"SAMRUK-ENERGY" JSC

Condensed Separate Interim Financial Statements (unaudited)

30 June 2018

Content

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Report on Review of Condensed Separate Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed separate interim statement of financial position of JSC Samruk-Energy (the "Company") as at 30 June 2018 and the related condensed separate interim statement of profit or loss and other comprehensive income for the three-month and six-month period then ended, condensed separate interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed separate interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed separate interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP

3 August 2018
Almaty, Kazakhstan

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In thousands of Kazakhstani Tenge	Note	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment		180,286	264,320
Intangible assets		1,689,352	935,329
Investments in subsidiaries and joint ventures	7	505,356,600	504,428,843
Loans issued	9	12,456,463	12,279,695
Other non-current assets	10	13,058,403	13,164,208
Total non-current assets		**532,741,104**	**531,072,395**
Current assets			
Inventories		24,039	27,293
Loans issued	9	356,956	355,993
Other current assets	11	12,298,864	12,823,443
Cash and cash equivalents	12	508,907	14,142,829
Non-current assets held for sale	8	15,913,565	15,810,776
Total current assets		**29,102,331**	**43,160,334**
TOTAL ASSETS		**561,843,435**	**574,232,729**
EQUITY			
Share capital	13	373,314,888	373,314,888
Other reserves		91,668,501	91,668,501
Accumulated loss		(80,627,434)	(78,576,191)
TOTAL EQUITY		**384,355,955**	**386,407,198**
LIABILITIES			
Non-current liabilities			
Borrowings	14	157,882,784	173,504,049
Obligations under financial lease		438,038	-
Other long-term financial liabilities	15	2,605,870	2,262,892
Total non-current liabilities		**160,926,692**	**175,766,941**
Current liabilitites			
Borrowings	14	11,768,450	9,437,246
Other payables and accrued liabilities	16	3,476,096	1,354,331
Liabilities to the Shareholder	17	1,174,066	1,174,066
Obligations under financial lease		79,741	-
Other taxes payable		62,435	92,947
Total current liabilities		**16,560,788**	**12,058,590**
TOTAL LIABILITIES		**177,487,480**	**187,825,531**
TOTAL LIABILITIES AND EQUITY		**561,843,435**	**574,232,729**

Signed on behalf of management on 3 August 2018.

Aliyev Yerlan Zhenisovich
Acting Managing Director for Economy and Finance

Tulekova Saule Bekzadayevna
Head of Accounting and Tax accounting Department – Chief Accountant

In thousands of Kazakhstani Tenge	Note	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)	3 months ended 30 June 2018 (unaudited)	3 months ended 30 June 2017 (unaudited)
Dividend income	18	13,846,023	15,728,210	13,705,304	14,219,876
Other income	21	2,351,997	122,361	2,246,244	119,876
Other expenses	20	(2,561,210)	(52,751)	(292,734)	(52,751)
General and administrative expenses	19	(3,006,546)	(3,474,365)	(1,458,057)	(2,105,386)
Profit from main activity		**10,630,264**	**12,323,455**	**14,200,757**	**12,181,615**
Finance income	22	1,665,791	2,989,549	766,264	1,258,529
Finance costs	23	(11,377,533)	(7,692,994)	(5,375,836)	(2,576,119)
Gains/(loss) from exchange rate differences, net		(376,679)	4,511,992	1,197	(3,426,361)
Profit before tax		**541,843**	**12,132,002**	**9,592,382**	**7,437,664**
Income tax expense	24	(30,820)	(80,142)	(8,870)	(43,729)
Profit for the period		**511,023**	**12,051,860**	**9,583,512**	**7,393,935**
Total comprehensive income for the period		**511,023**	**12,051,860**	**9,583,512**	**7,393,935**

In thousands of Kazakhstani Tenge	Note	Share capital	Other reserves	(Accumulated loss)/ Retained earnings	Total equity
Balance as at 1 January 2017		**373,314,888**	**91,668,501**	**(49,725,062)**	**415,258,327**
Profit for the period (unaudited)		-	-	12,051,860	**12,051,860**
Total comprehensive income for the period (unaudited)		-	-	12,051,860	**12,051,860**
Dividends accrued		-	-	(4,704,895)	**(4,704,895)**
Balance as at 30 June 2017 (unaudited)		**373,314,888**	**91,668,501**	**(42,378,097)**	**422,605,292**
Balance at 1 January 2018		**373,314,888**	**91,668,501**	**(78,576,191)**	**386,407,198**
Adjusting the opening balance (IFRS 9)	3	-	-	(521,266)	(521,266)
Recalculated balance as of January 1, 2018		373,314,888	91,668,501	(79,097,457)	385,885,932
Profit for the period (unaudited)		-	-	511,023	**511,023**
Total comprehensive income for the period (unaudited)		-	-	511,023	511,023
Dividends accrued	13	-	-	(2,041,000)	**(2,041,000)**
Balance at 30 June 2018 (unaudited)		**373,314,888**	**91,668,501**	**(80,627,434)**	**384,355,955**

In thousands of Kazakhstani Tenge	Note	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2017 (unaudited)
Cash flows from operating activities :			
Profit before tax		541,843	12,132,002
Adjustments for:			
Dividend income	18	(13,846,023)	(15,728,210)
Depreciation and amortization		144,671	165,462
Finance costs	23	11,377,533	7,692,994
Finance income	22	(1,665,791)	(2,989,549)
Foreign exchange gain		376,679	(4,511,992)
Assets impairment costs,net		215,105	46,040
Others		9,343	-
Cash used in operating activities before working capital changes		**(2,846,640)**	**(3,193,253)**
Decrease/(Increase) in inventories		3,254	(1,250)
Decrease in accounts receivable and other current assets		110,829	677,124
Increase in other accounts payable		275,870	362,796
(Decrease)/increase in other taxes payable		(37,551)	26,300
Cash used in operating activities		**(2,494,238)**	**(2,128,283)**
Income tax paid		(30,820)	(80,141)
Dividends received		13,984,803	5,876,637
Interest paid		(8,388,246)	(4,578,664)
Net cash received from/(used) in operating activities		**3,071,499**	**(910,451)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(309,243)	(111,847)
Borrowings and financial aid provided to subsidiaries and jointly controlled entities		(3,058,402)	(100,160)
Contribution to equity of subsidiaries		(541,013)	(1,602,581)
Withdrawal of bank deposits, net		2,928,684	3,567,638
Interest received		667,036	1,661,230
Proceeds from repayment of financial aid provided to subsidiaries and jointly controlled entities		2,980,479	90,000
Proceeds from repayment of financial instruments		11,649	2,565,000
Other payments		(2,997,725)	-
Net cash (used in)/received from investing activities		**(318,535)**	**6,069,280**
Cash flows from financing activities:			
Proceeds from borrowings		24,418,000	3,402,000
Repayment of borrowings		(37,892,816)	(1,271,900)
Repayment of loans from Samruk-Kazyna		(2,381,109)	(2,381,109)
Other transactions		(158,299)	(321,433)
Net cash used in financing activities		**(16,014,224)**	**(572,442)**
Foreign exchange difference effect on cash and cash equivalents		(372,662)	(128,127)
Net decrease/(increase) in cash and cash equivalents		**(13,633,922)**	**4,458,260**
Cash and cash equivalents at the beginning of the year	12	**14,142,829**	**4,812,476**
Cash and cash equivalents at the end of the reporting period	12	**508,907**	**9,270,736**

1 The Company and its operations

Samruk-Energy JSC (The Company) was established 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. The Company's sole shareholder is Samruk-Kazyna Sovereign Wealth Fund JSC ("Samruk-Kazyna"), which holds 100% shares of the Company. The Company's ultimate controlling owner is the Government of the Republic of Kazakhstan.

Principal activity

The Company is a holding company, uniting a number of companies (Note 7), which is engaged in production of electricity, heat and hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of hydro and thermal power plants, construction and operation of renewable sources of electricity, and lease of hydro power plants' property.

Registered address and the place of business of the Company: The Republic of Kazakhstan, Astana c., 15A, Kabanbay Batyr ave.

2 Basis of Preparation of financial statements and Significant Accounting Policies

Basis of preparation of financial statements

These separate condensed interim financial statements for the six months ended 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) 34 "Interim financial statements". This condensed separate interim financial report is subject to disclosure together with the Company's annual separate financial statements as of December 31, 2017 prepared in accordance with IFRS.

The adopted accounting policies are consistent with the policies of the previous financial year and the corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards, as set out below.

New Accounting Pronouncements

Standards, amendments and interpretations applicable to annual periods beginning on January 1, 2018:

IFRS 15 "Revenue from contracts with customers" (as amended).

The new standard introduces a key principle, according to which revenue should be recognized when goods or services are transferred to the client, at the price of the transaction. Any separate batches of goods or services should be recognized separately, and all discounts and retrospective discounts from the price under the contract, as a rule, are distributed on separate elements. If the amount of fee is changed for any reason, the minimum amounts should be recognized if they are not subject to a significant risk of revision. The costs associated with the receipt and conclusion of contracts with customers must be capitalized and amortized during the period of receipt of economic benefits from the contract.

The amendments to IFRS 15 do not change the underlying principles of the standard, but explain how these principles should be applied. The amendments clarify how to identify the obligation to perform in the contract (the promise about the transfer of goods or services to the buyer); how to determine whether the company is the principal (the supplier of goods or services) or the agent (responsible for organization of goods or services delivery), and how to determine whether the revenue from granting the license should be recognized at a certain point in time or during the period.

Based on the analysis of the Company's regular income streams, terms of individual contracts and on the basis of 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.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 "Financial Instruments" from January 1, 2018, which led to changes in accounting policies and adjustments in amounts recognized in financial statements.

Effective date and transitional provisions

The standard replaces IAS 39 and is applicable for annual periods beginning on or after 1 January 2018. The general requirement in IFRS 9 is that a company should apply IFRS 9 at the date of initial adoption retrospectively and does not require the recalculation of comparative periods, unless it is possible without a retrospective approach.

2 Basis of Preparation of the Financial Statements and Significant Accounting Policies (Continued)

The main changes introduced by the standard

The standard introduces the following categories of financial assets: measured at amortized cost, measured at fair value, the changes of which are presented in gain or loss, and measured at fair value, through other comprehensive income. The classification is carried out at initial recognition and depends on the business model for managing financial assets accepted by the company and on the characteristics of contractual cash flows from such instruments. IFRS 9 introduces the new model for determining impairment allowances - a model of expected credit losses. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. Key changes include: (i) financial liabilities measured at fair value, changes of which are represented in profit or loss - recognition of consequences of changes in own credit risk in other comprehensive income and; (ii) for financial liabilities at amortized value - the consequences of the renegotiations, which does not lead to the termination of the recognition of the liability, are recognized immediately in profit or loss. With respect to hedge accounting, the amendments were aimed at greater consistency with risk management practices. This does not apply to the Company, as the Company does not apply hedge accounting. The impact of the adoption of this standard and new accounting policies are disclosed in Note 3.

3 Changes in Accounting Policies

This note discloses new accounting policies applied from 1 January 2018, other than those applied in prior periods, and the impact of the transition to IFRS 9 "Financial Instruments" on the Company's condensed separate interim financial statements.

Financial instruments

(i) Classification of financial assets

Starting from January 1, 2018, the Company classifies its financial assets in the following evaluation categories:

- amortized cost;
- fair value through profit or loss;
- fair value through other comprehensive income.

The classification depends on the Company's business model for managing financial assets and contractual terms for cash flows. The company changes the classification of debt instruments when and only when its business model for managing these assets changes.

(ii) Debt instruments - Financial assets measured at amortized cost

Debt instruments that are held for the collection of contractual cash flows, in cases where these cash flows represent solely payments to principal and interest, are measured at amortized cost. Interest income on these financial assets is calculated using the effective interest method and is recorded as "interest income" in the profit and loss statement. Impairment losses are recognized in accordance with the policy below and are recorded in the "impairment loss on financial assets".

(iii) Debt instruments - Financial assets assessed at fair value, changes of which are presented in other comprehensive income

Debt instruments that are retained for the collection of contractual cash flows and for sale when cash flows on assets represent solely payments to principal and interest are measured at fair value, the changes of which are recorded in other comprehensive income. Changes in the carrying amount are accepted through other comprehensive income, except for recognition of impairment gains or losses, interest income, and foreign exchange gains and losses which are recognized in profit or loss. When a financial asset is derecognized, a cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income/(loss). Interest income from these financial assets is included in "interest income" using the effective interest rate method. Impairment losses are recognized in accordance with the policy referred to in paragraph (v) of this note and are recorded in the "impairment loss on financial assets".

(iv) Debt instruments - Financial assets measured at fair value through profit or loss

Debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

3 Changes in accounting policy (Continued)

A gain or loss on a fair value measurement of debt investment is recognised in profit or loss and presented net in the statement of profit or loss within "fair value gains/lossess on financial instruments" in the period in which it arises, except for interest income which is calculated using the effective interest rate method and included in "interest income".

(v) Impairment of financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI)

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI regardless of whether there are any impairment indicators. For short-term trade receivables without a significant financing component the Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables. The Company uses a provision matrix in which loss allowances are calculated for trade receivables falling into different ageing or overdue periods. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics i.e. receivables from individual customers and receivables from corporate customers. The non-recoverability analysis is conducted for the last 2-3 years in order to determine the general default ratio. The default rates are calculated for each 30 days ageing intervals between 30 days and 360 days. In order to determine the default rate for a given ageing interval the Company uses a "migration matrix". The method assumes analysis of each invoice balance and calculates the percentage rate of receivables passing to the next ageing or overdue payment interval. Based on mathematical operations default rates are determined at the date of origination of the receivable and for each successive overdue payment interval.

The Company follows a three-stage model for impairment for balances, excluding trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition. The expected credit losses are determined based on the probability of default within 12 months (i.e. the entire expected credit loss multiplied by the probability that the loss will occur within the next 12 months),
- Stage 2 – comprises balances for which there has been a significant increase in credit risk since initial recognition but which do not have objective evidence of impairment; the expected credit losses are determined based on the probability of default over the entire contractual period (lifetime),
- Stage 3 – comprises balances with objective evidence of impairment.

Trade receivables are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3,
- Stage 3 – comprises trade receivables which are overdue more than 90 days or individually identified as impaired.

The Company considers the following indicators for assessment of significant increase in credit risk of a loan:

- the loan is overdue by at least 30 days;
- there have been legislative, technological, or macroeconomic changes with a significant negative impact on the borrower;
- there is information about significant adverse events in relation to the loan or other loans of the same borrower with other lenders, such as termination of loans, breach of covenants, renegotiations due to financial difficulties etc.;
- the borrower lost a significant customer or a supplier or otherwise experienced significant adverse changes in its market.

Financial assets are written-off, in whole or in part, when the Company practically exhausted all recovery efforts and has concluded that there is no reasonable expectation of recovery. This normally occurs when the asset is over 360 days overdue.

(vi) Modification of financial liabilities

A gain or loss on the modification of the contractual terms of a financial liability that does not result in derecognition of the existing liability is recognised immediately in profit or loss. The gain or loss is calculated as the difference between the present values of modified and original cash flows, both discounted using the original effective interest rate of the liability.

3 Changes in accounting policy (Continued)

The effect of IFRS 9 on the Company's financial statements – general information

The Company decided to implement the standard as of 1 January 2018 without restating comparatives. This means that the data presented for 2017 and 2018 is not comparable. The adjustments related to the application of IFRS 9 were recognised on 1 January 2018 with the corresponding effects recorded in equity. As at the date of these interim financial statements the Company finalised implementation of IFRS 9 and does not expect any further changes to the impact assessment disclosed below.

Comparison of financial assets and liabilities in accordance with IAS 39 and IFRS 9 as of January 1, 2018:

	IAS 39	**IFRS 9**	**Effect on retained earnings**
In thousands of Kazakhstani Tenge	Amortized cost	Amortized cost	Expected credit losses
Loans given			
Gross carrying amount	13,615,879	13,615,879	-
Loss allowance	(980,191)	(1,041,082)	(60,891)
Other financial receivables			
Gross carrying amount	13,417,349	13,417,349	-
Loss allowance	(151,510)	(381,825)	(230,315)
Cash and cash equivalents			
Gross carrying amount	14,142,829	14,142,829	-
Loss allowance	-	(62,372)	(62,372)
Short-term deposits			
Gross carrying amount	3,037,304	3,037,304	-
Loss allowance	-	(37,898)	(37,898)
Debt of subsidiaries under issued guarantee			
Gross carrying amount	1,378,374	1,378,374	-
Loss allowance	-	(4,647)	(4,647)
Dividends receivable			
Gross carrying amount	6,380,082	6,380,082	-
Loss allowance	-	(3,834)	(3,834)
Total	**50,840,116**	**50,440,159**	**(399,957)**
Borrowings	(182,941,295)	(183,062,604)	(121,309)
Total	**(182,941,295)**	**(183,062,604)**	**(121,309)**

Detailed description of adjustments and additional information

(a) Determination of the provision using the model of expected credit losses and related adjustments

The previous accounting policies and information on credit risk are presented in Note 22 of the financial statements for the year ended 31 December 2017. The previous methodology for determination of loss allowances required an entity to assess whether there were objective indications of impairment and (if there were) to estimate the loss allowance based on expected cash flows. On adoption of IFRS 9 new policies were applied and loss allowance was calculated using the expected loss model. The Company also estimated loss allowances for cash balances held at banks based on the probability of default over their contractual terms which are less than 3 months. The probabilities of default were established based on external credit ratings of the relevant banks and publicly available default data from rating agencies.

3 Changes in accounting policy (Continued)

(b) Effect of deferred tax adjustments

The Company did not recognize deferred tax on the adjustments discussed above, as the Company does not plan to receive taxable income in the foreseeable future, other than income that is subject withholding tax.

Financial assets – classification and evaluation

The Company holds the following financial assets:

In thousands of Kazakhstani Tenge	**IFRS 9 30 June 2018**	**IFRS 9 1 January 2018**	**IAS 39 31 December 2017**
Cash and cash equivalents	508,907	14,080,457	14,142,829
Short-term deposits	88,520	2,999,406	3,037,304
Dividends receivable	6,226,653	6,376,248	6,380,082
Other financial receivables	15,963,544	13,187,034	13,417,349
Debt of subsidiaries under issued guarantee	1,470,431	1,373,727	1,378,374
Loans issues	12,813,419	12,574,797	12,635,688
Employees debts	101,576	95,053	95,053
Total financial assets	**37,173,050**	**50,686,722**	**51,086,679**

The financial assets are accounted at amortised cost according to the accounting policy stated in above.

Financial liabilities - classification and measurement

In thousands of Kazakhstani Tenge	**IFRS 9 30 June 2018**	**IFRS 9 1 January 2018**	**IAS 39 31 December 2017**
Loans	169,651,234	183,062,604	182,941,295
Long-term financial liabilities	2,605,870	2,262,892	2,262,892
Financial accounts payable	3,222,530	698,024	698,024
Total financial liabilities	**175,479,634**	**186,023,520**	**185,902,211**

The stages of impairment

The Company applies a three-stage model for impairment of financial assets which are measured at amortized cost as of 30 June 2018 and 1 January 2018, as explained in the accounting policy. Previous accounting policies and information on credit risk are disclosed in Notes 2 and 22 of the financial statements for the year ended 31 December 2017.

3 Changes in accounting policy (Continued)

The classification of financial assets measured at amortized cost for to individual stages of the impairment models is presented below:

In thousands of Kazakhstani Tenge	IFRS 9 30 June 2018				IFRS 9 1 January 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount								
Financial accounts receivable	13,618,389	2,997,725	-	16,616,114	13,568,859	-	-	13,568,859
Cash and cash equivalents	508,974	-	-	508,974	14,089,210	-	53,619	14,142,829
Dividends receivable	6,226,653	-	-	6,226,653	6,380,082	-	-	6,380,082
Bonds (loans issued)	13,904,628	-	-	13,904,628	13,615,879	-	-	13,615,879
Deposits with fixed terms	88,520	-	-	88,520	3,037,304	-	-	3,037,304
Long-term accounts receivable	1,572,007	-	-	1,572,007	1,473,427	-	-	1,473,427
Total financial assets	**35,919,171**	**2,997,725**	**-**	**38,916,896**	**52,164,761**	**-**	**53,619**	**52,218,380**
Provisions for losses (IFRS 9)								
Financial accounts receivable	(390,811)	(254,684)	-	(645,495)	(381,825)	-	-	(381,825)
Cash and cash equivalents	(67)	-	-	(67)	(8,753)	-	(53,619)	(62,372)
Dividends receivable	(949)	-	-	(949)	(3,834)	-	-	(3,834)
Bonds (loans issued)	(1,091,209)	-	-	(1,091,209)	(1,041,082)	-	-	(1,041,082)
Deposits with fixed terms	(1,168)	-	-	(1,168)	(37,898)	-	-	(37,898)
Long-term accounts receivable	(4,958)	-	-	(4,958)	(4,647)	-	-	(4,647)
Total provisions	**(1,489,162)**	**(254,684)**	**-**	**(1,743,846)**	**(1,478,039)**	**-**	**(53,619)**	**(1,531,658)**
Carrying value (IFRS 9)	**34,430,009**	**2,743,041**	**-**	**37,173,050**	**50,686,722**	**-**	**-**	**50,686,722**

Movements in impairment provision for financial assets measured at amortised cost

The loss allowance for accounts receivable, loans, cash and cash equivalents and other financial assets as at 30 June 2018 reconciles to the opening loss allowance as follows:

In thousands of Kazakhstani Tenge	**Financial accounts receivable**	**Loans issued**	**Cash and cash equivalents**	**Other financial assets**	**Total**
As of December 31, 2017 - calculated according to IAS 39	(151,510)	(980,191)	-	-	(1,131,701)
Amounts recognized through retained earnings at the beginning of the period at initial introduction of IFRS	(230,315)	(60,891)	(62,372)	(46,379)	(399,957)
Provision for losses at the beginning of the period as of January 1, 2018 - calculated in accordance with IFRS 9	**(381,825)**	**(1,041,082)**	**(62,372)**	**(46,379)**	**(1,531,658)**
Provision for losses recognized in profit or loss	(263,670)	(78,319)	(2,179,495)	(27,582)	(2,549,066)
Recovery of allowance for impairment	-	28,192	2,241,800	66,886	2,336,878
The balance at the end of the period in accordance with IFRS 9	**(645,495)**	**(1,091,209)**	**(67)**	**(7,075)**	**(1,743,846)**

3 Changes in accounting policy (Continued)

Calculation of impairment losses in respect of financial accounts receivable and loans issued

The allowance for losses on other financial receivables and loans granted, measured at amortized cost, is determined using the expected credit losses in accordance with the three-stage model. The Company did not recognize any provision for losses on other financial receivables (Note 10) in accordance with IAS 39, as this debt was serviced without delay. For the purposes of introducing IFRS 9, a separate analysis of each loan and other financial receivables was made in order to refer to one of three stages. The probability of default (12 months or the duration of the loan - depending on the classification according to stages 1 or 2) was then determined based on the individual loan rating and other receivables and market data. The expected credit loss was then calculated on the basis of probability of default, repayment schedule in the loan agreement and evaluation of recoveries from collateral. The provision for losses for the amount of Tenge 399,957 thousand reduced the retained loss as of 1 January 2018. As of 30 June 2018, the provision for losses is Tenge 1,743,846 thousand.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

While preparing the condensed separate interim financial statements, the Company uses estimates and makes assumptions that affect the applicable accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Applied critical accounting estimates and judgments correspond to the accounting estimates and judgments applied in the preparation of the annual separate financial statements for the year ended 31 December 2017.

Going concern principle

Management has prepared this condensed separate interim financial report on a going concern basis. Management decision is based on the financial position of the Company, its current intentions, profitability of operations and access to financial resources. As of 30 June 2018 current liabilities of the Company exceeded total current assets by Tenge 3,372,022 thousands.

The growth of short-term liabilities is due to approaching maturity of loans. The following factors were considered when assessing the ability of Samruk-Energy to continue its operations in the foreseeable future:

- The company is of strategic importance for ensuring the reliability of Kazakhstan's energy system.
- On December 9, 2016, the Company signed € 100 million or Tenge 35,242,000 thousand loan agreement with the EBRD in order to refinance the Eurobonds.
- The Company expects more than Tenge 15,000,000 thousand from sale of assets held for sale in 2018.
- The Company's current liabilities of Tenge 2,041,000 thousand represent debt to the shareholder.
- In the second half of 2018, the Company expects positive cash flows in the amount of Tenge 5,151,374 thousand from operating activities, net of outflows to capital expenditures.
- The management of the Company believes that the issue related to the Put Option relating to BTPP shares described later in this Note, will not affect the ability of the Company to continue its operations continuously. The Government of the Republic of Kazakhstan is negotiating issues related to exit of Samsung C & T from the Project, including the requirements of Samsung C & T for Option to sell its shares. At the moment negotiations between the Group and Samsung C & T regarding the Put Option are not held. Currently, the Government of the Republic of Kazakhstan and Samsung C & T are in the active phase of negotiation process. Taking into account the position of the Government of the Republic of Kazakhstan and the current status of the negotiations, the Group believes that the probability of an outflow of significant economic resources in relation to Put Option for shares is low.

This condensed separate interim financial statements does not include any adjustments to the carrying amount of assets and liabilities, income and expenses, and classification of condensed separate interim financial statement that would be necessary if the Group 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.

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

Determining the presence of impairment indicators of non-financial assets also requires the use of judgments and estimates in determining possible technological obsolescence of fixed assets, discontinued 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 period 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.

As of 30 June 2018, the Company conducted the analysis of impairment indicators of investments in "Alatau Zharyk Company" JSC (the "AZhK"), "Almaty Power Plants" JSC (the "APP"), Ekibastuz Gres-1 named after Bulat Nurzhanov" LLP (the "Gres-1") and "Ekibastuz Gres-2 Plant" JSC (the "Gres-2"). These entities are the most sensitive to economic changes and are significant subsidiaries of the Company.

Based on the results of the analysis as of 30 June 2018, the management did not identify any indicators of impairment of investments in AZhK, APP, Gress-1 and Gres-2. The main facts and assumptions used in the analysis of indicators are:

- Increase in sales of electricity and heat energy by the results of the period ending 30 June 2018 compared to last year's period;
- Increase in tariffs for heat energy based on the results of the period ending 30 June 2018 compared with last year's period;
- Positive dynamics in the production and consumption of electricity;
- Expected growth in the medium-term outlook for electricity production deficit in the southern zone of the Republic of Kazakhstan where AZhC and APP operate.

Balkhash TPP

The project "Construction of Balkhash TPP" (hereinafter - the Project) is implemented within the framework of intergovernmental agreement signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea. The agreement signed in 2011 includes economic cooperation in the field of financing, engineering, construction, operation and maintenance of the power plant.

The shareholders of Balkhash TPP (hereinafter - "BTPP") are Samsung C & T Corporation (hereinafter - "Samsung C & T Corporation") and the Company whose participation interest is 50% + 1 share and 50% - 1 share, respectively, as of 31 December 2017. BTPP was founded in 2008 as a joint-stock company The contract for engineering, procurement and construction of 1320 MW Balkhash thermal power plant (hereinafter the "EPC") between "BTPP" JSC and consortium Samsung Engineering Ltd and Samsung C & T (the "Consortium") was signed in June 2012.

According to the plans, the profitability of the project was secured through a long-term contract concluded on 19 June 2014 for the purchase of services to maintain the availability of capacity of generating units newly commissioned (hereinafter referred to as "CMA") between BTPP and KEGOC JSC (electricity grids operating company and national operator of the unified power system of the Republic of Kazakhstan), at the same time, tariffs are set in US dollars.

On 14 February 2012, the Company and Samsung C & T entered into an "Option Agreement for shares of "Balkhash TPP" JSC ("Option Agreement"). In accordance with this agreement, Samsung C & T has an option to sell the shares of BTPP ("Option for the sale of shares"), which implies that Samsung C & T has the right to exercise the put option in the event that the relevant conditions of the Options Agreement concerning the ratification of the Intergovernmental Agreement, laws that ensure the possibility of concluding CMA, as well as the timely conclusion of CMA and provision of guarantees with conditions sufficient to attract project financing will not be met. According to the requirements of Option Agreement, the option price is equal to the total amount paid by Samsung C & T for the purchase of BTPP shares, capital investments and debt amount from Samsung C & T loans, minus dividends and other payments received by Samsung C & T for shares held.

Until August 2016, the Company and Samsung C & T repeatedly extended the Shares Put Option.

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

In order to arrange loan financing, the potential lenders of the project required to protect the rights and interests of investors in accordance with international practice of project financing.

Due to the lack of an agreed version of the project support package, on 31 August 2016, Samsung C & T sent a notice to the Company about the enforcement of Shares Put Option in accordance with the Option Agreement.

Also, due to lack of funding for the Project, on 31 August 2016, the Consortium sent a notification to the BTPP about termination of EPC contract.

After receiving notification from Samsung C & T, the Company and the Government of the Republic of Kazakhstan took a number of measures to resolve the matter from October 2016 to the present.

Taking into account the strategic importance of the Project for ensuring the reliability of the power system in Southern Kazakhstan, the Government of the Republic of Kazakhstan approved the continuation of negotiations with Samsung C & T.

In particular, the Government of the Republic of Kazakhstan and state bodies of the Republic of Kazakhstan held a number of meetings to discuss issues of further implementation of the Project, including those involving Samsung C & T. The parties agreed that, in accordance with the established procedure, a Letter of Support from the Government will be organized with conditions acceptable for the financing of the project.

On 28 February 2017, as a result of negotiations on the continuation of the project, the Consortium withdrew its notice of termination of the EPC contract.

However, since the Letter of Support from the Kazakh side was not issued on time, 29 April 2017, Samsung Engineering Co. Ltd notified the BTPP that the withdrawal of the notice of termination of the EPC contract as of 28 February 2017 is no longer effective.

All works on construction of the power plant have been suspended. On 29 September 2017, the Consortium sent the final payment request to BTPP in connection with the termination of the EPC contract. The amount of the final claim was 108,860 thousand US dollars. Further, in its letter as of 30 November 2017, the Consortium notifies the BTPP that, due to non-receipt of a response from BTPP with confirmation of the intention to accept the manufactured equipment within the agreed timeframe, the Consortium instructed Dongfang Electric Corporation Limited and Siemens AG ("Subcontractors") dispose of the equipment at the manufacturer's factory in order to avoid additional costs.

The Company concluded that the above events are indicative of the impairment of the Company's investment in the BTPP in accordance with IAS 36 Impairment of Assets. Accordingly, as of 31 December 2017, the Company recognized an impairment loss on investments in the power plant in the amount of Tenge 32,085,280 thousand.

The Government of the Republic of Kazakhstan is negotiating issues related to exit of Samsung C & T from the Project, including the requirements of Samsung C & T for Shares Put Option. Any negotiations between the Company and Samsung C & T regarding the Put Option are not currently conducted. Currently, the Government of the Republic of Kazakhstan and Samsung C & T are in the final phase of the negotiation process. Taking into account the position of the Government of the Republic of Kazakhstan and the current status of the negotiations, the Company believes that the probability of an outflow of significant economic resources in relation to Shares Put Option is not high. Therefore, in the separate financial statements as of and for the six months ended 30 June 2018, the Company did not create any provision with respect to the option presented by Samsung C & T.

At the same time, the management of the Company notes the uncertainty regarding the agreement, which can be achieved as a result of the above-mentioned negotiations and settlement. In case the parties do not reach an agreement, the risk that Samsung C & T will decide to initiate a dispute in the courts against the Company remains. If this happens, the Company will resolutely defend its position. The Company's management believes that Samsung C & T had no right to enforce the option and that there is a good line of defense against the claim, including as a result of the inability of the opposing party to justify that the claim meets the contractual conditions.

Exchange Rates

As of 30 June 2018, the official exchange rate used to recalculate balances denominated in foreign currency was Tenge 341.08 per US dollar (31December 2017: Tenge 332.33 per 1 US dollar) and Tenge 5.44 per 1 Russian ruble (31 December 2017: Tenge 5.77 per 1 Russian ruble). Currently, the Tenge is not a freely convertible currency outside the Republic of Kazakhstan.

5 Settlements 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. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business in compliance with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications etc.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 30 June 2018 and 31 December 2017 is detailed below:

The outstanding balances with related parties as at 30 June 2018 are as follows:

In thousands of Kazakhstani Tenge	Note	Shareholder	Companies under common control	Subsidiaries and joint ventures
Loans issued to subsidiaries		-	-	5,630,177
Other asset due to the Shareholder	11	1,342,094	-	-
Other non-current assets	10	-	-	1,470,431
Interest receivable on loans issued		-	-	824,748
Dividends receivable	11	-	-	6,226,653
Bonds		-	-	4,724,798
Obligations under financial lease		517,779	-	-
Other accounts payable and accrued liabilities		2,041,000	21,596	262,152
Liability to shareholder	17	1,174,065	-	-
Borrowings	14	59,812,269	-	28,165,278

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	9	-	-	5,578,277
Accounts receivable		-	-	31,329
Other asset due to the Shareholder	11	1,387,077	-	-
Other non-current assets	10	-	-	1,378,374
Interest receivable on loans issued	9	-	-	695,834
Dividends receivable	11	-	-	6,380,082
Bonds	9	-	-	4,734,457
Other accounts payable and accrued liabilities	16	-	-	263,858
Accounts payable		-	3,117	-
Liability to Shareholder	17	1,174,066	-	-
Borrowings	14	59,959,841	-	28,165,278

5 Settlements and transactions with related parties (Continued)

The income and expense items with related parties for six months ended 30 June 2018 were as follows:

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and joint ventures
Dividend income	-	-	13,846,023
Finance income	-	-	853,665
Finance costs	(3,021,280)	-	(1,776,531)
Impairment loss on financial instruments, net	-	-	(13,139)
General and administrative expenses	-	(49,607)	(289,189)
Foreign exchange loss, net	-	-	(14,617)

The income and expense items with related parties for six months ended 30 June 2017 were as follows:

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and affiliates
Dividend income	-	-	15,728,210
Finance income	6,479	-	2,038,773
Finance costs	(2,532,993)	-	(1,234,212)
Impairment loss on financial instruments, net	-	-	(30,390)
General and administrative expenses	-	(22,646)	(225,416)
Foreign exchange gain, net	-	-	16,093

Key management personnel remuneration for six months ended 30 June 2018 including salaries, bonuses, taxes and other short-term benefits is equal to Tenge 59,234 thousand (for the period ended 30 June 2017: Tenge 243,578 thousand). Key management personnel as at 30 June 2018 consists of 4 persons (as at 30 June 2017: 10 persons).

6 Intangible assets

In thousands of Kazakhstani Tenge	Software	Other	Total
Cost at 1 January 2017	1,072,242	456,067	1,528,309
Accumulated depreciation and impairment	(376,941)	(136,444)	(513,385)
Carrying amount at 1 January 2017	**695,301**	**319,623**	**1,014,924**
Additions	74,175	-	74,175
Transfers from fixed assets		189,820	189,820
Amortization	(63,122)	(20,293)	(83,415)
Impairment		(15,650)	(15,650)
Cost at 30 June 2017	1,146,417	645,887	1,792,304
Accumulated depreciation and impairment	(440,063)	(172,387)	(612,450)
Carrying amount as at 30 June 2017	**706,354**	**473,500**	**1,179,854**
Cost at 1 January 2018	1,148,872	514,987	1,663,859
Accumulated depreciation and impairment	(506,573)	(221,957)	(728,530)
Carrying amount as at 1 January 2018	**642,299**	**293,030**	**935,329**
Additions	-	814,660	814,660
Transfers from fixed assets		54,123	54,123
Retirement	(39,410)	(2,380)	(41,790)
Amortization	(63,884)	(50,876)	(114,760)
Amortization on retired intangible assets	39,410	2,380	41,790
Cost at 30 June 2018	1,109,462	1,381,390	2,490,852
Accumulated depreciation and impairment	(531,047)	(270,453)	(801,500)
Carrying amount as at 30 June 2018	**578,415**	**1,110,937**	**1,689,352**

7 Investments in subsidiaries and joint ventures

The information on the value of investments as of 30 June 2018 and 31 December 2017 is presented below:

In thousands of Kazakhstani Tenge	Date of acquisition	Country of registration	Investment amount as at 30 June 2018	Ownership percentage as at 30 June 2018	Investment amount as at 31 December 2017	Ownership percentage as at 31 December 2017.
a) Investments in subsidiaries						
"Ekibastuz SDPP-1 named after Bulat Nurzhanov" LLP	31.10.2012	Kazakhstan	338,272,063	100%	338,272,063	100%
"Alatau Zharyk Company" JSC	29.07.2009	Kazakhstan	53,022,644	83.56%	52,709,818	83.56%
"Almaty Power Plants' JSC	26.07.2011	Kazakhstan	30,386,653	100%	30,386,653	100%
"Moynak HPP" JSC	04.01.2008	Kazakhstan	21,864,616	100%	21,864,616	100%
"First Wind Power Plant" LLP	28.05.2016	Kazakhstan	8,834,141	100%	8,834,141	100%
"Samruk-Green Energy" LLP	13.06.2012	Kazakhstan	2,791,620	92.14%	2,739,386	92.14%
"Shulbinsk HPP" JSC	04.01.2008	Kazakhstan	1,230,658	92.14%	1,230,658	92.14%
"Bukhtarminsk HPP" JSC	04.01.2008	Kazakhstan	1,050,790	100%	1,050,790	90%
"Shardarinsk HPP" JSC	03.06.2011	Kazakhstan	2,765,532	100%	2,275,999	100%
"Ust-Kamenogorsk HPP" JSC	04.01.2008	Kazakhstan	465,019	89.99%	465,019	89.99%
"Ereymentau Wind Power" LLP	28.05.2016	Kazakhstan	1,595,841	100%	1,522,677	100%
"AlmatyEnergoSbyt" LLP	26.07.2011	Kazakhstan	136,003	100%	136,003	100%
"Kazhydrotechenergo" LLP	31.03.2014	Kazakhstan	222,506	100%	222,506	100%
"Energia Semirechya" LLP	28.05.2016	Kazakhstan	15,319	51%	15,319	51%
"Energy Solutions Center" LLP (previously "Kapshagay HPP "LLP)	16.03.2017	Kazakhstan	52,999	51%	52,999	100%
b) Investments in joint ventures						
Forum Muider B.V.	23.12.2008	The Netherlands	41,759,543	50%	41,759,543	50%
"Ekibastuz SDPP-2 Plant" JSC	04.01.2008	Kazakhstan	8,725,133	50%	8,725,133	50%
c) Investments in associated companies						
"Balkhash TPP" JSC	24.06.2008	Kazakhstan	32,085,280	49.99%	32,085,280	49.99%
Less:						
Investment impairment			(39,919,760)		(39,919,760)	
Total investments			**505,356,600**		**504,428,843**	

During six months of 2018, the Company invested Tenge 73,164 thousand in "Ereymentau Wind Power" LLP and Tenge 52,234 thousand in «Samruk-Green Energy» LLP to replenish the working capital.

8 Assets held for sale

On 23 November 2016, the Board of Directors approved the conditions for sale of a number of subsidiaries in accordance with the Government Decree on assets privatization. As of 30 June 2018, the Company's investments in "Tegis Munay" LLP were included in long-term assets held for sale.

8 Assets held for sale (Continued)

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Investments in "Tegis Munay" LLP	15,913,565	15,810,776
Total assets held for sale	**15,913,565**	**15,810,776**

During the six months of 2018, the Company invested Tenge 102,789 thousand in "Tegas Munay" LLP to replenish the working capital of the subsidiary. Asset is planned to be sold before the year ended 31 December 2018

9 Loans issued

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Non-current portion		
"Alatau Zharyk Company" bonds	4,463,486	4,463,486
The loan issued to "Alatau Zharyk Company" JSC	4,163,856	3,991,664
The loan issued to "First Wind Power Plant" LLP	1,480,659	1,496,614
Bonds of "MDPGC" JSC	1,208,432	1,205,007
Interest accrued on "FWPP" LLP loan	762,525	634,545
Bonds of "Special financial company DSFK" LLP	418,051	488,379
Less: Loss allowance	(40,546)	-
Total loans issued – non-current portion	**12,456,463**	**12,279,695**
Current portion		
Interest on bonds	294,734	294,704
Loan issued to "Energia Semirechya" LLP	609,133	596,349
Loan issued to "Balkhash TPP" JSC	377,301	343,316
Interest accrued on loans issued	90,619	65,983
Financial assistance rendered to "Ust-Kamenogorsk HPP" JSC	30,390	30,390
Loans granted to "Zhambyl SDPP named after T.I. Baturov" JSC	5,442	5,442
Less: Loss allowance	(1,050,663)	(980,191)
Total loans issued – current portion	**356,956**	**355,993**

The loan issued to "Alatau Zharyk Company" JSC

On 31 January 2011, the Company issued a Tenge 7,000,000 thousand loan to "Alatau Zharyk Company" JSC for construction and reconstruction of substations and other facilities. Loan maturity – 21 January 2024, the interest rate - 2% per annum payable quarterly.

The outstanding amount as of 30 June 2018 is equal to Tenge 4,163,856 thousand (31 December 2017: Tenge 3,991,664 thousand). The carrying value of the loan is the present value of future cash flows discounted at a rate of 12.5%. The difference between the fair value of the loan at the date of initial recognition and its nominal value of Tenge 2,836,144 thousand, minus income tax, was recognized as an additional investment in AZHC.

Loan issued to "The First Wind Power Plant" LLP

In 2016, the Company issued loans to "FWPP" LLP in the amount of Tenge 1,828,288 thousand to repay the loan from Eurasian Development Bank. The fixed interest rate is set at 14%. Repayment of the principal amount and payment of interest is at the end of the loan term.

9 Loans issued (Continued)

AlmatyEnergoSbyt LLP

On 19 March 2018, financial assistance was provided to AlmatyEnergoSbyt LLP for 12 months in the amount of Tenge 2,980,478 thousand using the funds of Samruk-Energy JSC at Qazaq Banki JSC. The purpose is to make advance payments to Karaganda Energocenter LLP under a contract for the purchase and sale of electricity dated 16 March 2018 between AlmatyEnergoSbyt and Karaganda Energocenter. As of 30 June 2018, financial assistance was repaid by AlmatyEnergoSbyt in full.

10 Other non-current assets

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Accounts receivable	11,730,655	11,690,781
Debt under provided financial guarantee of "First Wind Power Plant" LLP	1,470,431	1,378,374
Other non-current assets	101,576	95,053
Less: allowance for impairment	(244,259)	-
Total other non-current assets	**13,058,403**	**13,164,208**

11 Other current assets

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Short-term deposits	88,520	3,037,304
Dividends receivable	6,226,653	6,380,082
Accounts receivable	5,027,678	1,878,078
Less: allowance for impairment	(550,530)	(151,510)
Total financial short-term assets	**10,792,321**	**11,143,954**
Asset held for the benefit of Shareholder (Note 17)	1,342,094	1,387,077
Advances paid	39,048	130,470
Others	125,401	161,942
Total other short-term assets	**12,298,864**	**12,823,443**

Receivables

As of 30 June 2018, accounts receivable in the amount of Tenge 5,027,678 thousand mainly include short-term part of accounts receivable for the sold subsidiaries in the amount of Tenge 1,726,568 thousand as well as accounts receivable of "Tauba Invest" LLP in the amount of Tenge 2,997,725 thousand. In March 2018, the Company noted indicators of impairment of cash on checking accounts at "QazaqBank" JSC due to deterioration of the bank's financial position. In accordance with the agreement on mutual settlements dated 16 March 2018, concluded between "Samruk-Energy" JSC, "Tauba Invest" LLP and "QazaqBank" JSC, the Company's cash in "QazaqBank" was converted into accounts receivable of "Tauba Invest" LLP in the amount of Tenge 3,058,400 thousand maturing by 31 December 2018. Receivables of "Tauba Invest" LLP is secured by a real estate pledge agreement dated 26 April 2018.

Assets intended for the benefit of the Shareholder

As instructed by the Shareholder, the Company undertook to build a kindergarten in Astana in the amount of Tenge 1,174,065 thousand. The Company recognized the obligation to the estimated construction cost of Tenge 1,174,065 thousand as other distributions in favor of the shareholder. As of 30 June 2018, the Company incurred expenses related to the construction of a kindergarten in the amount of Tenge 1,342,094 thousand. These actually incurred expenses are presented as current assets intended for the benefit of the Shareholder, as it is expected that these assets will be transferred to the Shareholder in the second half of 2018 by distributing the income to the benefit of the Shareholder in accordance with its decision.

12 Cash and cash equivalents

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Cash on bank accounts – Tenge	470,663	6,151,677
Cash on bank account – Euro	18,806	2,594
Cash on bank accounts – US Dollars	16,185	7,976,305
Cash on hand	3,320	2,253
Cash on fixed-term deposits up to 3 months – Tenge	-	10,000
Minus: Loss allowance	(67)	-
Total cash and cash equivalents	**508,907**	**14,142,829**

13 Share capital

In thousands of Kazakhstani Tenge	Number of authorized and issued shares	Share capital
Paid-in capital at 1 January 2017	**5,601,687**	**373,314,888**
Paid-in capital at 31 December 2017	**5,601,687**	**373,314,888**
Paid-in capital at 30 June 2018	**5,601,687**	**373,314,888**

At 30 June 2018, 5,601,687 issued ordinary shares were fully paid (as of 31 December 2017: 5,601,687 shares). Each ordinary share gives a right of one vote. The Company does not have preference shares.

The Company declared dividends of Tenge 2,041, 000 thousand on 15 June 2018 (2017: Tenge 4,704, 895 thousand). As of 30 June 2018, dividends have not been paid.

KASE listing requirements include disclosure of the book value of one share. As of 30 June 2018, this indicator, calculated by the management of the Company on the basis of the financial statements, amounted to Tenge 68,313 (31 December 2017: Tenge 68,814).

14 Borrowings

In thousands of Kazakhstani Tenge	30 June 2018	31 December 2017
Non-current portion		
Borrowings from Samruk-Kazyna	57,211,661	57,350,979
Long-term bank loans	52,740,872	68,231,270
Bonds	47,930,251	47,921,800
Total borrowings – non-current portion	**157,882,784**	**173,504,049**
Current portion		
Borrowings from Samruk-Kazyna	2,381,109	2,381,109
Interest accrued – borrowings from Samruk-Kazyna	219,499	227,753
Interest accrued – bank loans	835,885	738,662
Interest accrued – bonds	1,089,722	1,089,722
Short-term bank loans	7,242,235	5,000,000
Total current portion	**11,768,450**	**9,437,246**
Total borrowings	**169,651,234**	**182,941,295**

14 Borrowings (Continued)

In thousands of Kazakhstani Tenge	Effective interest rate,%	30 June 2018	31 December 2017
Samruk-Kazyna	12,8 % per annum	59,812,269	59,959,841
Bonds	12,8 % per annum	49,019,972	49,011,522
European Bank for Reconstruction and Development	10,7 % per annum	33,361,403	39,022,498
Halyk Bank	12,8 % per annum	25,684,206	24,767,434
Sberbank	13,8 % per annum	1,773,384	-
Kazkommertsbank	12,7 % per annum	-	10,180,000
Total Samruk-Energy		**169,651,234**	**182,941,295**

European Bank for Reconstruction and Development

On 25 January 2018, "Samruk-Energy" JSC repaid EBRD principal and interest for the amount of Tenge 2,333,665 thousand (repayment of principal of Tenge 1,521,117 thousand and interest of Tenge 812,548 thousand).

On 29 March 2018, the Company made a partial early repayment of the principal debt for the loan from the EBRD in the amount of Tenge 4,421,698 thousand. 25 On April 2018, the Company made a planned repayment of the interest of the loan from the EBRD in the amount of Tenge 1,495,100 thousand.

"Halyk Bank of Kazakhstan" JSC

In the first half of 2018, the Company made a partial early repayment of the principal debt under the loan from Halyk Bank of Kazakhstan in the amount of Tenge 9,300,000 thousand.

Bonds

In August and September of 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 1 thousand per bond with a term of five years. The coupon interest rate was 13% per annum and 12.5%, respectively, and is payable twice a year and quarterly.

On 7 March 2018 The Company effected the payment of first coupon under local bonds in the amount of Tenge 2,175,000 thousand.

"Sberbank of Russia" SB JSC

In the first half of 2018, the Company obtained a long-term loan in the amount of Tenge 14,418,000 thousand from SB Sberbank of Russia, with a 13% interest rate and a term of two years. In May and June of 2018, the Company early repaid the loan for a total of Tenge 12,650,000 thousand.

"Kazkommertsbank" JSC

A Tenge10,000,000 thousand loan with a term of five years was obtained from "Kazkommertsbank" JSC in 2015 as part of a credit line for the purpose of replenishing the working capital. Effective rate of this loan is 12.7%. In June 2018, the Company made an early repayment of Kazkommertsbank loan, including accumulated interest for a total of Tenge10,100,000 thousand.

19 General and administrative expenses

In thousands of Kazakhstani Tenge	6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Salaries and related costs	1,106,902	1,226,398	526,803	645,880
Consulting and other services	805,251	505,746	367,853	190,059
Office maintenance services	232,343	185,478	121,718	87,490
Taxes	225,870	159,715	63,341	53,340
Rent expenses	152,372	163,883	76,186	82401
Depreciation of fixed assets and amortization of intangible assets	144,671	165,462	66,783	84,427
Support and updating of software and DB	87,990	65,381	56,097	42,000
Business trip expenses	45,075	40,485	28,530	27,489
Membership fees	28,490	38,135	5,781	25,304
Employees training and related costs	28,290	31,576	25,667	25,424
Telecommunication costs	20,497	16531	11,762	9,302
Insurance	20,306	17,163	9,369	7,652
(Recovery)/Accumulation Reserve for doubtful debts	(2,886)	550,052	(783)	550,052
Others	111,375	308,360	98,950	274,566
Total general and administrative expenses	**3,006,546**	**3,474,365**	**1,458,057**	**2,105,386**

20 Other operating expenses

In thousands of Kazakhstani Tenge	6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Impairment of cash	2,179,495	-	-	-
Impairment of bank deposits	27,169	-	480	-
Impairment of loans issued	78,320	30,390	36,658	30,390
Impairment of other receivables	263,670	-	254,235	-
Impairment of other long-term assets	310	-	-	-
Impairment of intangible assets	-	15,650	-	15,650
Other expenses	12,246	6,711	1,361	6,711
Total other operating expenses	**2,561,210**	**52,751**	**292,734**	**52,751**

21 Other operating income

In thousands of Kazakhstani Tenge	6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Recovery of cash impairment	2,241,800	-	2,183,488	-
Recovery of bank deposits impairment	63,898	-	26,785	-
Recovery of impairment of loans issued	28,162	-	25,252	-
Recovery of other assets impairment		-	-	-
Other income	18,137	122,361	10,719	119,876
Total other operating expenses	**2,351,997**	**122,361**	**2,246,244**	**119,876**

22 Finance income

In thousands of Kazakhstani Tenge	6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Interest income on bonds	396,081	1,551,012	198,025	771,806
Interest income on bank deposits	170,298	521,956	15,218	301,854
Interest income on loans issued	221,684	197,980	111,246	98,990
Amortization of discount on issued financial aid	180,306	139,655	90,852	81,582
Amortization of discount on long-term receivables	404,880	-	204,761	-
Other	292,542	578,946	146,162	4,297
Total finance income	**1,665,791**	**2,989,549**	**766,264**	**1,258,529**

23 Finance costs

In thousands of Kazakhstani Tenge	6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Interest expenses on bonds	3,050,000	2,966,953	1,525,000	1,481,437
Amortization of discount of present value on loans and financial aid	2,355,249	1,809,805	1,212,773	901,778
Interest expenses on borrowings	5,427,214	1,635,084	2,506,429	852,582
Loss/(profit) from indexation of bonds issued to subsidiaries	-	984,000	-	(725,500)
Discounting of loans issued and long-term receivables	454,877	250,212	74,308	29,087
Other	90,193	46,940	57,326	36,735
Total finance costs	**11,377,533**	**7,692,994**	**5,375,836**	**2,576,119**

24 Income tax

Income tax relates to withholding taxes on deposit payments. The company does not expect to receive taxable profits in the future.

25 Contingencies and commitments and operating risks

Contractual obligations for acquisition of intangible assets. As of 30 June 2018, the Company had contractual obligations to purchase software and other intangible assets in the amount of Tenge 1,612,924 thousand (2017: there were no contractual obligations). The company has already allocated the necessary resources to cover these obligations. The Company's management is confident that the level of net income in the future, as well as the amount of financing will be sufficient to cover these or similar obligations.

26 Fair value of financial instruments

Fair value measurement

Fair value is the amount at which a financial instrument could be exchanged during a current deal between stakeholders, other than cases of forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments were determined by the Company using available market information, if available, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan's economy continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

26 Fair value of financial instruments (Continued)

The results of fair value evaluation are analyzed and distributed to levels of fair value hierarchy: (i) the 1st level includes estimates on quoted prices (non-adjustable) in active markets for identical assets and liabilities, (ii) the 2nd level includes those received via evaluation methods in which all usable significant information is directly or indirectly observable for the asset or liability (i.e., e.g., price) and (iii) evaluations of 3rd level are estimates not based on observable market data (i.e., based on unobservable inputs).

All the Company's financial instruments are carried at amortized cost. Their fair value at 3rd level of fair value hierarchy was estimated using discounted cash flows.

Financial assets carried at amortized cost

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 risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Financial liabilities carried at amortized cost

The estimated fair value of 1st level borrowings is based on quoted market prices.

The estimated fair value of fixed interest rate instruments with established maturity, for which no market quotes are available was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The following is an analysis of fair value by level of the fair value hierarchy and the carrying amount of assets and liabilities not measured at fair value.

	30 June 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	-	508,907	-	508,907	-	14,142,829	-	14,142,829
Deposits with fixed terms	-	88,394	-	88,394	-	3,037,304	-	3,037,304
Financial receivables	-	17,224,826	-	18,330,340	-	14,890,776	-	14,890,776
Dividends receivable	-	6,226,653	-	6,226,653	-	6,380,082	-	6,380,082
Loans issued	-	11,902,301	-	12,813,419	-	12,635,688	-	12,635,688
Total financial assets		**35,951,081**		**37,967,713**	**-**	**51,086,679**	**-**	**51,086,679**
Liabilities								
Borrrowings	-	160,124,998	-	169,651,234	-	170,235,067	-	182,941,295
Financial payables	-	3,993,875	-	3,993,875	-	750,235	-	750,235
Financial guarantees issued	-	2,605,870	-	2,605,870	-	2,262,892	-	2,262,892
Total financial liabilities	**-**	**166,724,743**	**-**	**176,250,979**	**-**	**173,248,194**	**-**	**185,954,422**

27 Events after reporting date

On 5 July 2018, the Company repaid principal and accrued interest in the total amount of Tenge 999,576 thousand under the credit line in SB "Sberbank of Russia" JSC ahead of schedule.

On 31 July 2018, the Company received an installment of Tenge 350,000 thousand under the credit line in SB "Sberbank of Russia" JSC.