **Other financial assets** | | | | | | | | |
| - Receivables from subsidiaries under guarantee issued | Loans and receivables | AC | **1,378,374** | - | - | (4,647) | - | **1,373,727** |
| - Long-term receivables | Loans and receivables | AC | **13,417,349** | - | - | (230,315) | - | **13,187,034** |
| Dividends receivable | Loans and receivables | AC | **6,380,082** | - | - | (3,834) | - | **6,376,248** |
| **Total other financial assets** | | | **21,175,805** | | | **(238,796)** | | **20,937,009** |
| **Total financial assets** | | | **51,971,817** | | | **(399,957)** | | **51,571,860** |

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

### *(a) Cash and cash equivalents*

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

### *(b) Investments in debt securities*

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

At 31 December 2017 all the Company's financial liabilities are carried at amortised cost. Effect of the loans' modifications due to adoption of IFRS 9 at 1 January 2018 is Tenge 121,309 thousand. No changes to the classification and measurement of financial liabilities are expected. These changes were recorded to retained earnings as at 1 January 2018.

## 3 Adoption of New or Revised Standards and Interpretations (Continued)

Total effect related to IFRS 9 adoption at 1 January 2018 is Tenge 521,266 thousand.

***IFRS 15 "Revenue from Contracts with Customers".*** The Company applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method.

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

## 4 New Accounting Pronouncements

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

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after
- 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on
- 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

*New standards and interpretations*

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

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

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

## 4 New Accounting Pronouncements (Continued)

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

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

***Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*** The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is currently assessing the impact of the amendments on its financial statements.

***Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).***The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Company is currently assessing the impact of the amendments on its financial statements.

***Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).***The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Company is currently assessing the impact of the amendments on its financial statements.

## 4 New Accounting Pronouncements (Continued)

***Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).*** The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The 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 2018 and effective for annual periods beginning on or after 1 January 2020).*** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

***Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).*** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the 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 2018 and effective for annual periods beginning on or after 1 January 2020).*** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The 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.

## 5 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the 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 financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

*Going concern*

Management prepared these separate financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and support of the Government. As at 31 December 2018 total current liabilities of the Company exceeded total current assets by Tenge 12,053,136 thousand. The growth of current liabilities is due to approaching maturities of the loans. When evaluating the ability of Samruk-Energy to continue as going concern, the following factors were considered:

The following factors were considered in assessing the ability of the Company to continue as a going concern:

- The Company has the strategic importance for ensuring the power system security in Kazakhstan. Neither management nor shareholders of the Company have any intentions or necessity in liquidation of the Company.
- The Company expects to obtain more than Tenge 15,000,000 thousand from sales of the assets in 2019.

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

- At 31 December 2018 the Company has available funds within revolving credit facilities totalling Tenge 42,430,043 thousand and non-revolving tranche C within the Credit Agreement with the Asian Development Bank for the amount in Tenge equal to US Dollar 40 million.

These separate financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and classifications in the separate statement of financial position that would be necessary if the Company was unable to continue its operations. Such adjustments could be material.

***Impairment of non-financial assets***

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

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

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the 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.

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.

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

The Company engaged independent experts to conduct the impairment test of EGRES-1, ALES, and EGRES-2, in accordance with IAS 36 "Impairment of Assets". The impairment test of MHPP assets was performed by management similarly with the methodology used by independent experts in the impairment test of other Company's entities. The recoverable amount of investments 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 investments in each subsidiary as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which the Company monitors recovery of the assets' cost. Management estimated the recoverable amount of investments based on value in use determined as estimated discounted future cash flows that the Company expects to obtain from their possession.

***Impairment test of investments in EGRES-1, ALES, MHPP***

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

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

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

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

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

*Tariffs*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Volumes***

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

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

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

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

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

***Volumes (continued)***

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

***Capital expenditures***

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

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

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

*Discount rate*

The discount rate was estimated taking into consideration the current market assessment of industry-specific risks and determined on the basis of the weighted average cost of capital for each of the companies: 11.15% for EGRES-1, 12.06% for ALES, and 12.96% for MHPP, respectively.

*Long-term inflation rate*

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

Based on the impairment test, the recoverable amount of investments in EGRES-1 at 30 November 2018 is Tenge 405,993,000 thousand, which is Tenge 67,720,937 thousand higher than their carrying value. Accordingly, the Company did not recognise impairment losses in 2018.

If the cap electricity tariff remains 5.76 Tenge/ kWh for 2019-2025, no impairment loss will be incurred. If the cap electricity tariff decreases by 10%, the recoverable amount of the company's assets will be Tenge 63,986,566 thousand less than their carrying amount. If the sales volume of electricity decreases by 10%, the recoverable amount of the company's assets will be Tenge 68,500,143 thousand less than their carrying amount. In the case of 1% increase in the discount rate, no impairment loss will arise.

Based on the impairment test, the recoverable amount of investments in ALES at 30 November 2018 was determined in the amount of Tenge 57,522,840 which is Tenge 27,135,187 thousand higher than their carrying amount. Accordingly, the Company did not recognise impairment losses in 2018.

If the cap electricity tariff remains at the level of 8.33 Tenge/ kWh for 2019-2024 the recoverable amount of the company's assets will be Tenge 5,777,459 thousand less than their carrying amount. In the case of 1% increase in the discount rate, no impairment loss will arise. If the sales volume of electricity, heating power and chemically purified water decrease by 10%, no impairment loss will arise. If the cap tariff for sales of electricity, heating power and chemically purified water decrease by 10%, the recoverable amount of the assets will be Tenge 39,163,673 thousand less than their carrying amount.

Based on the impairment test, the recoverable amount of MHPP assets at 30 November 2018 was determined in the amount of Tenge 19,637,869 thousand which is Tenge 3,172,822 thousand higher than their carrying amount. Accordingly, the Company did not recognise impairment losses in 2018.

If the cap electricity tariff remains 7.14 Tenge/ kWh for 2019-2025, no impairment loss will arise.

***Investments in EGRES-2***

As stated in Note 7, the Company has the investment in the joint venture EGRES-2. Management of EGRES-2 reviewed the indicators of impairment, including dynamics of electricity tariffs and market demand. Uncertainties associated with both completion of power unit No.3 and sale of electricity generated by power unit No. 3 indicates a potential impairment of EGRES-2 property, plant and equipment and, consequently, possible impairment of the Company's investment in EGRES-2.

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

***Investments in EGRES-2 (continued)***

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

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

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

Key assumptions used are presented below:

***Tariffs***

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

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

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

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

A 10%-decrease in the electricity tariff will result in impairment of investments of not more than Tenge 13,431,808 thousand.

***Forecasted volumes of production and sales***

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

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

Management expects that volumes of production and sales during the forecast period prior to commissioning of power unit No. 3 will be stable. After the launch of power unit No.3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company. While management expects the electricity sales or tariff to grow during the forecast period, a 10%-decrease in the sales of electricity will not result in an impairment of investments.

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

***Discount rate***

The discount rate of 13.28% was estimated taking into consideration the current market assessment of EGRES-2 inherent risks, and evaluated on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent in the industry and changes in the weighted average cost of capital, it may require further changes in the discount rate. 1% increase in the discount rate would result in an impairment loss of Tenge 643,460 thousand.

*Balkhash Thermal Power Plant*

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

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

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

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

On 16 November 2018 the settlement agreement was concluded with Samsung C&T. In accordance with this agreement, the 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 15). 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 liability to Samsung C&T will be fully recoverable, in line with IAS 37, as at 31 December 2018 the recoverable amount was recognised as a separate asset equal to the provision amount (Note 10). The relevant loss from liability recognition and gain from asset recognition were offset in profit or loss according to IAS 37.

## 6 Balances and Transactions with Related Parties

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

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

The 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 2018 the outstanding balances with related parties were as follows:

| *In thousands of Kazakhstani Tenge* | Note | Shareholder | Companies under common control | Subsidiaries and joint ventures |
|---|---|---|---|---|
| Loan issued to subsidiaries | 8 | - | - | 17,335,399 |
| Trade receivables | 10 | - | - | 3,639 |
| Other asset held for the benefit of Shareholder | 10 | 1,184,095 | - | - |
| Other current assets | 9 | 69,156,000 | - | 1,307,817 |
| Interest income on loans issued | 8 | - | - | 958,939 |
| Dividends receivable | 10 | - | - | 421 |
| Trade payables | 15 | - | 66,156 | 277,573 |
| Liability to the Shareholder | | 1,184,095 | - | - |
| Finance lease payable | | 516,230 | | |
| Borrowings and bonds | 14 | 62,293,718 | - | 36,450,333 |

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

At 31 December 2017 the outstanding balances with related parties were as follows:

| *In thousands of Kazakhstani Tenge* | **Note** | **Shareholder** | **Companies under common control** | **Subsidiaries and joint ventures** |
|---|---|---|---|---|
| Loan issued to subsidiaries | 8 | - | - | 5,578,277 |
| Trade receivables | 10 | - | - | 31,329 |
| Other current assets | | - | - | - |
| Other asset held for the benefit of Shareholder | 10 | 1,387,077 | - | - |
| Other non-current assets | 9 | - | - | 1,378,374 |
| Interest income on loans issued | 8 | - | - | 695,834 |
| Dividends receivable | 10 | - | - | 6,380,082 |
| Securities of related parties | 8 | - | - | 4,734,457 |
| and accrued liabilities | | - | - | 263,858 |
| Trade payables | 15 | - | 3,117 | - |
| Liability to the Shareholder | | 1,174,066 | - | - |
| Borrowings and bonds | 14 | 59,959,841 | - | 28,165,278 |

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 costs | 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 income and expense items with related parties for the year ended 31 December 2017 were as follows:

| *In thousands of Kazakhstani Tenge* | **Shareholder** | **Companies under common control** | **Subsidiaries and joint ventures** |
|---|---|---|---|
| Dividend income | - | - | 20,160,743 |
| Finance income | 9,467 | - | 3,417,750 |
| Finance costs | 5,484,838 | - | 1,836,178 |
| General and administrative expenses | - | 43,959 | 512,997 |
| Foreign exchange gains (net) | - | - | 37,021 |

The Company also provided guarantees to its subsidiaries as disclosed in Note 22.

Key management personnel compensation for the year ended 31 December 2018 represents the salaries, bonuses and other short-term employee benefits and amounts to Tenge 104,896 thousand (31 December 2017: Tenge 233,669 thousand). Key management personnel as at 31 December 2018 include 6 persons (2017: 8 persons).

## 7 Investments in Subsidiaries and Joint Ventures

The table below summarises the cost of investments as at 31 December 2018:

| | | | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|---|---|
| | **Acquisition date** | **Country of registration** | **Cost of investments (in thousands of Kazakhstani Tenge)** | **Percentage of ownership** | **Cost of investments (th. Tenge)** | **Percentage of ownership** |
| Ekibastuzskaya GRES-1 named after Bulat Nurzhanov | 31.10.2012 | Kazakhstan | 338,272,063 | 100% | 338,272,063 | 100% |
| Alatau Zharyk Company JSC | 29.07.2009 | Kazakhstan | 53,047,487 | 84% | 52,709,818 | 83.56% |
| Almaty Power Stations JSC | 26.07.2011 | Kazakhstan | 30,386,653 | 100% | 30,386,653 | 100% |
| Moinak HPS JSC | 04.01.2008 | Kazakhstan | 21,864,616 | 100% | 21,864,616 | 100% |
| First Wind Turbine LLP | 28.05.2016 | Kazakhstan | 8,543,591 | 100% | 8,834,141 | 100% |
| Samruk-Green Energy LLP | 13.06.2012 | Kazakhstan | 2,843,614 | 100% | 2,739,386 | 100% |
| Shardara HPS JSC | 03.06.2011 | Kazakhstan | 2,524,771 | 100% | 2,275,999 | 100% |
| Ereymentau Wind Power LLP | 28.05.2016 | Kazakhstan | 1,711,375 | 100% | 1,522,677 | 100% |
| Shulbinskaya HPS NJSC | 04.01.2008 | Kazakhstan | 1,230,658 | 92.14% | 1,230,658 | 92.14% |
| Bukhtarminskaya HPS JSC | 04.01.2008 | Kazakhstan | 1,050,790 | 90% | 1,050,790 | 90% |
| Ust-Kamenogorskaya HPS JSC | 04.01.2008 | Kazakhstan | 465,019 | 89.99% | 465,019 | 89.99% |
| KazGidroTekhEnergo LLP | 31.03.2014 | Kazakhstan | 244,572 | 100% | 222,506 | 100% |
| AlmatyEneergoSbyt LLP | 26.07.2011 | Kazakhstan | 136,003 | 100% | 136,003 | 100% |
| Energy Solutions Center LLP | 16.03.2017 | Kazakhstan | 52,999 | 100% | 52,999 | 100% |
| Forum Muider B.V. | 23.12.2008 | Netherlands | 41,759,543 | 50% | 41,759,543 | 50% |
| Ekibastuz EGRES-2 JSC | 04.01.2008 | Kazakhstan | 8,725,133 | 50% | 8,725,133 | 50% |
| Balkhash TPP JSC (Note 4) | 24.06.2008 | Kazakhstan | 32,085,280 | 49.99% | 32,085,280 | 49.99% |
| Energiya Semirechiya LLP | 28.05.2016 | Kazakhstan | 7,509 | 25% | 15,319 | 51% |
| *Less:* | | | | | | |
| Impairment of investments | | | (39,919,760) | | (39,919,760) | |
| **Total investments** | | | **505,031,916** | | **504,428,843** | |

## 8 Loans Issued

| *In thousands of Kazakhstani Tenge* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| *Non-current portion* | | |
| Loan issued to Alatau Zharyk Company JSC | 4,350,426 | 3,991,664 |
| Loan issued to First Wind Turbine LLP | 1,470,652 | 1,496,614 |
| Bonds of Mangistau Electricity Distribution Company JSC | 1,212,459 | 1,205,007 |
| Accrued interest on loan to First Wind Turbine LLP | 890,506 | 634,545 |
| Bonds of Special Financial Company DSFK LLP | 431,558 | 488,379 |
| Bonds of Tsesnabank JSC | 53,431 | - |
| Bonds of Alatau Zharyk Company JSC | - | 4,463,486 |
| Less: impairment provision | (57,044) | - |
| **Total loans issued - non-current borrowings** | **8,351,988** | **12,279,695** |
| *Current portion* | | |
| Loan issued to Shardara HPS JSC | 9,600,000 | - |
| Loan issued to Almaty Power Stations JSC | 1,950,000 | - |
| Loan issued to Energiya Semirechiya LLP | 713,361 | 596,349 |
| Loan issued to Balkhash TPP JSC | 377,301 | 343,316 |
| Accrued interest on loans issued | 154,182 | 65,983 |
| Accrued interest on bonds | 25,029 | 294,704 |
| 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 | (1,128,681) | (980,191) |
| **Total loans issued - current borrowings** | **11,727,024** | **355,993** |

## 8 Loans Issued (Continued)

Movements in the provision for loan impairment are as follows:

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Provision for impairment at 1 January | (980,191) | (5,442) |
| Provision for impairment during the year | (243,385) | (974,749) |
| Recovery of provision for impairment during the year | 37,821 | - |
| **Provision for impairment at 31 December** | **(1,185,755)** | **(980,191)** |

*Bonds of Alatau Zharyk Company JSC*

In September 2018 Alatau Zharyk Company JSC early repaid bonds with the nominal value of Tenge 4,463,486 thousand and coupon interest accrued at the redemption date.

*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 5). The carrying amount of the bonds is the present value of future cash flows discounted at 14 %.

*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 2018 is Tenge 4,402,852 thousand (31 December 2017: Tenge 3,991,664 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.

*Loan issued to Almaty Power Stations JSC*

In 2018 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 2018, the Company provided loans of Tenge 1,950,000 thousand.

*Loan issued to Shardara HPS JSC*

In November 2018 the Company provided a revolving credit facility of Tenge 23,040,000 thousand to Shardara HPS JSC to settle its liabilities to EBRD and to pay to the equipment delivered for modernisation of Shardara HPS JSC. The interest rate is 0% per annum. The principal is payable at the end of the loan term in a lump sum. The loan period is one year. As at 31 December 2018 total loans issued to Shardara HPS JSC is Tenge 9,600,000 thousand.

## 8 Loans Issued (Continued)

***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* | 2018 | 2017 |
|---|---|---|
| **Loans at 1 January** | **12,635,688** | **50,223,273** |
| Loans issued | 14,618,402 | 13,065,435 |
| Purchase of debt instruments | 153,620 | 3,252,326 |
| Repayment of borrowings | (2,980,479) | (12,770,130) |
| Repayment of bonds | (4,491,638) | (36,941,495) |
| Interest income on loans issued | 483,226 | 400,654 |
| Interest income on bonds | 611,151 | 2,431,048 |
| Interest obtained | (1,269,460) | (4,040,928) |
| Discounting of loans issued and bonds | (189,809) | (1,951,021) |
| Finance income on amortisation of discount on financial assistance provided | 401,233 | 300,161 |
| Other changes | 312,641 | (358,886) |
| Provision for impairment (net) | (205,563) | (974,749) |
| **Loans at 31 December** | **20,079,012** | **12,635,688** |

## 9 Other Non-Current Assets

| *In thousands of Kazakhstani Tenge* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables from buyers of subsidiaries | 9,936,271 | 11,690,781 |
| Receivables under financial guarantee issued to First Wind Turbine LLP | 1,312,241 | 1,378,374 |
| Other receivables from employees | 86,181 | 95,053 |
| Less: provision for impairment | (231,210) | - |
| **Total other non-current financial assets** | **11,103,483** | **13,164,208** |

At 31 December 2018 accounts receivable of Tenge 12,176,874 thousand are total receivables from buyers of the Company's subsidiaries, that were sold during 2017 (Note 13 и 15). The accounts receivable of Tenge 1,312,241 thousand are payable by the company with the credit rating of BB+, Tenge 1,951,524 thousand are payable by the company with the credit rating of BB- -. The remaining financial receivables are due from the companies with the internal rating of SK A, excluding financial receivables of Tenge 600,397 thousand from Inform System LLP with the internal rating of SK C. At 31 December 2018 and 2017 receivables are neither past due nor impaired and are fully denominated in Tenge.

## 10 Other Current Assets

| *In thousands of Kazakhstani Tenge* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade receivables from buyers of subsidiaries | 2,240,603 | 1,878,078 |
| Receivables from Tauba Invest | 2,934,450 | - |
| Consideration receivable for BTPP (Note 4) | 69,156,000 | - |
| Term deposits | 77,048 | 3,037,304 |
| Dividends receivable | 421 | 6,380,082 |
| Less: provision for impairment | (868,454) | (151,510) |
| **Total other current financial assets** | **73,540,068** | **11,143,954** |
| Assets held for the benefit of the Shareholder | 1,184,095 | 1,387,077 |
| Advances paid | 162,084 | 130,470 |
| Other | 204,277 | 161,942 |
| **Total other current assets** | **75,090,524** | **12,823,443** |

## 10 Other Current Assets (Continued)

*Term deposits*

The table below discloses the carrying amount of terms deposits as at 31 December 2018:

| Bank | Rating (S&P) | Amount | Maturity | Interest rate | Currency |
|---|---|---|---|---|---|
| Tsesnabank | B- | 38,530 | 06.03.2019 | 1,7% | US Dollar |
| ATF Bank | B | 38,518 | 06.03.2019 | 1,5% | US Dollar |
| **Total** | | **77,048** | | | |

The table below discloses the carrying amount of terms deposits as at 31 December 2017:

| Bank | Rating (S&P) | Amount | Maturity | Interest rate | Currency |
|---|---|---|---|---|---|
| ATF Bank | B | 1,817,850 | 16.10.2018 | 10.5% | Tenge |
| Qazaq Banki | B- | 1,200,774 | 15.08.2017 | 4% | US Dollar |
| Eurasian Bank | B | 10,000 | 16.10.2018 | 10% | Tenge |
| Kassa Nova Bank | B | 8,680 | 31.12.2017 | 12% | Tenge |
| **Total** | | **3,037,304** | | | |

*Accounts receivable*

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

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

## 11 Cash and Cash Equivalents

| *In thousands of Kazakhstani Tenge* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Cash on bank accounts - Tenge | 231,942 | 6,151,677 |
| Cash on bank accounts - US Dollar | 14,551 | 7,976,305 |
| Cash on hand | 6,590 | 2,253 |
| Cash on bank accounts - Euro | 3,225 | 2,594 |
| Term deposits less than 3 months – Tenge | - | 10,000 |
| Less: provision for impairment | (33) | - |
| **Total cash and cash equivalents** | **256,275** | **14,142,829** |

### 11 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances may be summarised as follows as of 31 December 2018 and 31 December 2017. At 31 December 2018 and 2017 cash and cash equivalents are not past due.

| *In thousands of Kazakhstani Tenge* | **Rating (S&P)** | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| ***Neither past due nor impaired:*** | | | |
| Halyk Bank | BB | 243,056 | 7,861,003 |
| Alfa-Bank | BB- | 3,078 | - |
| Sberbank SB | BB+ | 2,248 | 1,145 |
| ATF Bank | B | 939 | 7,934 |
| Tsesnabank | B- | 216 | 182,316 |
| VTB Bank JSC SB (Kazakhstan) | BB+ | 181 | - |
| Qazaq Banki | CCC- | - | 6,020,000 |
| Bank RBK | B- | - | 53,619 |
| Kassa Nova Bank | B | - | 10,000 |
| Kazkommertsbank | BB | - | 4,523 |
| Bank CenterCredit | B | - | 36 |
| **Total cash and cash equivalents** | | **249,718** | **14,140,576** |

## 12 Assets Held for Sale

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

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

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

Management is still committed to the plan for the subsidiary sale in accordance with the privatization programme and actively searching for investors. Management expects to sell TM in 2019. In 2018 the Company allocated Tenge 1,011,112 thousand for replenishment of the charter capital of TM to discharge their obligations under the production agreement, and recognised impairment of Tenge 1,000,000 thousand, based on the fair value assessment.

## 13 Share Capital

5,601,687 issued common shares were fully paid in the amount of Tenge 373,314,888 thousand as at 31 December 2018 (2017: 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 2018 Samruk-Kazyna NWF holds 100% shares in the Company (2017: 100%).

In 2018 the Company declared dividends of Tenge 2,041,000 thousand – Tenge 421 per share (2017: Tenge 4,704,895 thousand - Tenge 840 per share). Dividends were fully paid in 2018 and 2017.

## 14 Borrowings

| *In thousands of Kazakhstani Tenge* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Non-current portion** | | |
| Bank loans | 28,124,335 | 68,231,270 |
| Loans from Samruk-Kazyna | 59,693,108 | 57,350,979 |
| Bonds issued | 69,648,019 | 47,921,800 |
| Finance lease liabilities | 382,492 | - |
| **Total non-current borrowings** | **157,847,954** | **173,504,049** |
| **Current portion** | | |
| Loans from Ekibastuzskaya GRES-1 n.a. B. Nurzhanov | 8,250,000 | - |
| Bank loans | 5,292,235 | 5,000,000 |
| Loans from Samruk-Kazyna | 2,381,109 | 2,381,109 |
| Interests accrued – bonds | 1,286,134 | 1,089,722 |
| Interests accrued – bank loans | 442,971 | 738,662 |
| Interests accrued – loans from Samruk-Kazyna and subsidiaries | 267,777 | 227,753 |
| Current portion of finance lease liabilities | 133,738 | - |
| **Total current borrowings** | **18,053,964** | **9,437,246** |
| **Total borrowings** | **175,901,918** | **182,941,295** |

Carrying amounts and fair value of borrowings are analysed below:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| *In thousands of Kazakhstani Tenge* | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans from Samruk-Kazyna and subsidiaries | 70,591,994 | 88,016,649 | 59,959,841 | 46,240,712 |
| Bonds | 70,934,153 | 75,336,201 | 49,011,522 | 48,807,574 |
| Bank loans | 33,859,541 | 33,936,600 | 73,969,932 | 75,186,781 |
| Finance lease liabilities | 516,230 | 536,932 | - | - |
| **Total borrowings** | **175,901,918** | **197,826,382** | **182,941,295** | **170,235,067** |

*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 amount of 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%.

## 14 Borrowings (Continued)

*Samruk-Kazyna (Continued)*

On 25 December 2015 the loan agreement was significantly amended in accordance with the addendum No.2 to credit agreement No.369-I, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant modification in the loan terms. Management believes that such change in the conditions of the loan should be considered as a settlement of the original loan and recognition of a new loan at a fair value. At the loan origination date, the market rate was 12.8% per annum. The 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 2017 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 at MosPrime Rate money market (Moscow Prime Offered Rate), plus margin of 3.5% and 4.5% per annum Changes in the independent indicative interest rate are recorded on a quarterly basis. The principal is payable twice a year and at maturity.

*Halyk Bank JSC*

In August 2017 the 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 14.2% per annum and is payable quarterly. The principal is payable twice a year. In 2018 the Company early repaid loans of Tenge 37,100,000 thousand.

*Bonds*

In August and September 2017 the Company issued and placed bonds for a total of Tenge 20,000,000 thousand and Tenge 28,000,000 thousand, respectively, with a nominal value of Tenge 1000 per bond with a five-year term. The coupon rate was 13% per annum and 12.5% per annum, respectively, and is payable twice a year and on a quarterly basis, respectively.

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

*Kazkommertsbank JSC*

In 2015 within the credit line the Company obtained a loan in the amount of Tenge 10,000,000 thousand for a period of 5 years for replenishing the working capital. The effective interest rate on this loan was 12.7%. In June 2018 the Company early repaid its loans in Kazkommertsbank JSC in full.

*Eurobonds*

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

*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.

## 14 Borrowings (Continued)

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| **Borrowings at 1 January** | **182,941,295** | **237,267,333** |
| Proceeds from borrowings obtained | 43,353,000 | 71,114,450 |
| Proceeds from bonds issued | 21,736,200 | 48,000,000 |
| Proceeds from finance lease | 502,898 | - |
| Repayment of borrowings | (77,698,042) | (19,302,737) |
| Redemption of bonds | - | (167,994,272) |
| Interest accrued | 15,165,247 | 12,767,019 |
| Finance lease expenses | 64,741 | - |
| Interest paid | (15,220,371) | (11,323,554) |
| Finance lease payments | (51,409) | - |
| Foreign exchange adjustments | | 1,345,665 |
| Unwinding of present value discount | 5,018,014 | 4,088,623 |
| Other payments | 90,345 | (1,021,232) |
| **Borrowings at 31 December** | **175,901,918** | **182,941,295** |

## 15 Other Payables and Accrued Liabilities

| *In thousands of Kazakhstani Tenge* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Trade payables | 1,462,497 | 698,024 |
| Payables to Samsung C&T for BTTP (Note 4) | 69,156,000 | - |
| Warranty liability for tender participation | 434,809 | 219,316 |
| Other payables | 456,788 | 436,991 |
| **Total other payables and accrued liabilities** | **71,510,095** | **1,354,331** |

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

## 16 Dividend Income

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Dividends from Ekibastuzskaya GRES-1 n.a. Bulat Nurzhanov | 11,041,000 | 9,599,000 |
| Dividends from Forum Muider B.V | 6,762,983 | 6,345,062 |
| Dividends from Bukhtarminskaya HPS JSC | 2,545,764 | 2,577,011 |
| Dividends from Alatau Zharyk Company JSC | 815,278 | - |
| Dividends from Almaty Power Stations JSC | 228,260 | 889,056 |
| Other | 71,831 | 750,614 |
| **Total dividend income** | **21,465,116** | **20,160,743** |

## 17 General and Administrative Expenses

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Payroll and related expenses | 2,393,020 | 2,365,503 |
| Consulting and other professional services | 1,907,322 | 1,646,580 |
| Special office services | 577,407 | 417,662 |
| Taxes | 399,432 | 348,252 |
| Rent expense | 304,657 | 347,463 |
| Information system maintenance | 259,655 | 193,518 |
| Depreciation of PPE and amortisation of intangible assets | 258,169 | 327,513 |
| Provisions for bad debts | 163,087 | - |
| Business trip expenses | 129,922 | 80,365 |
| Employee training and related expenses | 74,462 | 85,723 |
| Membership fee | 40,118 | 96,149 |
| Insurance | 39,428 | 41,132 |
| Communication | 32,708 | 32,574 |
| Other | 476,399 | 196,157 |
| **Total general and administrative expenses** | **7,055,786** | **6,178,591** |

## 18 Other Operating Expenses

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Impairment of investments in subsidiaries and associates | 1,000,000 | 32,085,280 |
| Impairment of other receivables | 716,319 | 151,510 |
| Foreign exchange losses less gains other than foreign exchange differences on loans | 321,501 | 127,441 |
| Impairment of loans issued | 144,672 | 974,748 |
| Recovery of cash impairment | (62,339) | - |
| Recovery of impairment of bank deposits | (37,271) | - |
| Recovery of impairment of other non-current assets | (434) | - |
| Impairment of intangible assets | - | 15,650 |
| Other expenses | 20,010 | 138,022 |
| **Total other operating expenses** | **2,102,458** | **33,492,651** |

## 19 Finance Income

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Unwinding of discount on non-current receivables | 818,980 | - |
| Interest income on bonds | 611,151 | 2,431,048 |
| Interest income loans issued | 483,226 | 400,654 |
| Unwinding of discount on financial assistance provided | 401,233 | 300,161 |
| Unwinding of discount on guarantees issued | 295,542 | 537,322 |
| Income on guarantees issued | 274,072 | 311,345 |
| Interest income on bank deposits | 218,591 | 1,163,089 |
| Other | 15,705 | 229,343 |
| **Total finance income** | **3,118,500** | **5,372,962** |

## 20 Finance Costs

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Interest expense on borrowings | 8,965,280 | 5,141,682 |
| Interest expense on bonds | 6,199,967 | 7,625,337 |
| Amortisation of present value discount on loans and financial assistance | 5,018,014 | 4,088,623 |
| Discounting of loans issued and non-current receivables | 573,093 | - |
| Foreign exchange losses less gains from borrowings | - | 1,345,665 |
| Impairment of bank deposits | - | 812,926 |
| Loss on indexation of bonds | - | 396,019 |
| Other | 147,262 | 555,936 |
| **Total finance costs** | **20,903,616** | **19,966,188** |

## 21 Income Taxes

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| Current income tax | 105,074 | 177,890 |
| Deferred income tax | - | - |
| **Total income tax expense** | **105,074** | **177,890** |

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

| *In thousands of Kazakhstani Tenge* | 2018 | 2017 |
|---|---|---|
| **Loss before tax from continuing operations under IFRS** | **(5,382,426)** | **(33,590,535)** |
| **Profit before tax from discontinued operations under IFRS** | **-** | **11,573,212** |
| Theoretical tax (benefit)/expense at statutory rate of 20% (2017: 20%) | (1,076,485) | (4,403,465) |
| Adjustments for: | | |
| Dividend income | (4,293,023) | (4,152,919) |
| Unused tax exemption due to lack of taxable income | - | (2,626,182) |
| Withholding tax | 105,074 | 177,890 |
| Other | (37,493) | 127,344 |
| Changes in unrecognised deferred income tax assets | 2,835,770 | 10,621,863 |
| Prior year adjustments including related to expiry of the statute of limitation on tax loss carry forwards | 2,571,231 | 433,359 |
| **Total Income tax expense** | **105,074** | **177,890** |

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 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** | **-** | **-** | **-** |

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

## 21 Income Taxes (Continued)

| *In thousands of Kazakhstani Tenge* | 1 January 2017 | Charged/ (credited) to profit or loss | 31 December 2017 |
|---|---|---|---|
| Tax effect of deductible temporary differences | | | |
| Tax loss carry forwards | 18,330,787 | 3,096,198 | 21,426,985 |
| Loans issued | 709,163 | 717,190 | 1,426,353 |
| Investments in subsidiaries, joint ventures and associates | 1,227,997 | 5,997,480 | 7,225,477 |
| Other receivables | 327,569 | 461,446 | 789,015 |
| Guarantee | 286,455 | 166,123 | 452,578 |
| **Gross deferred income tax assets** | **20,881,971** | **10,438,437** | **31,320,408** |
| Unrecognised tax assets | (4,396,956) | (11,012,067) | (15,409,023) |
| **Less offsetting with deferred income tax liabilities** | **(16,485,015)** | **573,630** | **(15,911,385)** |
| **Recognised deferred income tax assets** | **-** | **-** | **-** |
| **Tax effect of taxable temporary differences** | | | |
| Property, plant and equipment | (30,248) | (44,395) | (74,643) |
| Borrowings | (16,454,767) | 618,025 | (15,836,742) |
| **Gross deferred income tax liabilities** | **(16,485,015)** | **573,630** | **(15,911,385)** |
| **Less offsetting with deferred income tax assets** | **16,485,015** | **(573,630)** | **15,911,385** |
| **Recognised deferred income tax liabilities** | **-** | **-** | **-** |

At 31 December 2018 the Company did not recognise deferred income tax assets in relation to unused tax loss carry forwards of Tenge 18,244,793 thousand (31 December 2017: Tenge 15,409,023 thousand).

## 22 Contingencies, Commitments and Operating Risks

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

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

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

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 375.9 per USD 1, compared to Tenge 384.20 per USD 1 as at 31 December 2018 (31 December 2017: Tenge 332.33 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

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

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

## 22 Contingencies, Commitments and Operating Risks (Continued)

Additionally, the power and utilities sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects (Note 5). 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 Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of power sector supplying power energy to the population and industrial entities. The Government of the Republic of Kazakhstan has adopted the long-term energy sector development program envisaging the construction of new and reconstruction of the existing power stations. Management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the power sector is a strategically important part of the national economy.

For the purpose of measurement of expected credit losses ("ECL") the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 24 provides more information of how the Company incorporated forward-looking information in the ECL models.

***Tax legislation.*** The tax conditions in the Republic of Kazakhstan are changeable and subject to inconsistent application, and interpretation. Discrepancies in the interpretation of Kazakh laws and regulations by the 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.

***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 2018-year results, the Company complied with the regulatory values of the loan covenants and received waivers in case of any violation.

***Long-term financial guarantees.*** At 31 December 2018 the Company has guarantees issued in relation to the loans of its subsidiaries First Wind Turbine LLP and 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.

## 22 Contingencies, Commitments and Operating Risks (Continued)

| *In thousands of Kazakhstani Tenge* | Long-term financial guarantee | | Amount of liabilities guaranteed | | Guarantee period | | Estimated rate under guarantee |
|---|---|---|---|---|---|---|---|
| Company | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 | Issue date | Validity period | |
| Shardara HPS JSC | 1,639,195 | 1,558,102 | 13,763,823 | 12,950,000 | 2015 г. | 13 years | 3% |
| First Wind Turbine LLP | 567,280 | 704,790 | 9,266,472 | 14,167,000 | 2014 г. | 10 years | 1% |
| **Total** | **2,206,475** | **2,262,892** | **23,030,295** | **27,117,000** | | | |

## 23 Presentation of Financial Instruments by Measurement Category

The accounting policies for financial instruments have been applied to the items below:

| *In thousands of Kazakhstani Tenge* | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| *Loans and receivables :* | | | |
| Cash and cash equivalents | 11 | 256,275 | 14,142,826 |
| Term deposits | 10 | 76,423 | 3,037,304 |
| Dividends receivable | 10 | 421 | 6,380,082 |
| Financial receivables | 9,10 | 83,172,710 | 13,417,349 |
| Receivables from subsidiaries under guarantee issued | 9 | 1,307,817 | 1,378,374 |
| Loans issued | 8 | 20,079,012 | 12,635,688 |
| Receivables from employees | 9 | 86,181 | 95,053 |
| **Total financial assets** | | **104,978,839** | **51,086,676** |
| *Other financial liabilities* | | | |
| Borrowings | 14 | 175,901,918 | 182,941,295 |
| Long-term financial guarantee | | 2,206,475 | 2,262,892 |
| Financial payables | | 71,053,307 | 1,354,331 |
| **Total financial liabilities** | | **249,161,700** | **186,558,518** |

## 24 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.

## 24 Financial Risk Management (Continued)

### *(a) Credit risk (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.

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;

## 24 Financial Risk Management (Continued)

- 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.

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

## 24 Financial Risk Management (Continued)

### *(a) Credit risk (continued)*

The table below classifies financial assets, such as other long-term receivables and loans issued carried at amortised cost, by separate stage of impairment models.

| | ECL allowance | | | | Gross carrying amount | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total |
| ***Other long-term receivables*** | | | | | | | | |
| **At 1 January 2018** | **(230,315)** | **-** | **(151,510)** | **(381,825)** | **13,417,349** | **-** | **151,510** | **13,568,859** |
| New originated or purchased | (17,829) | | (716,319) | (734,149) | 121,031 | - | 3,058,400 | 3,179,431 |
| Derecognised during the period | 21,359 | - | - | 21,359 | (1,997,039) | - | (123,950) | (2,120,989) |
| Unwinding of discount | - | - | - | - | 452,636 | - | - | 452,636 |
| Other movements | - | - | - | - | 31,329 | - | - | 31,329 |
| **Total movements with impact on credit loss allowance charge for the period** | **3,530** | **-** | **(716,319)** | **(712,789)** | **(1,392,043)** | **-** | **2,934,450** | **1,542,407** |
| FX and other movements | - | - | - | - | 58 | - | - | 58 |
| **At 31 December 2018** | **(226,785)** | **-** | **(867,829)** | **(1,094,614)** | **12,025,364** | **-** | **3,085,960** | **15,111,324** |

| | ECL allowance | | | | Gross carrying amount | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit impaired) | Total |
| ***Corporate Bonds and loans issued*** | | | | | | | | |
| **At 1 January 2018** | **(60,890)** | **-** | **(980,191)** | **(1,041,081)** | **12,635,688** | **-** | **980,191** | **13,615,879** |
| New originated or purchased | (54,643) | - | (127,851) | (182,494) | 14,738,037 | - | 33,985 | 14,772,022 |
| Derecognised during the period | 37,281 | - | - | 37,281 | (7,472,117) | - | - | (7,412,117) |
| Unwinding of discount (net) | - | - | - | - | 211,424 | - | - | 211,424 |
| Changes in interests accrued | - | - | - | - | (6,522) | - | 81,055 | 74,533 |
| Other movements | | | | | | | 63,025 | 63,025 |
| **Total movements with impact on credit loss allowance charge for the period** | **(16,823)** | **-** | **(127,851)** | **(144,674)** | **7,470,823** | **-** | **178,065** | **7,648,887** |
| **At 31 December 2018** | **(77,713)** | **-** | **(1,108,042)** | **(1,185,755)** | **20,106,511** | **-** | **1,158,256** | **21,264,767** |

ECL provisions of other financial assets is insignificant as at 31 December 2018.

## 24 Financial Risk Management (Continued)

### *(a) Credit risk (continued)*

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.

## 24 Financial Risk Management (Continued)

### *(a) Liquidity risk (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 2018* | | | | | |
| Borrowings | 89,688 | 6,942,838 | 13,189,710 | 40,000,734 | 139,626,191 |
| Liabilities on 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** | **9,520,469** | **88,611,766** | **114,900,229** | **166,231,300** |
| *At 31 December 2017* | | | | | |
| Borrowings | 1,253,269 | 3,296,141 | 13,271,130 | 89,787,005 | 150,880,712 |
| Liabilities on bonds | - | 2,175,000 | 3,925,000 | 71,525,000 | - |
| Other payables and accrued liabilities | - | 1,354,331 | - | - | - |
| Financial guarantee | 27,117,000 | | | | |
| **Total future payments, including future principal and interest payments** | **28,370,269** | **6,825,472** | **17,196,130** | **161,312,005** | **150,880,504** |

### *(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.

*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.

*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.

## 24 Financial Risk Management (Continued)

### *(c) Currency risk (continued)*

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 2018 | 31 December 2017 |
|---|---|---|---|
| Total borrowings | 14 | 175,901,918 | 182,941,295 |
| *Less:* | | | |
| Cash and cash equivalents | 11 | (256,275) | (14,142,826) |
| Net borrowings | | 175,645,643 | 168,798,469 |
| Total equity | | 378,322,467 | 386,407,198 |
| **Total equity** | | **553,968,110** | **555,205,664** |
| **Gearing ratio** | | **32%** | **30%** |

## 25 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.

| | 31 December 2018 | | | | 31 December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of Kazakhstani Tenge* | 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 | - | 256,275 | - | 256,275 | - | 14,142,826 | - | 14,142,826 |
| Fixed term deposits | - | 76,423 | - | 76,423 | - | 3,037,304 | - | 3,037,304 |
| Financial receivables | - | 82,522,965 | - | 83,172,710 | - | 13,417,349 | - | 13,417,349 |
| Dividends receivable | - | 421 | - | 421 | - | 6,380,082 | - | 6,380,082 |
| Receivables from subsidiaries under guarantee issued | - | 1,769,666 | - | 1,307,817 | - | 1,378,374 | - | 1,378,374 |
| Loans issued | - | 21,918,209 | - | 20,079,012 | - | 12,635,688 | - | 12,635,688 |
| Receivables from employees | - | 86,181 | - | 86,181 | - | 95,053 | - | 95,053 |
| **Total financial assets** | **-** | **106,630,140** | **-** | **104,978,839** | **-** | **51,086,676** | **-** | **51,086,676** |
| ***Liabilities*** | | | | | | | | |
| Borrowings | - | 197,826,382 | | 175,901,918 | - | 170,235,067 | - | 182,941,295 |
| Financial guarantees | - | 2,206,475 | - | 2,206,475 | - | 2,262,892 | - | 2,262,892 |
| Financial payables | - | 71,053,307 | - | 71,053,307 | - | 1,354,337 | - | 1,354,331 |
| **Total financial liabilities** | **-** | **271,086,164** | **-** | **249,161,700** | **-** | **173,852,296** | **-** | **186,558,518** |

## 25 Fair Value Disclosures (Continued)

*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.

## 26 Events after the Reporting Period

On 4 January 2019 and 25 January 2019 the Company obtained two tranches from Ekibastuzskaya GRES- 1 named after Bulat Nurzhanov LLP totalling Tenge 1,750,000 thousand.

On 25 January 2019, according to the repayment schedule, the Company repaid the principal amount on the loan from EBRD of Tenge 1,521,117 thousand.

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

On 31 January 2019 the Company early repaid the loan to Sberbank JSC SB of Tenge 2,750,000 thousand and accrued interest.

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

On 18 February 2019 the Company repurchase bonds of SNRGb3 of Tenge 28,000,000 thousand.

On 19 February 2019 the Company received financial assistance of Tenge 28,000,000 thousand from Ekibastuzskaya GRES- 1 LLP.

On 22 January 2019, based on Decision of the Management Board No.1 dated 22.01.2019, the Company approved the following amendments to the prospectus for bond issue of Tsesnabank JSC (TSBNb33): interest rate reduced from 4% down to 0.1% per annum, the commencement date of bond circulation is the date on which bonds are quoted on the official list of Kazakhstan Stock Exchange JSC, the tenor increased up to 15 (fifteen) years from the commencement date of their circulation. The total nominal value of bonds is Tenge 153 620 thousand.

On 5 March 2019 the Company early repaid the outstanding principal amount, accrued interests under Tranche 2 of Loan Agreement No.48308 dated 9 December 2016 from EBRD totalling Tenge 71,404,411 thousand, including the principal amount of Tenge 7,312,637 thousand.

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

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

## 27 Accounting Policies before 1 January 2018

### *Financial instruments*

*(i) Classification of financial assets*

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

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

## 27 Accounting Policies before 1 January 2018 (Continued)

*(ii) Classification of financial liabilities*

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

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

***Revenue recognition***

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

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

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

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

## 28 Earnings/(Loss) per Share

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

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

| | 2018 | 2017 |
|---|---|---|
| Loss for the year from continuing operations attributable to the Company's owners (in thousands of Kazakhstani Tenge) | (5,487,500) | (33,768,425) |
| Loss for the year attributable to the Company's owners (In thousands of Kazakhstani Tenge) | (5,487,500) | (33,768,425) |
| Weighted average number of ordinary shares in issue | 5,601,687 | 5,601,687 |
| **Basic and diluted loss per share from continuing operations attributable to the Company's owners (rounded to Tenge)** | **(980)** | **(6,028)** |
| **Basic and diluted loss per share attributable to the Company's owners (rounded to Tenge)** | **(980)** | **(3,962)** |