KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

Consolidated Financial Statements
for the Year Ended 31 December 2019

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Kazakhstan Utility Systems Limited Liability Partnership and its subsidiaries (the "Group") as at 31 December 2019, and the consolidated results of its operations, consolidated cash flows and consolidated changes in owner's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and reliable system of internal control throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management and authorised for issue on 28 May 2020.

On behalf of Management of the Group:

N. E. Aitzhanov
General Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

S. A. Akhanov
Finance Director

Deloitte LLP
36 Al Farabi Avenue
Almaty, 050059
Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

To the Members of Kazakhstan Utility Systems Limited Liability Partnership:

Qualified Opinion

We have audited the consolidated financial statements of Kazakhstan Utility Systems Limited Liability Partnership and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in owner's equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

As at 31 December 2019, loans issued by the Company to its related parties were recognised in the consolidated statement of financial position in the amount of 64,481,008 thousand tenge (31 December 2018: 58,511,332 thousand tenge) and the related interest income was recognised in the consolidated statement of profit or loss and other comprehensive income in the amount of 5,442,384 thousand tenge (31 December 2018: 3,224,923 thousand tenge). The Group did not measure the fair value of these loans as at the date of their initial recognition and did not estimate the amount of expected credit losses as at 31 December 2019 and 2018, which is a departure from IFRS 9 Financial Instruments. We were unable to determine the effect of this incompliance on the value of the loans issued to related parties as at 31 December 2019 and on the statement of profit or loss and other comprehensive income for 2019 and 2018.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter 2the key audit matters to be communicated in our report.

Why was the matter determined to be a key audit matter	How was the matter addressed in the audit?
Liquidity risk As at 31 December 2019, the Group's current liabilities exceeded current assets by 71,735,598 thousand tenge. Current liabilities include borrowings of 71,877,493 thousand tenge, which are due to be repaid within 12 months of the consolidated financial reporting date. The Group's ability to repay these liabilities was determined, predominantly, by the Group's ability to refinance or extend them in full or in part. As disclosed in Note 22, the terms of loans from a number of banks stipulate financial and non-financial covenants, where a failure to comply provides creditors the right to demand early debt repayment. The outstanding amount of these loans included in non-current liabilities as at 31 December 2019 was 11,042,179 thousand tenge. Group management prepared a forecast of financial position and financial performance for 2019 in advance, analysed the execution of non-financial covenants, and concluded that the Group will not be able to meet some of them. For this reason, as at 31 December 2019, the Group received consent from creditors to waive their right to early debt repayment due to the failure to execute certain covenants. As disclosed in Note 3, the Group estimates that the consequences of COVID-19 will not have a significant negative impact on the Group's financial performance for 2020, and specifically on operating cash flows that are one of the sources to cover the Group's liquidity issues in 2020. Management's critical judgement is required in connection with the above circumstances to measure the adequacy of the Group's liquid assets and its ability to repay current liabilities in due time. Management plans regarding this issue are described in Note 3. Given that liquidity risk has a significant impact on the Group's ability to continue as a going concern, and its estimate of uncertinty in relation to this ability, the matter was considered as one of the key audit matter in our audit.	Our audit procedures to analyse liquidity risk were, predominantly, focused on a critical estimate of the key assumptions and conclusions of Group management, and included: • analysing management's estimate of the applicability of the going concern principle and plans to repay current liabilities; • examining the classification of assets and liabilities as current and non-current; • analysing negative forecast scenarios impacting Group liquidity and its ability to repay liabilities, including to generate sufficient cash flows from operations to serve loans and repay them in time; • analysing current and expected events and conditions, including financial and operating conditions caused by COVID-19, which may have a significant negative impact on Group liquidity; • assessing other external factors testifying to unfavourable conditions and events; • examining documents supporting the availability of financing, including current loan agreements, correspondence with financial institutions and an analysis of actual transactions on refinance or extension of borrowings in 2020; • analysing loan agreement terms and any corresponding covenants; • assessing the calculation of financial covenants for mathematical accuracy, and the execution of non-financial covenants; • examining waivers from banks waiving their right to demand early debt repayment due to a failure to observe certain covenants as at 31 December 2019; • assessing the information disclosed in consolidated financial statements for completeness and accuracy.

Accounting treatment of transactions on purchase of property, plant and equipment stipulating a non-cash compensation element As disclosed in Note 14, the Group, represented by JSC Mangistau Regional Electric Grid Company, purchased property, plant and equipment from an independent party partially for cash and partially for a non-cash payment form. Non-cash payment was represented by the Group's obligation to organise and pay for construction and assembly work at the seller's facilities using third party organisations and transporting electricity to certain consumers for free until the end of March 2020. The Group recognised the purchased property, plant and equipment at fair value, as determined by an independent external appraiser as at the purchase date. The fair value amount was allocated among compensation components, including the Group's obligation to organise and pay for construction and assembly work and transport electricity. Given the use of significant judgements made by the Group management in relation to the accounting treatment of this transaction, the estimate of the fair value of property, plant and equipment, and the allocation among compensation components, we identified the matter as key audit matter for our audit.	Our audit procedures regarding the accuracy of the accounting treatment of this transaction, and the justification for judgements applied by Group management to determine the fair value of purchased property, plant and equipment, included: • analysing of contractual terms to purchase property, plant and equipment and the economic content of the transaction, as well as examining the transaction accounting in accordance with relevant IFRS reqirements; • assessing external independent appraiser competency and objectivity; • analysing an independent appraiser's report and review of the applicability of valuation methods. The estimate was based on method of expenses and method of income. We reviewed the methods' compliance with International Valuation Standards; • assessing the appropriateness of the independent appraiser's main assumptions and a review of how the assumptions correspond to available evidence; • examining the accuracy of the accounting treatment of valuation results; • examining the justification and accuracy of the allocation of the value of purchased property, plant and equipment to non-monetary components of compensation; • assessing the information disclosed in consolidated financial statements of the Group for completeness and accuracy.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein. 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.

Daulet Kuatbekov
Qualified Auditor
of the Republic of Kazakhstan
Qualification Certificate No.0000523
dated 15 February 2002

Nurlan Bekenov
General Director
Deloitte LLP
State license for the audit activity in the
Republic of Kazakhstan No.0000015,
type MFU-2, issued by the Ministry of Finance of the
Republic of Kazakhstan
on 13 September 2006

Alua Yessimbekova
Engagement Partner
Certified Public Accountant
New Hampshire, USA
License No.07348
dated 12 June 2014

28 May 2020
Almaty, Republic of Kazakhstan

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Tenge)

	Notes	2019	2018
Revenue	6	134,469,242	128,639,008
Cost of sales	7	(97,223,720)	(91,928,630)
Gross profit		**37,245,522**	**36,710,378**
General and administrative expenses	8	(9,120,755)	(8,537,171)
Selling expenses	9	(2,910,741)	(2,664,901)
Finance costs	10	(9,812,009)	(8,631,683)
Finance income	11	5,752,203	3,687,716
Other income, net		535,983	676,690
Foreign exchange loss, net	29	(6,685,027)	(3,316,643)
PROFIT BEFORE INCOME TAX EXPENSE		**15,005,176**	**17,924,386**
Income tax expenses	13	(4,394,367)	(4,324,836)
NET PROFIT FOR THE YEAR		**10,610,809**	**13,599,550**
Other comprehensive income for the year			
Items that will be subsequently reclassified to profit or loss:			
Foreign exchange differences on translation of foreign operations		65,989	265,151
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**65,989**	**265,151**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,676,798**	**13,864,701**
Profit for the year attributable to:			
Company owners		8,366,583	12,731,185
Non-controlling interests	21	2,244,226	868,365
		10,610,809	**13,599,550**
Total comprehensive income attributable to:			
Company owners		8,432,572	12,996,336
Non-controlling interests	21	2,244,226	868,365
		10,676,798	**13,864,701**

On behalf of Management of the Group:

N. E. Aitzhanov
General Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

S. A. Akhanov
Finance Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

The notes below form an integral part of these consolidated financial statements.

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(in thousands of Tenge)

	Notes	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	231,091,162	215,004,134
Advances paid	15	2,127,506	1,905,698
Loans given to related parties	28	61,351,522	58,511,332
Other non-current assets		835,592	1,030,162
Deferred tax assets	13	167,068	101,879
Total non-current assets		**295,572,850**	**276,553,205**
CURRENT ASSETS:			
Trade accounts receivable	16	12,197,346	10,082,632
Inventories	17	4,101,448	4,194,232
Loans given to related parties	28	3,129,486	-
Advances paid	15	452,973	1,103,116
Prepaid corporate income tax		361,847	527,282
Other current assets	18	1,938,904	1,896,114
Cash and cash equivalents	19	4,363,170	5,458,604
Total current assets		**26,545,174**	**23,261,980**
TOTAL ASSETS		**322,118,024**	**299,815,185**
EQUITY AND LIABILITIES			
EQUITY:			
Charter capital	20	11,636,404	11,636,404
Additional paid-in capital	20	9,239,137	9,239,137
Reserve of exchange differences		331,140	265,151
Retained earnings		117,846,186	109,479,603
Equity attributable to owners of the Company		139,052,867	130,620,295
Non-controlling interests	21	13,191,410	10,947,184
Total equity		**152,244,277**	**141,567,479**
NON-CURRENT LIABILITIES:			
Loans and debt securities issued	22	37,581,671	92,414,556
Deferred tax liabilities	13	31,328,779	30,361,273
Other non-current liabilities	23	2,682,525	3,057,173
Total non-current liabilities		**71,592,975**	**125,833,002**
CURRENT LIABILITIES:			
Loans and debt securities issued	22	71,877,493	14,055,724
Trade accounts payable	24	11,992,472	8,492,942
Other accounts payable and accrued liabilities	25	12,215,664	7,919,908
Other taxes payable	26	1,692,887	1,759,318
Corporate income tax payable		502,256	186,812
Total current liabilities		**98,280,772**	**32,414,704**
TOTAL LIABILITIES		**169,873,747**	**158,247,706**
TOTAL EQUITY AND LIABILITIES		**322,118,024**	**299,815,185**

On behalf of Management of the Group:

N. E. Aitzhanov
General Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

S. A. Akhanov
Finance Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

The notes below form an integral part of these consolidated financial statements.

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Tenge)

	Charter capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total
As at 31 December 2017	**11,636,404**	**9,239,137**	**-**	**96,714,432**	**117,589,973**	**11,514,800**	**129,104,773**
Effect of IFRS 9 Financial Instruments	-	-	-	(1,387,077)	(1,387,077)	(14,918)	(1,401,995)
Balance restated at 1 January 2018	**11,636,404**	**9,239,137**	**-**	**95,327,355**	**116,202,896**	**11,499,882**	**127,702,778**
Net profit for the year	-	-	-	12,731,185	12,731,185	868,365	13,599,550
Other comprehensive income for the year	-	-	265,151	-	265,151	-	265,151
Total comprehensive income for the year	-	-	265,151	12,731,185	12,996,336	868,365	13,864,701
Adjustment resulting from change in non-controlling interest	-	-	-	1,421,063	1,421,063	(1,421,063)	-
As at 31 December 2018	**11,636,404**	**9,239,137**	**265,151**	**109,479,603**	**130,620,295**	**10,947,184**	**141,567,479**
Net profit for the year	-	-	-	8,366,583	8,366,583	2,244,226	10,610,809
Other comprehensive income for the year	-	-	65,989	-	65,989	-	65,989
Total comprehensive income for the year	-	-	65,989	8,366,583	8,432,572	2,244,226	10,676,798
As at 31 December 2019	**11,636,404**	**9,239,137**	**331,140**	**117,846,186**	**139,052,867**	**13,191,410**	**152,244,277**

On behalf of Management of the Group:

N. E. Aitzhanov
General Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

S. A. Akhanov
Finance Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

The notes below form an integral part of these consolidated financial statements.

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Tenge)

	Notes	2019	2018
OPERATING ACTIVITIES:			
Sale of services and goods		146,402,097	138,865,328
Other proceeds		1,637,524	2,083,942
Total cash inflow		**148,039,621**	**140,949,270**
Payments to suppliers for goods and services		(82,142,361)	(78,273,105)
Salary payments		(12,947,407)	(11,652,464)
Other payments to the budget		(10,870,312)	(10,708,690)
Other payments		(3,337,886)	(3,991,236)
Total cash outflow		**(109,297,966)**	**(104,625,495)**
Cash from operating activities before received and paid interest and corporate income tax		38,741,655	36,323,775
Interest received		248,761	274,552
Interest paid on loans and debt securities issued		(8,796,479)	(7,131,984)
Corporate income tax paid		(3,052,762)	(2,586,231)
Net cash generated from operating activities		**27,141,175**	**26,880,112**
INVESTING ACTIVITIES:			
Sale of property, plant and equipment		53,468	161,848
Return of loans issued		-	166,250
Prepayment for disposal of subsidiary		-	543,456
Other proceeds		-	595,884
Total cash inflow		**53,468**	**1,467,438**
Purchase of property, plant and equipment and materials for major repair and advances paid for acquisition of non-current assets		(26,545,625)	(20,440,335)
Purchase of intangible assets		(9,845)	(23,289)
Net cash outflow on acquisition of subsidiaries		(1,014,334)	(1,181,312)
Other payments		-	(10,709)
Total cash outflow		**(27,569,804)**	**(21,655,645)**
Net cash used in investing activities		**(27,516,336)**	**(20,188,207)**

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

(in thousands of Tenge)

FINANCING ACTIVITIES:	**Notes**	**2019**	**2018**
Financial aid received	22	3,747,000	2,367,003
Loans received	22	22,907,620	82,919,316
Other proceeds		217,949	-
Total cash inflow		**26,872,569**	**85,286,319**
Repayment of loans	22	(26,681,485)	(35,710,827)
Redemption of debt securities issued	22	-	(1,500,000)
Issuance of a loan to an entity under common control	28	(500,000)	(51,941,315)
Financial aid given to the related party		-	(2,980,466)
Repayment of financial aid received	22	(20,000)	(776,384)
Dividends payment	20	(6,700)	(22,923)
Other cash outflow		(255,000)	(179,620)
Total cash outflow		**(27,463,185)**	**(93,111,535)**
Net cash used in financing activities		**(590,616)**	**(7,825,216)**
NET CHANGE IN CASH		(965,777)	(1,133,311)
CASH AND CASH EQUIVALENTS, at the beginning of the year	19	5,458,604	6,496,398
Effect of changes in allowance for expected credit losses on cash and cash equivalents		22,537	(66,978)
Effect of changes in foreign exchange rates on cash balances held in foreign currencies		(152,194)	162,495
CASH AND CASH EQUIVALENTS, at the end of the year	19	**4,363,170**	**5,458,604**

On behalf of Management of the Group:

N. E. Aitzhanov
General Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

S. A. Akhanov
Finance Director

28 May 2020
Nur-Sultan, Republic of Kazakhstan

Казахстанские коммунальные системы

The notes below form an integral part of these consolidated financial statements.

(in thousands of Tenge, unless otherwise stated)

1. NATURE OF OPERATIONS

The principal activities of Kazakhstan Utility Systems Limited Liability Partnership (the "Company", "KUS" LLP) and its subsidiaries (hereinafter jointly named the "Group") include generation of thermal power, electricity and chemically purified water in Karaganda and East-Kazakhstan regions, transmission and distribution of electricity in Karaganda, Turkestan and Mangistau regions, supply of electricity in Turkestan region and supply of electricity and thermal power in Karaganda region.

Kazakhstan Utility Systems Limited Liability Partnership was established and registered with the Almaty Department of Justice on 3 November 2008. The date of last re-registration is 26 December 2014 in the Yessil District Justice Agency of the Astana Justice Department.

As at 31 December 2019 and 2018, members of the Company are represented by individuals, citizens of the Republic of Kazakhstan, as M.K. Idrissova with 99% ownership interest and Zh.M. Ismailova with 1% ownership interest, accordingly.

Since a number of the Group's subsidiaries are monopolists in the generation of thermal power in Karaganda and East-Kazakhstan regions, in electricity supply in Karaganda region and in electricity transmission in Karaganda, Turkestan and Mangistau regions, the activities of these entities are regulated by the Law of the Republic of Kazakhstan On Natural Monopolies and the tariffs for the abovementioned services are subject for approval by the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the "Committee") (Note 30).

Legal name of the Company	**Kazakhstan Utility Systems Limited Liability Partnership**
Legal address	14/3, Kunayev str., Nur-Sultan, Republic of Kazakhstan
Business identification number	BIN 081140000288

As at 31 December 2019, the total number of employees of the Group was 8,584 people (31 December 2018: 8,575 employees).

2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Standards affecting the financial statements

Impact of initial application of IFRS 16 *Leases*

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, according to which the comparative information is not restated and the cumulative effect of IFRS 16 application is presented as an adjustment to opening balance of retained earnings.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i)_Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(in thousands of Tenge, unless otherwise stated)

(d) Financial impact of the initial application of IFRS 16

The Group entered into a number of land use agreements for installing power lines and other equipment on them for up to 49 years. Based on the analysis, management of the Group concluded that these contracts meet the definition of a lease in accordance with the requirements of IFRS 16 Leases. In most contracts, the fee for the land use is calculated based on the land tax currently established by the Tax Code of the Republic of Kazakhstan. The land tax rate is not fixed and may be legislatively changed during the term of the contracts, and its change does not depend on the index or another market indicator. Accordingly, management of the Group concluded that the payment for land use is not fixed, but represents variable payments that are not included in the assessment of a lease obligation or right-of-use asset in accordance with paragraph 27 of IFRS 16.

Regarding those land use agreements, according to which the land use fee is not linked to the land tax and is fixed or depends on the index (inflation rate), the calculated initial value of the right-of-asset turned out to be insignificant at the beginning and the end of 2019, and there was no significant effect from the application of IFRS 16 to these contracts on financial indicators as at 1 January and 31 December 2019.

The Group also entered into short-term lease contracts for vehicles and premises in 2019 for a period not exceeding one year. Lease payments under these contracts were recognized as administrative expenses of the period in the amount of 374,773 thousand tenge and in selling expenses in the amount of 116,862 thousand tenge (Note 8).

The Group is also a lessor. The Group leases office space for a year period. The amount of rental income for 2019 is 43,648 thousand tenge (2018: 37,749 thousand tenge). Rental income is recognized in other income of the period.

Standards not affecting the financial statements

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Group has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in the current year. The *Annual Improvements* include amendments to four Standards: IAS 12 *Income Taxes* The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 *Borrowing Costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(in thousands of Tenge, unless otherwise stated)

IFRIC 23 *Uncertainty over Income Tax Treatments*	The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: – if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. – if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

New and revised IFRS Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts2;
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture3;
- Amendments to IFRS 3 Definition of a business1;
- Amendments to IAS 1 and IAS 8 Definition of material1;
- Annual Improvements to IFRSs (2010—2012 Cycle Amendments to IAS 1 Classification of Liabilities as Current or Non-Current3;
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform and its Effects on Financial Reporting1;
- Amendments to References to the Conceptual Framework in IFRS Standards1.

[1] Effective for annual periods beginning on 1 January 2020 with early application permitted;
[2] Effective for annual periods beginning on 1 January 2021 with early application permitted;
[3] Effective for annual periods beginning on 1 January 2022 with early application permitted.

Management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

These consolidated financial statements have been prepared in accordance with IFRS, based on the assumption that the Group will adhere to the principle of going concern. As at 31 December 2019, the Group's current liabilities exceeded current assets by 71,735,598 thousand tenge (31 December 2018: 9,152,724 thousand tenge). As at 31 December 2019, retained earnings amounted to 117,846,186 thousand tenge (31 December 2018: 109,479,603 thousand tenge). In addition, during 2019, the Group generated net income of 10,610,809 thousand tenge (31 December 2018: 13,599,550 thousand tenge). Net cash from operating activities amounted to 27,141,175 thousand tenge (31 December 2018: 26,880,112 thousand tenge).

Current liabilities are mainly represented by the current portion of long-term loans of 71,877,493 thousand tenge and trade accounts payables of 11,992,472 thousand tenge. Based on previous experience, the Group will be able, if necessary, to agree on the maturity dates with creditors. Also, the Group is able, if necessary, to refinance the loan repayment schedule and attract additional long-term financing. The Group's management monitors on a regular basis the Group's compliance with all the significant terms of the loan arangements, as well as the ability of the Group's entities to make timely repayments of loans.

The Group refinanced a loan under Agreement No. 6649 with outstanding balance as at 31 December 2019 of 59,232,000 thousand tenge (9,600,000 thousand Russian roubles) until 14 May 2025 under credit line under Agreement No. 6773 previously concluded with Sberbank PJSC. In addition, on 27 February 2020, KZS LLP entered into a Bank Loan Agreement (Overdraft) with SB Sberbank of Russia JSC for a revolving credit line of 1,000,000 thousand tenge. The Overdraft was provided to replenish the working capital (Note 31).

The Group is the dominant in the market for the generation, transportation and sale of electricity, thermal power and chemically purified water in the largest regions of the country. When assessing the going concern, management considered the financial position of the Group, expected future financial results, loans, available loans, expected tariffs, as well as other factors that have an impact on the ability to meet obligations to creditors. Management of the Group assessed its cash requirements, including borrowing obligations and its development plans. After a relevant analysis, management concluded that the Group has sufficient resources to continue operations and repay its liabilities, and that it is appropriate to apply the going concern principle when preparing these consolidated financial statements.

Management of the Group analysed the financial consequences of COVID-19 on the activities of the Group and expects a slight decrease in revenue due to a temporary suspension or decrease in the volume of activities of a number of industrial enterprises. However, management believes that the impact will not be significant and will not affect the Group's ability to continue as a going concern.

As a result of the foregoing, management belives that the Group will continue as a going concern.

These consolidated financial statements do not contain any adjustments that might have been required if the Group could not adhere to the going concern principle.

Basis of preparation

These consolidated financial statements of the Group have been prepared on the historical cost basis, except for the financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value evaluation in its entirety, which are described as follows:

- level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 – inputs are unobservable inputs for the asset or liability.

The Group and its subsidiaries, registered in the Republic of Kazakhstan, maintain their accounting records in accordance with IFRS, foreign subsidiaries maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the statutory accounting records of the Company and its subsidiaries and have been adjusted to conform to IFRS.

Functional and presentational currencies

These consolidated financial statements are presented in Kazakhstan Tenge (hereinafter "tenge"). Tenge is the functional currency of the Company and its subsidiaries in Republic of Kazakhstan and presentation currency of the consolidated financial statements. All amounts presented in Tenge are rounded to the (nearest) thousands.

Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

(in thousands of Tenge, unless otherwise stated)

Exchange rates for the currencies in which the Group had material transactions are as follows:

	31 December 2019	31 December 2018
Average exchange rates at the end of the year (in tenge)		
1 US dollar	381.18	384.20
1 Russian rouble	6.17	5.52
1 Euro	426.85	439.37

Average exchange rates during the year (in tenge)	**2019**	**2018**
1 US dollar	382,87	344.90
1 Russian rouble	5.92	5.50
1 Euro	428.63	406.77

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of consolidated financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the share of the Company’s holding of voting rights relative to the share and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in owner's equity of the Company.

Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the Company.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent owner's equity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis

is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRSs.
When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Non-current assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (disposal groups) classified as held for sale are measured at the lower of a) their previous carrying amount, and b) fair value less costs to sell.

Revenue recognition

The Group recognizes revenue when (or as) the obligation to perform is fulfilled by transferring the promised product or service (i.e., asset) to the customer. Revenues are measured at the transaction price or part thereof equal to the amount of compensation the right to which the Group expects to receive in exchange for transferring the promised assets to the buyer, excluding amounts received from third parties (for example, net of recoverable taxes).

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business, less value added tax ("VAT").

The Group generates revenue from the generation, transmission and distribution of electric and thermal power, supply of electric and thermal power, and production of chemically purified water. Revenue is recognised over time (settlement month) and is measured using output method (the transaction price for electricity, thermal power and chemically purified water volumes realized). The basis of measurement of revenue from regulated services are tariffs approved by the Committee.

Revenue from other services is measured over time using output method.

Deferred income

In accordance with the decision of the Government of the Republic of Kazakhstan No.1044 dated 8 October 2004, a subsidiary Mangistau Regional Electricity Network Company JSC, over which the Group acquired control in 2018, received funds in prior periods from customers on the construction of infrastructure for connection to the electricity transmission network or reconstruction of the current infrastructure. Such funds are interest-free and repayable within twenty-five years. Funds received from customers were initially recognized at their fair value, and subsequently funds are stated at amortized cost. The difference between the funds received and its fair value is recognized as deferred income. Deferred income is recognized in the statement of profit or loss and other comprehensive income during the useful life of property, plant and equipment.

Loans

Interest bearing bank loans and overdrafts are carried at the proceeds received, net of direct issue costs. Borrowing costs are accounted for on an accrual basis and recognised in the consolidated financial statements unless the financing is related to a qualifying asset. In the given case the corresponding amount is capitalized in the cost of the qualified asset acquired.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Remuneration to employees

Remuneration to employees including compensation for unused vacation and bonuses and corresponding payments to non-budgetary funds in respect of employment in the current period, is recognised as an expense for the period when it is earned.

Income tax

Income tax expenses represent the sum of the amount of current and deferred tax payable.

Current income tax

Current income tax is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. When an item of property, plant and equipment includes components with different useful lives, they are accounted for as separate items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected to flow to the company from its use or disposal. Any income or expense arising after the derecognition of an asset (determined as the difference between the net profit on disposal and the carrying amount of the asset) is included in profit or loss in the period in which the asset was derecognised.

Costs incurred to replace the component of an item of property, plant and equipment accounted for separately are capitalized at the present value of depreciable component. Other subsequent expenditures are capitalised only when they increase the future economic benefits from the use of the asset. All other costs are recognised in profit or loss as an expense when incurred.

Depreciation is accrued and recognised in profit or loss on a straight-line basis over the expected useful life of certain assets. Depreciation is charged from the date of acquisition of the asset, or in respect of self-constructed, from the completion of construction and beginning operation of the asset. Depreciation is accrued on the following average estimated periods of useful life of assets:

	Years
Buildings and constructions	2-83
Machinery and equipment	3-75
Vehicles	3-47
Others	3-66

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that property, plant and equipment have suffered an impairment loss. If any such indication exists, the entity shall estimate the recoverable amount of the asset (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as expenses, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revised amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion, marketing, selling and delivery.

Financial instruments

Financial assets and financial liabilities are recognised when the entity of the Group becomes a party to the contractual relationship of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All transactions for the purchase or sale of financial assets on standard terms are recognized and ceased to be recognized at the date of the transaction. Standard purchase or sale transactions represent the purchase or sale of financial assets that require the delivery of assets within the time limit established by the rules or agreements adopted in the relevant market.

All recognized financial assets are subsequently fully valued either at amortized or fair value, depending on the classification of financial assets.

Classification of financial assets

Debt instruments that meet the following conditions should be subsequently measured at amortized cost:

- the financial asset is held within the business model, the purpose of which is to withhold financial assets in order to obtain the contractual cash flows, and
- the contractual terms of the financial asset result in the receipt of cash flows on specified dates, which are solely payments on the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt.

Debt instruments that comply with the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held in the framework of a business model, the goal of which is achieved both by obtaining contractual cash flows and by selling financial assets; and
- the contractual terms of a financial asset result in the receipt of cash flows on specified dates, which are exclusively payments on the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt.

By default, all other financial assets are measured at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method for calculating the amortized cost of a debt instrument and the distribution of interest income over the relevant period.

For financial assets other than acquired or created impaired financial assets (i.e. assets that are impaired upon initial recognition), the effective interest rate is the discount rate of expected future cash receipts (including all payments received or made on a debt instrument which are an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses for the expected period to maturity of debt instrument or (if applicable) for a shorter period to the book value at the time of initial recognition of the debt instrument. For acquired or created credit and impaired financial assets, the effective interest rate adjusted for credit risk is calculated by discounting expected future cash flows, including expected credit losses, to the amortized cost of a debt instrument at the time of its initial recognition.

The amortized cost of a financial instrument is the amount in which a financial asset is estimated at initial recognition, minus payments on the principal amount of the debt, plus the amount of accumulated depreciation calculated using the effective interest method - the difference between the initial amount and the amount to be paid upon occurrence maturity adjusted for the estimated loss allowance. The gross book value of a financial asset is the amortized cost of a financial asset prior to adjustment, taking into account any provisions for possible losses).

Impairment of financial assets

The Group's portfolio of financial instruments comprises 5 types of financial assets for which IFRS 9 requires creation of an allowance for expected credit losses:

- loans issued;
- trade accounts receivable from the main activity;
- other current assets; and
- funds in credit institutions.

Trade accounts receivable

The Group applies a simplified approach to trade receivables, which is based on the credit losses expected over the life of the financial instrument. In this case, the default is determined based on the days of delay.

Loans issued

The probability of default on loans issued is calculated on the basis of external ratings; in the absence of an external rating, an internal rating is used. The default on loans issued is determined if the delay is more than 210 days, or due to the inability to fulfill obligations as a result of financial difficulties of the counterparty.

Other current assets

For other current assets, the Group recognizes expected credit losses over the entire term in the event that there is a significant increase in credit risk since the initial recognition. However, if as at the reporting date there is no significant increase in the credit risk of a financial instrument since the initial recognition, the Group should estimate the provision for losses on this financial instrument in an amount equal to the 12-month expected credit losses.

Funds in credit institutions

At each reporting date, the Group distributes financial instruments at a stage in the manner described below. IFRS 9 aims to ensure that an organization uses a multi-factor and holistic approach to credit risk analysis, so that potential deterioration in credit risk can be detected at a relatively early stage.

Funds in credit institutions are represented by such assets as cash and cash equivalents, short-term and long-term financial investments, cash with restricted use. Financial assets in the form of funds in credit institutions meet the definition of default if the delay is more than 210 days, or due to the inability to fulfill obligations as a result of financial difficulties of the credit institution.

The probability of default of a credit institution is calculated based on external ratings.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Derecognition of financial assets

The Group derecognises financial assets only in the event of termination of contractual rights to cash flows on them or in the case of transfer of a financial asset and corresponding risks and benefits to another organization. If the Group does not transfer or retain all of the major risks and rewards of ownership of the asset and continues to control the transferred asset, then it continues to reflect its interest in the asset and the possible liabilities associated with it for the respective amounts. If the Group retains almost all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize this financial asset, and reflects the funds received from the transfer in the form of a secured loan.

When derecognising a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the amount received and receivable is recognized in profit or loss.

Financial liabilities

The Group's financial liabilities are represented by the category “other financial liabilities”, which are carried at amortized cost. Other financial liabilities of the Group include loans and debt securities issued, trade trade payables and other payables.

Trade payables and other payables

Trade payables and other payables are charged on the fact that the counterparty has fulfilled its contractual obligations. The Group initially accounts trade payables and other payables, excluding advances received, at fair value and subsequently at amortized cost using the effective interest method.

Loans and debt securities issued

Loans are initially recorded at fair value less transaction costs incurred. Loans are subsequently measured at amortized cost; any difference between the amount of funds received (less transaction costs) and cost to maturity is recognized in the statement of profit or loss and other comprehensive income during the loan period using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of this liability for at least twelve months after the date of the statement of financial position.

The effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Site restoration obligations

Site restoration obligations are recognized when their occurrence is highly probable and they can be reliably estimated.

Provisions for site restoration obligations do not include any additional obligations that are expected to arise in the event of future violations. Cost are estimated based on an abandonment and remediation plan. Estimated costs are calculated annually as they are used, taking into account known changes, for example, updated estimated amounts and revised terms of use, with official inspections conducted on a regular basis.

Despite the fact that the exact final amount of the required costs is unknown, the Company estimates its costs on the basis of a feasibility study and engineering studies in accordance with current technical rules and standards for remediation work and restoration methods.

The amount of the restoration or unwinding of discount used to determine the discounted value of the provision is recognized in performance results for each reporting period. The recovery of discount is recognized in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Management periodically reviews its estimates of site abandonment and restoration provisions. Changes to existing obligations to remove facilities from operation, rehabilitate the environment and similar obligations caused by changes to periods being measured or the value of resource outflows that embody economic benefits required to settle obligations, are added to or removed from the value of the corresponding capitalised asset in the current period. However, a capitalised asset may not be adjusted to a value of less than zero or to exceed the recoverable amount. If a provision decrease exceeds an asset's present value, the excess should be recognised immediately in profit or loss. A provision is estimated based on current year prices and the average long-term inflation rate and discounted when the effect of the "time value" of money is significant.

Liabilities for the recultivation of the ash dump

Liabilities for the recultivation of the ash dump on the occupied area are formed in relation to the estimated future costs on closure and restoration facilities, as well as environmental restoration, waste disposal and restoration of affected areas in the reporting period in which the corresponding environmental disturbance occurs. The provision is discounted, with the effect of discounting being expensed as incurred and recognized in profit or loss as finance costs. When a reserve is created, the corresponding asset is capitalized, if it results in future benefits, and is amortized over the useful life of the relevant assets. The reserve is reviewed annually for changes in terms of cost estimates, discount rates and operating dates.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated statement of financial position, but disclosed in the consolidated financial statements, unless an outflow of funds from their redemption is unlikely. A contingent asset is not recognized in the consolidated statement of financial position, but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Dividends

The Group recognizes an obligation to distribute cash to participants when the distribution is approved and no longer remains at the discretion of the Group. The corresponding amount is recognized directly in equity. Dividend information is disclosed if it was recommended prior to the date of the statement of financial position and recommended or announced after the date of the statement of financial position, but before the date of approval of the consolidated financial statements for issue.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Useful lives of property, plant and equipment

As expalined in Note 3, at each reporting date, the Group reviews the useful lives of its property, plant and equipment. The estimated useful life of an asset depends on such factors as economic utilization, repair and maintenance programs, technological improvement and other business conditions. Management's assessment of useful lives of property, plant and equipment reflects the relevant information available as at the date of these consolidated financial statements.

Evaluation of the business model

The classification and measurement of financial assets dependends on whether the contractual cash flows are solely payments on the principal amount of the debt and interes on the outstanding part, as well as on the objectives of the business model.

Significant increase in credit risk

As explained in Note 3, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Fair value of non-cash consideration

Fair value of acquired property, plant and equipment

In 2019, the Group, represented by subsidiary Mangistau Regional Electricity Network Company JSC, acquired property, plant and equipment from third party Mangistau Atomic Energy Plant - Kazatomprom LLP and paid for them partially in cash and non-cash consideration (Note 14). The fair value of acquired property, plant and equipment at the date of acquisition was measured by an independent appraiser and allocated to cash and non-cash consideration. The valuation approach was chosen using the replacement cost method (cost approach), supplemented by the income approach (discounted cash flows) for analyzing the income potential of assets and the economic impairment test. The independent appraiser made some assumptions during the evaluation. In particular, the weighted average cost of capital of 13.3% was applied in the valuation.

Lease payments under lease agreements

Upon transition of the Group to IFRS 16 Leases from 1 January 2019, the Group made judgments regarding which payments related to leases under which the Group acted as a lessee should be accounted for as lease payments in assessing the right to use leased objects and obligations for their lease (Note 3).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

At each reporting date, the Group reviews the useful lives of its property, plant and equipment. The estimated useful life of an asset depends on such factors as economic utilization, repair and maintenance programs, technological improvement and other business conditions. Management's assessment of useful lives of property, plant and equipment reflects the respective information available at the date of the consolidated financial statements.

Impairment of assets

Each Group entity is a separate cash-generating unit ("CGUs"), as it is the smallest group of assets that generates cash inflows largely independently of the cash flows generated by other assets of the Group, and the lowest level at which the Group performs control over the reimbursement of assets. Accordingly, each entity aseesses the existence of impairment indicators of the carrying value of tangible and intangible assets at each reporting date on its own. The determination of the presence of asset impairment indicators is based on a large number of factors such as: expected growth in the energy industry, change in tariffs, estimated cash flows, changes in the availability of financing in the future, technological obsolescence, termination of services, current replacement costs and other changes in conditions that indicate the existence of an impairment.

If such indicators exist, the recoverable amount of the assets is estimated and compared with the book value of the assets. If the carrying amount exceeds the recoverable amount of the assets, impairment is recognized. The recoverable amount is determined as the largest of two values: the fair value of the assets minus the cost of the sale and the value of use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate, which, in the opinion of management, reflects the current market estimate of the time value of money and the risks inherent in assets. A change in the estimated recoverable amount may result in impairment or its recovery in future periods.

According to the impairment test as at 31 December 2019, no impairment indicators were identified.

Calculation of the amount of impairment of receivables and other current assets

In estimating expected credit losses, the Group uses reasonable and supported forward-looking information based on assumptions about the future movement of various economic factors and how these factors will affect each other.

Loss on default is the assessment of losses arising from default of a financial instrument. The indicator is based on the difference between the cash flows provided for by the contract and the cash flows that the lender expects to receive, taking into account the cash flows from collateral and the inherent means of improving the credit quality of the instrument.

Deferred tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that there will be sufficient taxable income to use all or part of the deferred tax asset. The assessment is based on judgments about expected performance.

Taxation

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation can depend on the opinion of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent treatments between local, regional and national tax authorities are quite usual. The current regime of accrual of penalties and fines related to reported and discovered violations of Kazakhstani laws, decrees and related regulations are severe. At the same time, in the case of accrual of the additional taxes by tax authorities, existing fines and penalties are set in considerable amounts; 50% of penalty payment for additional accrued tax and 13.75% of penalty payment for late payment of tax. As a result, fines and penalties may exceed the amount of additional taxes.

The Group management believes that the Group has paid or accrued all taxes that are applicable. When practice concerning the allowance of taxes was unclear, the Group has accrued tax liabilities based on the management's reasonable estimates. The Group's policy assumes accrual of reserves in the accounting period in which a loss is deemed probable and the amount can be reasonably determined.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, fines and penalties may exceed the amount of accrued taxes to date and for the year ended 31 December 2019. It's almost impossible to determine the amount of unasserted claims that may arise, if any, occur, or the likelihood of any unfavorable outcome.

Evaluation of legal issues

The Group participates in various legal proceedings related to its business activities. The Group uses estimates of the likelihood of an adverse outcome being under consideration or potential claims and their impact on the financial position or the results of the financial and economic activities of the Group. Estimates are based on the probability of winning or losing the dispute and the amount of probable payouts. Differences between estimates and actual amounts paid, if any, arise in future reporting periods may have a significant effect on the Group's financial performance.

Site restoration obligations

In accordance with the Kazakhstan laws and regulations, the Group, through its subsidiary, Ust-Kamenogorsk TPP LLP, has legal obligations to restore the ash dump territory. The Group estimates that it will begin restoring the ash dump area in 2025, which will continue until 2027. The carrying amount of liabilities is the current value of estimated costs that are expected to be incurred, adjusted for expected inflation and discounted using estimated loan rates. Site restoration commitments are reviewed at each reporting date and adjusted to reflect management's best estimates. Most of these commitments relate to the distant future and changes in retrofit technology, costs and industry practices may affect the Group's estimates.

In December 2019, management revised its estimate of the outflow of resources required to pay off the obligation to abandon and restore the site. An increase in existing environmental restoration commitments totaling 339,615 thousand tenge was added to the value of the related asset (Notes 14). As at 31 December 2019 and 2018, the Group used the following assumptions to measure the fair value of the site restoration obligations: average long-term inflation rate of 4.55% (2018: 4.94%) and discount rate of 9.4% (2018: 12.91%).

(in thousands of Tenge, unless otherwise stated)

5. SEGMENT INFORMATION

Information provided to the management of the Group responsible for decision making in respect of operating activity, for the purpose to allocate resources and assess results by segment, deals with the types of services provided to produce, transmission, distribute and sell electricity. To generate the Group's reporting segments, none of its operating segments were combined, except for other products (chemically purified water) and services, which individually do not exceed quantity thresholds.

In particular, the Group's reporting segments are the following:

- the generation of thermal power and electricity;
- the transmission and distribution of electricity;
- the sale of heat and electricity;
- other.

The Group follows a number of profitability indices such as pre-tax profit, profit for the year and gross profit. Despite this, profit for the year is used to allocate resources and assess segment performance.

	2019					
Key operating indices	**Thermal power and electricity generation**	**Transmission and distribution of electricity**	**Thermal power and electricity sales**	**Others**	**Elimination**	**Total**
Revenue from sales to external customers	37,973,099	25,605,907	70,364,277	525,959	-	134,469,242
Intersegment revenue	18,601,294	20,944,290	25,085	505,149	(40,075,818)	-
Cost of sales, total	(44,546,699)	(26,143,512)	(66,416,037)	-	39,882,528	(97,223,720)
Gross profit	**12,027,694**	**20,406,685**	**3,973,325**	**1,031,108**	**(193,290)**	**37,245,522**
General and administrative expenses	(3,052,708)	(3,672,510)	(1,083,177)	(1,875,275)	562,915	(9,120,755)
Selling expenses	(10,483)	(1,077,762)	(1,854,114)	-	31,618	(2,910,741)
Finance costs	(1,656,665)	(541,841)	(144,406)	(7,442,065)	(27,032)	(9,812,009)
Finance income	(9,384)	268,093	39,613	5,426,849	27,032	5,752,203
Other income/(expense), net	487,091	183,971	253,301	12,863	(401,243)	535,983
Exchange gain/(loss), net	(207)	32,916	1,016	(6,718,752)	-	(6,685,027)
Profit before income tax expense	**7,785,338**	**15,599,552**	**1,185,558**	**(9,565,272)**	**-**	**15,005,176**
Income tax expense	(1,500,318)	(2,639,744)	(254,305)	-	-	(4,394,367)
Net profit/(loss) for the year	**6,285,020**	**12,959,808**	**931,253**	**(9,565,272)**	**-**	**10,610,809**
Other key segment information						
Capital expenditures for property, plant and equipment	6,117,098	23,171,318	58,762	34,306	-	29,381,484
Depreciation of property, plant and equipment	(6,690,652)	(6,190,233)	(92,203)	(21,929)	-	(12,995,017)

(in thousands of Tenge, unless otherwise stated)

	2018					
Key operating indices	**Thermal power and electricity generation**	**Transmission and distribution of electricity**	**Thermal power and electricity sales**	**Others**	**Elimination**	**Total**
Revenue from sales to external customers	33,048,906	24,404,638	70,921,232	264,232	-	128,639,008
Intersegment revenue	20,078,132	21,522,732	29,685	409,798	(42,040,347)	-
Cost of sales, total	(39,803,049)	(27,056,034)	(67,001,094)	-	41,931,547	(91,928,630)
Gross profit	**13,323,989**	**18,871,336**	**3,949,823**	**674,030**	**(108,800)**	**36,710,378**
General and administrative expenses	(2,653,489)	(3,211,939)	(1,694,141)	(1,418,557)	440,955	(8,537,171)
Selling expenses	(20)	(1,043,022)	(1,647,653)	-	25,794	(2,664,901)
Finance costs	(2,954,065)	(777,919)	(79,892)	(4,905,724)	85,917	(8,631,683)
Finance income	178,888	156,854	58,378	3,341,470	(47,874)	3,687,716
Other income/(expense), net	714,746	185,842	329,711	(157,617)	(395,992)	676,690
Exchange gain/(loss), net	120	(524,296)	220	(2,792,687)	-	(3,316,643)
Profit before income tax expense	**8,610,169**	**13,656,856**	**916,446**	**(5,259,085)**	**-**	**17,924,386**
Income tax expense	(1,400,780)	(2,723,775)	(200,281)	-	-	(4,324,836)
Net profit/(loss) for the year	**7,209,389**	**10,933,081**	**716,165**	**(5,259,085)**	**-**	**13,599,550**
Other key segment information						
Capital expenditures for property, plant and equipment	5,744,953	18,236,299	233,189	23,330	-	24,237,771
Depreciation of property, plant and equipment	6,419,226	5,720,840	108,184	26,999	-	12,275,249

6. REVENUE

	2019	**2018**
Sale of electricity	81,270,040	86,618,560
Transmission of electricity	25,610,488	24,404,638
Sale of thermal power	16,256,855	16,979,569
Income from electricity capacity maintenance	10,422,664	-
Sale of chemically purified water	370,516	362,463
Lease of buildings	43,648	37,749
Other	495,031	236,029
	134,469,242	**128,639,008**

The Group recognises revenue from contracts with its customers during the reporting period.

The Kazakhstan electricity market has been divided into two submarkets since 1 January 2019, which are the power market (actual purchase and sale of electricity at set tariffs) and the electric capacity market (purchase and sale of services to ensure electric capacity readiness). Kazakhstan Ministry of Energy Order No. 357 dated 7 September 2018 identifies the Financial Settlement Centre of Renewable Energy LLP ("FSC") as the single buyer responsible for centralised procurements to maintain the availability of electric capacity and for ensuring the availability of electric capacity in case of load.

For electricity producers this has led to a new form of revenue from maintaining electricity capacity for the Single Buyer, and for wholesale consumers – a new cost item, which is the cost of services purchased from the Single Buyer to ensure the availability of electric capacity in case of load.

(in thousands of Tenge, unless otherwise stated)

7. COST OF SALES

	2019	2018
Materials	40,228,607	40,596,421
Services of transmission of electricity, thermal power and chemically purified water	13,550,177	15,571,156
Depreciation and amortisation	12,771,727	11,950,568
Payroll and related taxes	9,959,826	9,347,806
Electricity availability services or ensuring the readiness of electricity load (Note 6)	4,778,103	-
Technical losses	4,195,823	5,687,271
Repairs	2,912,666	2,583,302
Electricity purchased from Accounting and Finance Centre	2,381,490	-
Water supply	2,003,719	2 037,513
Transportation	1,050,517	937,989
Electricity tariff control and regulation	943,091	541,599
Security	492,864	304,318
Taxes, other than income tax	426,145	395,921
Provision for unused vacations	95,356	109,658
Others	1,433,609	1,865,108
	97,223,720	**91,928,630**

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Payroll and related taxes	3,540,447	3,122,677
Taxes, other than income tax	2,352,133	2,187,734
Bank fees	484,868	293,375
Depreciation and amortization	419,456	280,507
Rental costs	374,772	421,812
Consulting services	370,399	520,730
Accrual of allowance for expected credit losses (Notes 16 and 18)	221,777	305,907
Fines and penalties	212,636	5,519
Provision for unused vacation	146,859	118,671
Materials	140,043	69,936
Security	106,886	89,118
Transportation costs	87,399	112,050
Business trip expenses	64,093	51,799
Communication services	44,866	46,556
Charity	43,837	110,023
Accrual of allowance for advances paid	22,426	-
Others	487,858	800,757
	9,120,755	**8,537,171**

9. SELLING EXPENSES

	2019	2018
Payroll and related taxes	1,916,046	1,998,876
Billing system maintenance	491,675	168,158
Rental costs	116,862	110,598
Bank fees	107,405	144,976
Materials	66,247	25,562
Taxes, other than income tax	63,960	91
Others	148,546	216,640
	2,910,741	**2,664,901**

(in thousands of Tenge, unless otherwise stated)

10. FINANCE COSTS

	2019	2018
Interest on bank overdrafts and loans	10,894,831	9,175,017
Interest on debt securities	128,511	128,566
	11,023,342	**9,303,583**
Unwinding of discount	186,708	123,213
Other finance costs	159,767	618,972
	11,369,817	**10,045,768**
Less capitalised costs (Note 22)	(1,557,808)	(1,414,085)
	9,812,009	**8,631,683**

11. FINANCE INCOME

	2019	2018
Interest income:		
Financial assets measured at amortised cost	5,442,384	3,224,923
Others	309,819	462,793
	5,752,203	**3,687,716**

Interest income for the year ended 31 December 2019 includes interest income of 5,402,520 thousand tenge on a loan issued to related party Ushkuyu JSC (2018: 3,224,923 thousand tenge) and 39,864 thousand tenge on a loan issued to related party Dragon Fortune PTE. LTD (Note 28).

12. SUBSIDIARIES

The Group's structure includes the Company and the following subsidiaries:

Name	Type of activities	Place of incorporation and operation	Ownership interest/ voting power held by the Group 31 December 2019	31 December 2018
Karaganda Energocentre LLP	Generation of thermal power, electricity and chemically purified water in the Karaganda region	Republic of Kazakhstan	100%	100%
Karagandy Zharyk LLP	Electricity transmission and distribution in the Karaganda region	Republic of Kazakhstan	100%	100%
Ontustik Zharyk Transit LLP	Electricity transmission and distribution in the South-Kazakhstan region	Republic of Kazakhstan	100%	100%
Karagandy ZhyluSbyt LLP	Thermal power and electricity supply in the Karaganda region	Republic of Kazakhstan	100%	100%
Raschetny Servisny Tsentr LLP	Electricity supply in the Karaganda region	Republic of Kazakhstan	100%	100%
Ontustik Zharyk LLP	Electricity supply in the South-Kazakhstan region	Republic of Kazakhstan	100%	100%
Energopotok LLP	Electricity supply in the South-Kazakhstan region	Republic of Kazakhstan	100%	100%
Energy Center LLP	Generation of thermal power, electricity in the Karaganda region	Republic of Kazakhstan	100%	100%
Windfarm Zhuzimdyk LLP	Electricity generation in the South-Kazakhstan region	Republic of Kazakhstan	100%	100%
Ust-Kamenogorsk CHP LLP	Generation of thermal power and electricity in the East-Kazakhstan region	Republic of Kazakhstan	100%	100%
Shygys Energy LLP	Generation entities management	Republic of Kazakhstan	100%	100%
Heat & Power Holding B.V.	Generation entities management	Netherlands	100%	100%
Mangistau Regional Electricity Network Company JSC	Electricity transmission and distribution in the Mangistau region	Republic of Kazakhstan	52.63%	52.63%

(in thousands of Tenge, unless otherwise stated)

Information about the composition of the Group at the end of the reporting date is as follows:

Principal activity	Number of wholly-owned subsidiaries 31 December 2019	Number of wholly-owned subsidiaries 31 December 2018
Thermal power and electricity generation	4	4
Electricity transmission and distribution	2	2
Sale of heat and electricity	4	4
Other	2	2
	12	**12**

Mangistau Regional Electricity Network Company JSC is partly owned by the Group.

Non-wholly owned subsidiary that have material non-controlling interests

Year	Name of a subsidiary	Place of incorporation and principal place of activity	Proportion of ownership interest and voting rights held by non-controlling interests	Profit attributable to non-controlling interests	Carrying value of the non-controlling interests
31 December 2019	MRENC	Republic of Kazakhstan	47.37%	2,244,226	13,191,410
31 December 2018	MRENC	Republic of Kazakhstan	47.37%	868,365	10,947,184

Detailed movement of non-controlling interests is provided in Note 21.

Summariesed financial information on the Group's subsidiary with material non-controlling interests is presented below.

	31 December 2019	31 December 2018
Current assets	2,383,678	3,166,371
Non-current assets	54,527,725	45,694,610
Current liabilities	(4,913,055)	(1,933,696)
Non-current liabilities	(24,150,744)	(23,717,335)
Shareholder equity	14,656,194	12,262,766
Non-controlling interests	13,191,410	10,947,184
	2019	**2018**
Revenue	14,491,647	11,899,944
Expenses	(9,753,995)	(10,066,790)
Profit and total comprehensive income for the year	**4,737,652**	**1,833,154**
Profit and total comprehensive income attributable to company owners	2,493,426	964,789
Profit and total comprehensive income attributable to non-controlling interests	2,244,226	868,365
Profit and total comprehensive income for the year	**4,737,652**	**1,833,154**
Net cash inflow from operating activities	5,327,544	4,722,389
Net cash outflow from investing activities	(8,357,357)	(6,783,093)
Net cash inflow from financing activities	1,815,133	3,955,386
Net cash (outflow)/inflow	**(1,214,680)**	**1,894,682**

(in thousands of Tenge, unless otherwise stated)

13. TAXATION

	2019	2018
Current income tax expenses	3,495,906	2,517,361
Deferred income tax expenses	902,317	1,798,735
Prior years income tax adjustment	(3,856)	8,740
	4,394,367	**4,324,836**

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities recorded for financial reporting and tax accounting purposes. Deferred tax assets and liabilities are calculated at the rates expected to apply during the period of recovery of assets or repayment of obligations.

Below is a reconciliation of income tax at 20% to the actual income tax expense recorded in the consolidated statement of comprehensive income:

	2019	2018
Profit before income tax expense	15,005,176	17,924,386
Statutory tax rate	20%	20%
Theoretical income tax expense at statutory rate	3,001,035	3,584,877
Unused tax losses not recognised as deferred tax assets	1,653,336	784,502
Prior years income tax adjustment	(3,856)	8,740
Other permanent differences	(256,148)	(53,283)
Income tax expenses	**4,394,367**	**4,324,836**

Below is the analysis of deferred tax assets and liabilities in the consolidated statement of financial position:

	31 December 2019	31 December 2018
Deferred tax assets	167,068	101,879
Deferred tax liabilities	(31,328,779)	(30,361,273)
	(31,161,711)	**(30,259,394)**

As at 31 December 2019, total tax effect of unrecognised tax losses was 2,825,086 thousand tenge (31 December 2018: 1,171,750 thousand tenge).

Movement in deferred tax assets and liabilities was as follows:

	31 January 2018	Recognised in profit or loss	31 December 2019
Deferred tax assets:			
Tax losses carried forward	4,894	-	4,894
Interest payable	44,920	6,388	51,308
Liabilities on restoration of ash disposal area	146,520	34,025	180,545
Allowance for doubtful debts	497,177	101,256	598,433
Provision for unused vacations	98,348	17,226	115,574
Provision for slow-moving and obsolete inventories	8,141	-	8,141
Taxes	39,741	(17,639)	22,102
Deferred income	246,762	202,450	449,212
Others	59,755	(136,117)	(76,362)
	1,146,258	**207,589**	**1,353,847**
Deferred tax liabilities:			
Property, plant and equipment	(31,258,892)	(1,097,837)	(32,356,729)
Accrued expenses	(146,760)	(12,069)	(158,829)
	(31,405,652)	**(1,109,906)**	**(32,515,558)**
Total net deferred tax liabilities	**(30,259,394)**	**(902,317)**	**(31,161,711)**

(in thousands of Tenge, unless otherwise stated)

	31 December 2017	Recognised in profit or loss	Recognized immediately in equity	31 December 2018
Deferred tax assets:				
Tax losses carried forward	1,017,340	(1,012,446)	-	4,894
Interest payable	38,405	6,515	-	44,920
Liabilities on restoration of ash disposal area	22,281	124,239	-	146,520
Allowance for doubtful debts	68,405	39,131	389,641	497,177
Provision for unused vacations	105,772 (	(7,424)	-	98,348
Provision for slow-moving and obsolete inventories	8,141	-	-	8,141
Taxes	26,590	13,151	-	39,741
Deferred income	259,817	(13,055)	-	246,762
Others	125,626	(65,871)	-	59,755
	1,672,377	**(915,760)**	**389,641**	**1,146,258**
Deferred tax liabilities:				
Property, plant and equipment	(30,317,874)	(941,018)	-	(31,258,892)
Accrued expenses	(204,803)	58,043	-	(146,760)
	(30,522,677)	**(882,975)**	**-**	**(31,405,652)**
Total net deferred tax liabilities	**(28,850,300)**	**(1,798,735)**	**389,641**	**(30,259,394)**

(in thousands of Tenge, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At 1 January 2017	**3,034,492**	**50,917,029**	**185,916,885**	**3,321,865**	**847,537**	**7,258,321**	**251,296,129**
Additions	4,618	23,911	1,010,965	457,399	283,044	22,457,834	24,237,771
Disposals	(35,677)	(91,155)	(541,341)	(111,867)	(194,872)	(10,496)	(985,408)
Internal transfers	-	-	2,498,339	-	-	(2,498,339)	-
As at 31 December 2018	**3,003,433**	**50,849,785**	**188,884,848**	**3,667,397**	**935,709**	**27,207,320**	**274,548,492**
Additions	26,142	31,116	3,372,521	815,187	133,960	25,002,558	29,381,484
Disposals	(49,110)	(10,219)	(672,664)	(5,964)	(22,358)	(47,239)	(807,554)
Change in estimates (Note 4)	-	339,615	-	-	-	-	339,615
Transfer to intangible assets	-	-	-	-	-	(157,059)	(157,059)
Internal transfers	-	2,113,114	21,509,352	1,543	4,407	(23,628,416)	-
As at 31 December 2019	**2,980,465**	**53,323,411**	**213,094,057**	**4,478,163**	**1,051,718**	**28,377,164**	**303,304,978**
Accumulated depreciation and impairment							
As at 1 January 2018	-	(9,014,837)	(36,578,691)	(1,675,596)	(200,131)	(75,005)	(47,544,260)
Accrued for the year	-	(1,668,197)	(10,145,981)	(311,068)	(150,003)	-	(12,275,249)
Disposals	-	1,546	166,565	50,808	56,232	-	275,151
As at 31 December 2018	**-**	**(10,681,488)**	**(46,558,107)**	**(1,935,856)**	**(293,902)**	**(75,005)**	**(59,544,358)**
Accrued for the year	-	(2,365,056)	(10,146,265)	(353,874)	(129,822)	-	(12,995,017)
Disposals	-	7,348	477,390	4,821	21,285	-	510,844
Impairment	-	-	-	-	-	(185,285)	(185,285)
As at 31 December 2019	**-**	**(13,039,196)**	**(56,226,982)**	**(2,284,909)**	**(402,439)**	**(260,290)**	**(72,213,816)**
Net book value							
As at 31 December 2019	**2,980,465**	**40,284,215**	**156,867,075**	**2,193,254**	**649,279**	**28,116,874**	**231,091,162**
As at 31 December 2018	**3,003,433**	**40,168,297**	**142,326,741**	**1,731,541**	**641,807**	**27,132,315**	**215,004,134**

Acquisition of property, plant and equipment

Property, plant and equipment acquisitions in 2019 are represented by 8 substations purchased by JSC Mangistau Regional Electricity Network Company ("MREC") from a non-related party Mangistau Atomic Energy Plant – Kazatomprom LLP ("MAEP"). Contractually, partial payment for the property, plant and equipment of 474,278 thousand tenge was made in cash with a payment deferral that is a standard loan condition, and by paying for construction, assembly and commissioning work performed by a third party of 575,975 thousand tenge. Likewise, the contract obliges MREC not to use electricity transfer and distribution tariffs for certain customers until 31 March 2020.

At the date of acquisition of these property, plant and equipment, the Group measured their fair value in the amount of 2,981,000 thousand tenge and allocated it to cash and non-cash consideration under the agreement as follows:

- 474,278 thousand tenge was allocated for cash consideration, which corresponds to the amount of payment in cash under the agreement;
- the Group allocated 575,975 thousand tenge to the obligation for construction, installation and commissioning works, which corresponds to the amount that will be paid upon transfer of this obligation in an arm's length transaction between market participants. Since these services will be provided in 2020, the Group recognised their cost as current liabilities under a contract for the acquisition of property, plant and equipment as at 31 December 2019 (Note 24);
- the remaining part of the fair value of property, plant and equipment acquired in the amount of 1,931,000 thousand tenge was recognised as a liability under the contract for the electricity transportation at zero tariff for the period from 1 April 2019 to 31 March 2020. Subsequently, during 2019, the Group recognized revenue of 1,428,000 thousand tenge for the electricity transportation at zero tariff. The remainder of the contractual obligations will be recognized as revenue from the electricity transportation at zero tariff in 2020 (Note 25).

In 2019, the construction of Aktau-Karazhanbas power transmission line and the modernization of several substations in Aktau were completed. As a result of the work performed, facilities for the total amount of 9,534,097 thousand tenge were transferred to the structure of power transmission lines and equipment. In addition, the Group represented by OZhT LLP reconstructed and modernized high-voltage lines for 4,640,903 thousand tenge. Subsidiary KZh LLP completed the construction of 110/10 kV Tikhonovka substation for a total of 5,202,845 thousand tenge.

For the years ended 31 December 2019 and 2018, the Group capitalized finance costs of 1,557,808 thousand tenge and 1,414,085 thousand tenge respectively to property, plant and equipment (Note 10), respectively.

Construction in progress

As at 31 December 2019, the construction in progress of the Group was mainly represented by facilities such as modernization and reconstruction and the introduction of systems such as SCADA Uzen, the construction of a 110 kV transmission line at the UZEN substation to the PLATO substation in Aktau and a 110 kV overhead transmission line at CHPP-3-Karaganda in Karaganda region, construction of the 110/10 kV Tikhonovka substation in Karaganda region and 110/10-10kV Yassi substation in Turkestan and modernization and overhaul of ash dump No. 2 (Section 3) in Karaganda region.

As at 31 December 2018, the Group's construction in progress was mainly represented by items under construction as part of the program of existing capacity expansion, reconstruction and technical re-equipment of 10-0.4 kV electrical networks and reconstruction of 10/6/0.4 kV electrical distribution networks, construction of 220 kV transmission line at Aktau-Karazhanbas section and modernisation of 110 kV in Aktau.

(in thousands of Tenge, unless otherwise stated)

Fully depreciated property, plant and equipment

As at 31 December 2019 and 2018, the cost of fully depreciated property, plant and equipment of the Group amounted to 4,755,829 thousand tenge and 4,616,465 thousand tenge, respectively.

Pledged property, plant and equipment

As at 31 December 2019 and 2018, the property, plant and equipment of the Group with net book value of 96,904,651 thousand tenge and 99,631,106 thousand tenge, respectively, were pledged as collateral on loans received from Sberbank Russia JSC, EBRD, Sberbank of Russia SB JSC, Jýsan Bank JSC and Development Bank of Kazakhstan JSC (Note 22).

15. ADVANCES PAID

Long-term advances paid are presented as follows:

	31 December 2019	31 December 2018
Advances for capital repairs of property, plant and equipment	1,275,695	1,200,990
Advances for non-current assets	851,811	704,708
	2,127,506	**1,905,698**

As at 31 December 2019, long-term advances paid are mainly represented by advances to suppliers and contractors for the construction of substations, modernization and reconstruction of the high-voltage lines.

Current advances paid are presented as follows:

	31 December 2019	31 December 2018
Advances for the delivery of materials and other assets	136,939	444,784
Advances for works and services	316,034	658,332
	452,973	**1,103,116**

16. TRADE ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Trade accounts receivable	14,061,493	11,494,890
Less allowance for expected credit losses	(1,864,147)	(1,412,258)
	12,197,346	**10,082,632**

31 December 2019	Total	Not overdue	Overdue: up to 120 days	Overdue: from 120 to 210 days	Overdue: more than 210 days
Gross carrying amount	14,061,493	67,466	12,974,022	245,022	774,983
Expected credit losses (%)	-	-	0.001%-22.34%	0.04%-83.65%	100%
Allowance for expected credit losses	(1,864,147)	-	(986,668)	(102,496)	(774,983)
Carrying amount	12,197,346	67,466	11,987,354	142,526	-

(in thousands of Tenge, unless otherwise stated)

			Overdue		
31 December 2018	**Total**	**Not overdue**	**up to 120 days**	**from 120 to 210 days**	**more than 210 days**
Gross carrying amount	11,494,890	210,186	9,931,524	487,821	865,359
Expected credit losses (%)	-	0%	0.001%-5.35%	0.09%-44.84%	100%
Allowance for expected credit losses	(1,412,258)	-	(426,973)	(119,926)	(865,359)
Carrying amount	10,082,632	210,186	9,504,551	367,895	-

Movement in the allowance for expected credit losses is presented as follows:

	2019	**2018**
Allowance for expected credit losses under IFRS 9 at the beginning of the year	(1,412,258)	(1,142,073)
Accrued for the year (Note 8)	(1,895,601)	(1,093,327)
Written off for the year	31,454	-
Recovered for the year (Note 8)	1,412,258	823,142
Allowance for expected credit losses	**(1,864,147)**	**(1,412,258)**

The Group reflects the allowance for expected credit losses of 100% of all trade accounts receivable for a period of more than 210 days, since past experience shows that receivables that have not been paid during this period are usually not repaid. For trade accounts receivable from 0 to 120 days, allowance for expected credit losses are reflected based on estimates based on past experience and analysis of the current financial position of the counterparty.

As at 31 December 2019 and 2018, trade accounts receivable were denominated in tenge.

17. INVENTORIES

	31 December 2019	**31 December 2018**
Raw materials	1,775,238	1,673,569
Fuel	1,672,158	1,629,753
Spare parts	611,323	843,313
Goods for resale	4,905	4,141
Other	118,784	90,010
Less: Provision for slow-moving and obsolete inventories	(80,960)	(46,554)
	4,101,448	**4,194,232**

18. OTHER CURRENT ASSETS

	31 December 2019	**31 December 2018**
Receivables from the sale of property, plant and equipment	899,017	1,312,046
Other taxes recoverable	892,107	558,236
Short-term loans issued	319,894	71,000
Prepaid expenses	38,198	123,310
Other current assets	765,131	1,068,531
Less allowance for expected credit losses	(975,443)	(1,237,009)
	1,938,904	**1,896,114**

(in thousands of Tenge, unless otherwise stated)

Movement in the allowance for expected credit losses is presented as follows:

	2019	2018
Provision for expected credit losses under IFRS 9 at the beginning of the year	(1,237,009)	(1,201,287)
Accrued per year (Note 8)	-	(75,000)
Recovered for the year (Note 8)	261,566	39,278
Allowance for expected credit losses	**(975,443)**	**(1,237,009)**

As at 31 December 2019, other current assets mainly included restricted cash of 121,946 thousand tenge (31 December 2018: zero) and payables on claims of 132,709 thousand tenge (31 December 2018: 277,758 thousand tenge). The rest of other current assets were mainly represented by other receivables (31 December 2018: 615,956 thousand tenge).

As at 31 December 2019 and 2018, financial assets within other current assets were denominated in tenge.

19. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on savings accounts in tenge	3,311,861	4,117,977
Cash in bank accounts in tenge	714,553	950,648
Cash in transit, in tenge	321,256	387,207
Cash on hand, in tenge	59,941	69,750
Less: allowance for expected credit losses	(44,441)	(66,978)
	4,363,170	**5,458,604**

As at 31 December 2019, cash on saving accounts was mainly represented by deposits in Sberbank of Russia SB JSC and ATF Bank JSC. These deposits are denominated in tenge and placed with an initial maturity of up to 12 months and an annual interest rate of 8.00-8.25% and 12%, respectively (31 December 2018: deposits in the Sberbank of Russia SB JSC and Tsesnabank JSC with interest rate 5.85% and 11%, respectively). Withdrawal of cash from deposits is possible at any time, without loss of interest amount, except for minimum deposit balance of 20,000 thousand tenge.

20. EQUITY

Charter capital

Kazakhstan Utility Systems LLP was incorporated on 3 November 2008. In 2015, the main participant of the Company made contributions to the charter capital of the Company of 6,834,100 thousand tenge, thus, the Charter capital was increased to 11,636,404 thousand tenge. As at 31 December 2019 and 2018, the charter capital of the Company amounted to 11,636,404 thousand tenge.

As at 31 December 2019 and 2018, the interests of each participant in the charter capital of the Group represented as follows:

	31 December 2019		31 December 2018	
Participant	**Amount, in thousands of tenge**	**Share capital**	**Amount, in thousands of tenge**	**Share capital**
M. K. Idrissova	11,636,403	99%	11,636,403	99%
Zh. M. Ismailova	1	1%	1	1%
	11,636,404	**100%**	**11,636,404**	**100%**

During 2019 and 2018, no dividends for 2018 and 2017 were declared or paid.

In 2019, Mangistau Regional Electricity Network Company JSC subsidiary paid dividends on preferred shares of 6,700 thousand tenge (2018: 22,923 thousand tenge).

Additional paid-in capital

On 25 November 2008, the Company acquired 100% ownership interest in Karagandy Zharyk LLP from a related party, JSC Kazakhstan Utility Systems for 1,000 thousand tenge. The difference of 3,202,042 thousand tenge between the amount of acquisition and the net identifiable assets of Karagandy Zharyk LLP was recognized as participants' contribution to the charter capital of the Company and recorded as the additional paid-in capital.

On 9 March 2010, the Company signed a charter agreement with a related party, ScotBoard Management Ltd., sole member of Karaganda Energotsentr LLP, whereby the Company made a cash contribution to the charter capital of Karaganda Energotsentr LLP, and 99% ownership interest in Karaganda Energotsentr LLP was transferred to the Company. The value of net identifiable assets of Karaganda Energotsentr LLP of 4,652,604 thousand tenge was recognized as participants' contribution to the charter capital of the Company and recorded as the additional paid-in capital.

On 29 December 2011, the Company acquired 100% ownership interest in Energopotok LLP from a related party – Zh.M. Ismailova for 5,000 thousand tenge. The difference between the amount of acquisition and the net identifiable assets of Energopotok LLP of 256,032 thousand tenge was recognized as participants' contribution to the charter capital of the Company and recorded in the additional paid-in capital.

In addition, in 2008, 2009 and 2010, the major participant of the Company made contributions of 683,410 thousand tenge, 136,327 thousand tenge and 335,500 thousand tenge, respectively, to the charter capital of the Company, which were presented as additional paid-in capital at 31 December 2010 and up to the date of registration of changes to incorporation documents. In 2011, the Company registered previously made contributions to the charter capital in the amount of 335,500 thousand tenge.

Moreover, in 2008-2011, the Company received interest-free long-term financing from related parties, the fair value adjustment of which of 400,374 thousand tenge, net of adjustment related deferred tax of 91,693 thousand tenge, was recognised in additional paid-in capital.

(in thousands of Tenge, unless otherwise stated)

21. NON-CONTROLLING INTERESTS

	2019	2018
At the beginning of the year	10,947,184	11,514,800
Adjustment due to the application of IFRS 9	-	(14,918)
At the beginning of the year (restated)	10,947,184	11,499,882
Share of profit for the year	2,244,226	868,365
Adjustment resulting from a change in non-controlling interest	-	(1,421,063)
At the end of the year	**13,191,410**	**10,947,184**

22. LOANS AND DEBT SECURITIES

	Currency	Rate	31 December 2019	31 December 2018
Sberbank of Russia JSC	Russian rouble	10.75%-11.50%	66,961,527	54,381,928
Sberbank of Russia SB JSC	Tenge	9.00%-13.75%	8,490,005	16,002,006
Development Bank of Kazakhstan JSC	Tenge	7%	10,641,128	14,510,629
European Bank for Reconstruction and Development	Tenge	7.25% (floating)	10,707,322	9,000,000
Bonds issued	Tenge	8%-15%	4,381,850	4,284,070
Bonds issued	Indexed to US dollar	8%	3,026,989	2,966,572
European Bank for Reconstruction and Development	US dollar	1.7%	2,020,254	2,036,260
Bank CenterCredit JSC	Tenge	13.7%	663,830	1,291,622
Jysan JSC	Tenge	11%	750,000	550,000
Other loans	Tenge		442,260	547,916
Accrued Interest			1,682,239	1,406,682
			109,767,404	**106,977,685**
Non-depreciated part of a one-time payment for loan processing			(308,240)	(507,405)
			109,459,164	**106,470,280**
Less current portion of loans payable within a year			(71,877,493)	(14,055,724)
Non-current portion of loans and debt securities			**37,581,671**	**92,414,556**

Loans and debt securities mature as follows:

	31 December 2019	31 December 2018
On demand or within one year	71,877,493	14,055,724
One to two years	9,318,782	63,180,295
Two to three years	3,485,489	9,203,430
Three to five years, inclusive	16,327,511	9,904,851
After 5 years	8,758,129	10,633,385
	109,767,404	**106,977,685**

Sberbank of Russia JSC

In May 2018, the parent company entered into agreements on the receipt by the Group, represented by the parent company, of financing in the form of 3 non-revolving credit lines at Sberbank of Russia JSC:

- in the amount of not more than 12,962,500 thousand Russian roubles, with an interest rate of 10.75% per annum, up to 24 months (Contract 1), in order to provide a loan to Ansagan Petroleum JSC, a related party (Note 28), for further refinancing of a previously borrowed loan in Halyk Savings Bank of Kazakhstan JSC;
- in the amount of not more than 12,962,500 thousand Russian roubles, with an interest rate of 11.5% per annum, up to 84 months (Contract 2), in order to refinance the above-mentioned credit line under the Contract 1. The period of availability under this Contract 2 is before 14 June 2020;
- in the amount of not more than 1,320,000 thousand Russian roubles, with an interest rate of 10.75% per annum, for a period of up to 60 months (Contract 3), in order to provide loans to subsidiaries to finance investment costs.

The Group refinanced the loan under agreement No. 6649 (Contract 1) with the outstanding balance as at 31 December 2019 of 59,232,000 thousand tenge (9,600,000 thousand Russian roubles) with maturity date on 14 May 2025 under credit line under agreement No. 6773 (Contract 2) previously concluded with PJSC Sberbank (Note 31).

51% of share in the charter capital of the parent company owned by M.K. Idrisova, and 1% share held by Zh.M. Ismailova, as well as 100% share in Karaganda Energocenter LLP, Ontustik Zharyk Transit LLP and Karagandy Zharyk LLP were declared as pledge under these contracts. Also, guarantees of individuals were provided.

On 20 November 2019, the Company received part of the funds under Contract 2 of 1,000,961 thousand Russian Roubles.

Sberbank of Russia SB JSC

On 10 March 2017, the Group, represented by the parent company, received a loan from Sberbank of Russia SB JSC of 6,638,820 thousand tenge to acquire 100% of the shares of Heat & Power Holding B.V. (former name - Middelzee Holding BV), under a purchase contract dated 13 January 2017 between the parent company and Arnika Beteiligungsverwaltungs GmbH, with the fixed interest rate of 12.5%, the quarterly payment of principal and interest on the tranche began on 17 July 2017 up to 10 March 2024. As at 31 December 2019, the principal debt amounted to 4,425,880 thousand tenge (31 December 2018: 5,409,409 thousand tenge). This loan is secured by 70% of the Company's shares in Shygys Energy LLP and Heat & Power Holding B.V. and property, plant and equipment of Karagandy Zharyk LLP with net book value of 17,414,020 thousand tenge (31 December 2018: 17,527,850 thousand tenge) (Note 14). In addition, guarantees were issued by individuals.

On 26 June 2018, Ust-Kamenogorsk CHP LLP subsidiary entered into an agreement with Sberbank of Russia SB JSC on opening a credit line with an interest rate of 12.5% per annum with a maturity period of up to 2021. Within this credit line, the subsidiary received 7,711,485 thousand tenge in order to refinance loans from Halyk Savings Bank of Kazakhstan JSC and Altyn Bank JSC. In 2019, the subsidiary repaid the principal debt of 2,804,176 thousand tenge. As at 31 December 2019, the outstanding balance of the principal debt was 3,829,915 thousand tenge (31 December 2018: 6,634,092 thousand tenge). The collateral for this loan are property, plant and equipment in the form of movable and immovable property with a residual value of 16,402,807 thousand tenge (31 December 2018: 16,637,240 thousand tenge).

On 29 June 2015, a subsidiary represented by Karagandy Zharyk LLP signed a bank loan agreement No. 15-09004-05-KL with SB JSC Sberbank of Russia for 1,500,000 thousand tenge with a fixed interest rate of 13.75% per annum, for financing reconstruction, technical re-equipment and modernization of property, plant and equipment under the Investment Programme for 2011-2015. The purpose of the loan is corporate lending. All facilities under the investment programme were put into operation in previous years. During the reporting period, Karagandy Zharyk LLP did not receive new loans and paid off the principal debt totaling of 805,751 thousand tenge (31 December 2018: 1,922,760 thousand tenge).

Development Bank of Kazakhstan JSC

On 19 June 2012, the Group, represented by a subsidiary Karaganda Energocentre LLP, opened a credit line in JSC Development Bank of Kazakhstan totaling 200,000 thousand USD to finance its investment project for the construction of a power-generating unit. The credit line consists of cash financing of 135,000 thousand US dollars to cover a letter of credit for the purposes of payment under the power-generating unit construction contract with China Machinery Engineering Corporation. The loan is provided for 10 years until 2022. Financing under this credit line is provided in tenge. Interest rate under the loan is established at 7% per annum.

On 21 February 2018, the Group, represented by Karaganda Energocentre LLP, entered into additional agreements of property pledge agreements with Development Bank of Kazakhstan JSC. According to additional agreements, property pledge agreements of Karaganda Energocentre LLP, concluded in order to secure the Group's obligations to Development Bank of Kazakhstan JSC under the credit line dated 19 June 2012, extends to securing the obligations of YDD Corporation LLP to Development Bank of Kazakhstan JSC under the agreement on opening a credit line concluded on 16 February 2018 in the amount of 24,120,000 thousand tenge (Note 30).

As at 31 December 2019, the loan from Development Bank of Kazakhstan JSC is secured by property, plant and equipment with the carrying amount of 59,130,602 thousand tenge (31 December 2018: 61,505,475 thousand tenge)

D.A. Idrisov and M.K. Idrisova are the guarantors of loans received from Development Bank of Kazakhstan JSC and Sberbank of Russia SB JSC. Also Development Bank of Kazakhstan JSC is the guarantor under the loan agreement between the Sberbank of Russia SB JSC and Karaganda Energocenter LLP.

European Bank for Reconstruction Development

On 16 March 2018, the Group, represented by MRENC JSC, entered into a loan agreement with European Bank for Reconstruction and Development JSC (hereinafter referred to as "EBRD") to provide financing in the amount of 12,300,000 thousand tenge from the bank's usual resources and 5,300,000 US dollars from the special Green Climate Fund ("GCF") administered by the EBRD. The GCF was established at the Conference of the Parties to the UN Framework Convention on Climate Change in 2010. Its goal is to assist in reducing greenhouse gas emissions in developing countries, as well as assist in the process of adaptation of vulnerable communities to the inevitable consequences of climate change.

As part of this loan agreement, during 2018, the subsidiary received several tranches in the amount of 9,000,000 thousand tenge from the usual EBRD resources and 5,300,000 US dollars from the funds of the GCF for a period of ten years, with the beginning of the repayment of the principal debt after two years from the date of receipt of funds. In 2019, the Group received the fourth tranche of 2,000,000 thousand tenge from EBRD resources. Loan funds from GCF were provided only to finance the modernization and strengthening of the electrical grid and the expansion of the integration of renewable energy sources into the electrical grid.

(in thousands of Tenge, unless otherwise stated)

The payment of interest for loans is quarterly. The interest rate for a loan received in US dollars from GCF funds is 1.7% per annum. The interest rate for a loan received in tenge is calculated as follows: loan margin 3.5% per annum plus 1% EBRD commission plus inflation rate. The inflation rate is calculated using official published data of the National Bank of the Republic of Kazakhstan. For 2019, the effective interest rate on the loan in tenge was 7.25% (2018: 8.44%). The received funds from EBRD resources were used to repay the remaining loan amount from Bank CenterCredit JSC in the amount of 5,029,057 thousand tenge, and also to repurchase ninth-issue short-term commercial bonds in the amount of 1,500,000 thousand tenge. The Group used the remaining funds for the implementation of the investment programme. Interest accrued for 2019 of 900,109 thousand tenge (2018: 379,671 thousand tenge) was fully capitalized into property, plant and equipment.

Bank CenterCredit JSC

On 1 February 2017, the Group, represented by subsidiary LLP Ontustik Zharyk Transit, and JSC Bank CenterCredit entered into credit line agreement № 10A/2017/U/S/00663 of 2,400,000 thousand tenge for a period of 48 months. The interest rate was set at 13.7% per annum. The principal debt and interest are repaid over the agreement term. The purpose of the loan is the overhead power lines reconstruction and equipment modernisation. Collateral under this agreement are property, plant and equipment of LLP Ontustik Zharyk Transit with carrying amount of 3,957,222 thousand tenge (2018: 3,960,541 thousand tenge). The interest accrued for 2019 of 131,233 thousand tenge (2018: 201,738 thousand tenge) was fully capitalized into property, plant and equipment.

Other loans

Loans from consumers

Other loans comprise of loans of the acquired subsidiary MRENC JSC. In accordance with decision No.1044 of the Republic of Kazakhstan Government dated 8 October 2004, the MRENC JSC received funds from customers for the construction of power transmission network or the current infrastructure reconstruction. Such funds are interest-free and due for repayment within twenty five years. The funds received from customers are initially recognised at their fair value determined using the effective interest rate method at the prevailing market rate (2009: 16%, 2008: 16% and 2007: 12%), and subsequently recognized at amortised cost in long-term loans. As at 31 December 2019, the amount of loans from consumers for connection of additional capacity was 442,260 thousand tenge (31 December 2018: 547,916 thousand tenge). The difference between the funds received and its fair value is recognised as deferred income (Note 23).

At the date of obtaining control over MRENC JSC, the Group recognised loans from consumers in the consolidated financial statements at fair value with the discount market interest rate-13.17%.

Debt securities issued

As at 31 December debt securities issued included the following:

Enterprise of the Group	Debt securities issued by price	Maturity date	Exchange	31 December 2019	31 December 2018
KKS LLP	15% tenge bonds	2021	KASE	856,744	856,744
MRENC JSC	8% bonds of the 6th issue in tenge	2023	KASE	1,489,794	1,405,944
MRENC JSC	9% bonds of the 7th issue in tenge	2024	KASE	2,035,312	2,021,382
MRENC JSC	8% bonds of the 8th issue, indexed to the US dollar	2025	KASE	3,026,989	2,966,572
	Total debt securities issued			**7,408,839**	**7,250,642**
	Current portion of issued debt securities			-	-
	Long-term portion of debt securities issued			7,408,839	7,250,642
				7,408,839	**7,250,642**

(in thousands of Tenge, unless otherwise stated)

The indexed bonds of the eighth issue are denominated in tenge, but their nominal value is adjusted for the change in the US dollar relative to the tenge. The indexed nominal value of one bond is calculated as the product of the nominal value and the ratio of the official US dollar rate to the tenge set at the morning trading session for the US dollar on the Kazakhstan Stock Exchange on the date of coupon payment/redemption of the bond to the similar rate at the date of the bond circulation start.

At the date of obtaining control over MRENC JSC, the Group recognised the bonds of MRENC JSC in the consolidated financial statements at fair value with discount market interest rate 13.17%.

During 2019, a subsidiary represented by MRENC JSC accrued interest on all bonds for a total of 660,727 thousand tenge, of which 526,467 thousand tenge for the seventh and eighth bond issues were capitalized in property, plant and equipment (2018: 739,244 thousand tenge, of which 604,984 thousand tenge were capitalized in property, plant and equipment). Proceeds from the placement of bonds of these issues were allocated for the implementation of the investment programme. The Company paid interest to bondholders of 655,024 thousand tenge (2018: 739,244 thousand tenge).

As at 31 December 2019 and 2018, the Group had no past due principal and interest on loans and debt securities issued.

Movement of obligations arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019	Cash flows from financing activities (i)	Other changes (ii)	31 December 2019
Loans and borrowings	(99 196 340)	3,773,865	(6,367,506)	(101,789,981)
Debt securities issued	(7 273 940)	-	(395,243)	(7,669,183)
Other borrowings (Note 25)	(2 091 419)	(3,727,000)	-	(5,818,419)
	(108 561 699)	**46,865**	**(6,762,749)**	**(115,277,583)**

	1 January 2018	Cash flows from financing activities (i)	Other changes (ii)	31 December 2018
Loans and borrowings	(49,657,755)	(47,208,489)	(2,330,096)	(99,196,340)
Debt securities issued	(8,115,061)	1,500,000	(658,879)	(7,273,940)
Other borrowings (Note 25)	(1,086,000)	(1,590,619)	585,200	(2,091,419)
	(58,858,816)	**(47,299,108)**	**(2,403,775)**	**(108,561,699)**

(i) Cash flows from loans and borrowings, debt securities issued and other borrowings amount to the net amount of receipts and payments on borrowed funds in the cash flow statement.

(ii) Other changes include interest accrued and interest payments, amortization of a one-time consideration for arranging loans, the effect of revising the interest rate on a loan, and netting transactions.

(in thousands of Tenge, unless otherwise stated)

Compliance with loan covenants

Under loan agreements, the Group has obligations to comply with financial and non-financial covenants. As at 31 December 2019, the Group did not comply with some of them (cap on capital investments, Debt to EBITDA, DSCR ratio) and some non-financial covenants.

Failure to comply with these covenants would entitled creditors to early demand repayment. The debt on such loans as at 31 December amounted to 72,533,018 thousand tenge, of which in short-term portion was 61,490,839 thousand tenge and the long-term portion was 11,042,179 thousand tenge. As at 31 December 2019, the Group received the consent of creditors to waive its right to early demand loans, respectively, these violations did not lead to a change in the classification of loans in the consolidated statement of financial position as at 31 December 2019 (Note 30).

23. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Deferred income	1,568,080	1,347,671
Restoration reserve	902,728	732,606
Obligations on additional power	59,563	62,279
Payable for MRENC shares	-	801,033
Others	152,154	113,584
	2,682,525	**3,057,173**

As at 31 December 2019, deferred income was mainly represented by loans from consumers of MRENC JSC of 1,265,122 thousand tenge (31 December 2018: 1,332,250 thousand tenge).

Financial liabilities within other non-current liabilities are denominated in tenge.

24. TRADE ACCOUNTS PAYABLE

As at 31 December, trade accounts payables represented as payable for property, plant and equipment, as well as for goods and services, are denominated in the following currencies:

	31 December 2019	31 December 2018
Tenge	11,874,169	8,370,841
US dollars	118,255	117,752
Russian roubles	48	4,349
	11,992,472	**8,492,942**

25. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2019	31 December 2018
Interest-free short-term borrowings	5,818,420	2,091,419
Advances received under contracts with customers	2,814,020	2,945,376
Current portion of payable for MRENC shares	1,101,151	1,014,334
Salary payable	710,164	905,169
Provision for unused vacation	671,564	647,838
Other accounts payable	1,100,345	315,772
	12,215,664	**7,919,908**

(in thousands of Tenge, unless otherwise stated)

As at 31 December 2019 and 2018, interest-free short-term loans were received to finance the Group's working capital and included loans of Karaganda EnergoSbyt LLP of 2,235,803 thousand tenge (31 December 2018: 1,250,803 thousand tenge) and Yugenergoimpuls LLP of 1,046,000 thousand tenge (31 December 2018: 331,000 thousand tenge).

As at 31 December 2019, advances by type of activity received under contracts with customers that will be recognized as revenue in the next reporting period are presented below.

Advances by type of activities	**31 December 2019**	**31 December 2018**
Sale of electricity	2,002,215	1,765,012
Transmission of electricity	721,102	1,059,088
Sale of thermal power	64,063	121,276
Others	26,640	-
	2,814,020	**2,945,376**

As at 31 December 2019, other accounts payable included contractual obligations of 575,975 thousand tenge in respect of electricity that will be transferred at a zero tariff to consumers during the first quarter of 2020, under a property, plant and equipment purchase agreement with MAEK LLP (Note 14).

Financial liabilities as part of other accounts payables are denominated in tenge.

26. OTHER TAXES PAYABLE

	31 December 2019	**31 December 2018**
Value added tax	1,043,261	1,043,114
Obligations for pension contributions	167,115	179,537
Personal income tax	98,064	142,149
Other taxes	384,447	394,518
	1,692,887	**1,759,318**

27. EMPLOYEE BENEFITS

In accordance with the Law of the Republic of Kazakhstan On Pension Benefits in the Republic of Kazakhstan effective from 1 January 1998, which replaced solidary pension system with the accumulation pension system, all employees are entitled to a guaranteed pension proportional to the length of their service, if any, as at 1 January 1998. They are also eligible for pension payments from accumulation pension funds made from individual retirement savings which arose as a result of mandatory contributions by employees in the amount of 10% of their salary. However, in accordance with the Kazakhstan legislation starting from 1 January 2016 deductions from each employee's salary shall not exceed 212,500 tenge per month (2018: 141,420 tenge per month). These amounts are expensed as incurred. Payments to the pension fund are deducted from an employee's salary and included in other payroll costs in the statement of comprehensive income.

As at 31 December 2019 and 2018, the Group had no further obligations to its current and former employees with respect to pension benefits, health care for the retired employees, insurance benefits or pension compensation.

(in thousands of Tenge, unless otherwise stated)

28. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The related parties may enter into transactions that might not be necessarily available to unrelated parties, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 31 December 2019 and 2018 are detailed below.

For the years ended 31 December 2019 and 2018, the Group had trading operations and operations on sale of assets with the following related parties:

	Sales		**Purchases**	
	2019	**2018**	**2019**	**2018**
Related parties	-	-	361,168	111,215

	Other accounts receivable		**Other accounts payable**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Related parties	926,920	1,288,618	7,282	-
Less allowance for expected credit losses	(890,261)	(1,129,078)	-	-
	36,659	**159,540**	**7,282**	**-**

Related party transactions are presented excluding value-added tax (VAT), balances on settlements with debtors and creditors are presented including VAT.

(in thousands of Tenge, unless otherwise stated)

Loans to related parties

	Currency	Interest rate	Maturity	31 December 2019	31 December 2018
Ushkuyu JSC	Tenge	0%, 10.75%	14 May 2021	59,327,415	53,420,923
Mustafin D.E.	Tenge	-	November 2020	3,129,486	3,129,486
Dragon Fortune PTE. LTD	US Dollar	2.00%	18 December 2022	2,024,107	1,960,923
Less current portion of the loan payable in 12 months				(3,129,486)	-
Non-current portion of loans				**61,351,522**	**58,511,332**

The Group, represented by its subsidiary, Heat and Power Holding B.V., issued a loan to a related party (Dragon Fortune PTE. LTD) in the amount of 5,100 thousand US Dollars, based on a loan agreement dated 29 December 2017, with an interest rate of 2% per annum. The loan is repayable at the end of the term at a time.

During 2019, loans issued to Ushkuyu JSC amounted to 500,000 thousand tenge (2018: 51,941,315 thousand tenge). Interest income for 2019 on the loan to Ushkuyu JSC amounted to 5,402,520 thousand tenge and 39,864 thousand tenge on the loan to Dragon Fortune PTE loan. LTD (Note 11).

In 2018, the Group provided Capital Building Development LLP with financial aid of 2,980,466 thousand tenge. To ensure timely performace of obligations under the financial aid, Capital Building Development LLP pledged its real estate on the right of ownership in the form of a land plot. At the end of 2018, an agreement was signed on the assignment of rights under a real estate pledge agreement between KEC LLP and D. Mustafin, under which all rights to collateral property and obligations under the pledge and financial aid agreement were transferred to D. Mustafin., and taking into account late penalty accrued by Capital Building Development LLP, the debt amounted to 3,129,486 thousand tenge as at 31 December 2018. On the loan issued to D. E. Mustafin, the maturity date was 23 May 2020, but the loan was not repaid. As a result of negotiations, the Group extended the maturity period until November 2020.

Other transactions

As at 31 December 2019, a financial aid provided to the related party, D.A. Idrissov is 61,000 thousand tenge (31 December 2018: 11,000 thousand tenge). During 2019 and 2018, the financial aid was not paid off.

As at 31 December 2019, a financial aid provided to the related party, Ordabasy Group LLP, is 60,000 thousand tenge (31 December 2018: 60,000 thousand tenge). During 2019 and 2018, there were no financial aid repayments.

Key management personnel remuneration

Key management personnel remuneration is determined at participants’ meetings and by senior management based on human resources management policy, staff schedule, individual employment agreements, resolutions of participants’ meetings and orders on awarding bonuses.

Remuneration paid to the key management personnel of the Group for the years ended 31 December 2019 and 2018 amounted to 214,755 thousands tenge and 198,658 thousand tenge, respectively.

(in thousands of Tenge, unless otherwise stated)

29. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the participants through the optimization of the debt and equity balance. The strategy of the Group remains unchanged in comparison to 2018.

The capital structure of the Group consists of the charter capital, non-controlling interests, as described in Notes 20 and 21, additional paid-in capital and retained earnings.

Significant accounting policies

Note 3 to these consolidated financial statements contains a summary of significant accounting policies and methods adopted, including criteria for recognition, an evaluation framework and method by which gains and losses are recognised in respect of each class of financial assets, financial liabilities and equity instruments.

Financial instrument categories

As at 31 December 2019 and 2018, financial instruments were presented as following:

	31 December 2019	31 December 2018
Financial assets		
Loans issued	64,481,008	58,511,332
Trade accounts receivable	12,197,346	10,082,632
Other current assets (excluding prepaid expenses and other taxes recoverable)	1,008,599	1,214,568
Cash and cash equivalents	4,363,170	5,458,604
Financial liabilities		
Bank loans (current and non-current portions)	109,459,164	106,470,280
Other non-current liabilities	211,717	801,033
Trade accounts payable	11,992,472	8,492,942
Other accounts payable and accrued liabilities (excluding advances received, provisions for unused vacation, salaries payable and prepayment for the sale of a subsidiary)	8,019,916	3,421,525

Financial risk management objectives

The Group monitors and manages the financial risks related to the Group's business through internal risk reports, which analyze risk probability and its expected exposure. These risks include market risk (including currency risk and risk in respect of fair value change in the result of interest rates fluctuations), credit risk and liquidity risk. A description of the Group's risk management policies in relation to those risks is presented below.

Credit risk management

Credit risk is the risk that a counterparty fails to fulfil its obligations to the Group, which will result in the Group suffering financial losses. The Group adopted a policy of doing business only with creditworthy counterparties to reduce the risk of a financial loss due to default. The Group's exposure and creditworthiness of counterparties are constantly monitored.

Credit risk primarily relates to loans issued (Note 28), trade accounts receivable (Note 16), cash and bank deposits (Note 19) and other current assets. The Group does not expect its counterparties to default, except for contractors, for which the Group has established an allowance for expected credit losses.

The concentration of credit risks is assessed as low due to the fact that the Group sells to a significant number of different customers, including both legal entities and individuals.

(in thousands of Tenge, unless otherwise stated)

The Group places deposits in Kazakhstan and foreign banks. Management of the Group periodically reviews credit ratings of these banks in order to exclude credit risks.

		Rating		At 31 December	
Bank	**Location**	**2019**	**2018**	**2019**	**2018**
Sberbank SB JSC	Republic of Kazakhstan	BB+	BB	2,654,874	2,453,879
Nurbank JSC	Republic of Kazakhstan	B-	B-	-	2,280,234
Tsesnabank JSC	Republic of Kazakhstan	B-	B	254,235	202,043
Bank CenterCredit JSC	Republic of Kazakhstan	B	B	5,023	120,493
Altyn Bank JSC	Republic of Kazakhstan	BBB-	BBB-	1,828	4,654
ATF Bank	Republic of Kazakhstan	B-	-	1,059,978	-
Others	Republic of Kazakhstan, USA		-	50,476	7,322
				4,026,414	**5,068,625**

Credit ratings are presented in accordance with the rating according to Standard & Poor's agency.

Market risk

The Group's activities are exposed to possible changes in exchange rates (see Currency risk management) and interest rates (see Interest rate risk management). The Group does not enter into agreements for derivative financial instruments to manage its exposure to interest rate risk and currency risk, as management believes that such exposure will have no significant effect on the consolidated financial statements.

Currency risk management

Forex loss for 2019 was 6,685,027 thousand tenge (2018: 3,316,643 thousand tenge), mostly formed in the result of revaluation of loan obligations in the foreign currency using the exchange rate on the reporing date.

As at 31 December 2019 and 2018, the carrying amounts of the Group's loans, accounts payable and cash, denominated in foreign currencies, and bonds indexed to the US dollars are as follows:

	US dollars		Russian roubles	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Loans issued	2,024,107	1,960,923	-	-
Accounts payable	(118,255)	(117,752)	(48)	(4,349)
Bonds indexed to the US dollar	(3,026,989)	(2,966,572)	-	-
Loans received	(2,020,254)	(2,036,260)	(66,961,527)	(54,381,928)

Foreign currency sensitivity analysis

The Group is mainly exposed to the risk associated with the change in the exchange rate of the US dollar and Russian rouble.

The following table details the Group's sensitivity to a 20% increase and decrease in tenge against the relevant foreign currencies. 20% is the sensitivity rate used in internal foreign currency risk reports to the key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes a) loans received and bonds indexed to the US dollar, b) accounts payable and c) loans issued and accounts receivable of the Group, when accounts it is denominated in the currency other than the currency of the creditor or debtor.

(in thousands of Tenge, unless otherwise stated)

A positive number below indicates an increase in profit for the reporting period in a case of 20% strengthening of tenge against a relevant currency. For a 20% weakening of tenge against the relevant currency there would be an equal and opposite impact on the profit.

	US dollars effect		**Russian roubles effect**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Loans issued	(404,822)	(392,185)	-	-
Cash		-	-	-
Accounts payable	23,651	23,550	10	870
Bonds indexed to the US dollar	605,398	593,314	-	-
Loans received	404,051	407,252	13,392,305	10,876,386

Interest rate risk policy management

The Group is exposed to interest rate risk as the Group receives loans. The risk is managed by the Group through raising borrowings at fixed interest rates. The Group considers this risk as insignificant.

The activities of the Group are exposed to the risk of changes in the interest rate on borrowings received from EBRD at the rate subject to inflation adjustment. The Group does not enter into derivatives contracts to manage interest rate risk.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the owners of the Group that created the necessary liquidity risk management system for the Group's management on management of liquidity and short, medium- and long-term financing. The Company manages liquidity risk by maintaining appropriate reserves, through continuous monitoring of estimated and actual cash flows and comparing the maturity of financial assets and liabilities.

Liquidity risk and interest rate risk tables

The following tables reflect the Group's contractual maturities on its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Interest rate	**Less than 1 year**	**1-5 years**	**More than 5 years**	**Undefined**	**Total**
31 December 2019						
Loans issued	0%-10.75%	3,129,486	63,163,520	-	-	66,293,006
Trade accounts receivable		12,197,346	-	-	1,864,147	14,061,493
Other current assets		1,008,599	-	-	-	1,008,599
Cash, interest bearing		3,267,420	-	-	44,441	3,311,861
Cash, interest free		1,139,580	-	-	-	1,139,580
		20,742,431	**63,163,520**	**-**	**1,908,588**	**85,814,539**
Loans and debt securities issued	1.7%-15%	(74,163,073)	(36,459,921)	(10,732,892)	-	(121,355,886)
Trade accounts payable		(11,992,472)	-	-	-	(11,992,472)
Other non-current liabilities		-	(211,717)	-	-	(211,717)
Other accounts payable and accrued liabilities		(8,019,916)	-	-	-	(8,019,916)
		(94,175,461)	**(36,671,638)**	**(10,732,892)**	**-**	**(141,579,991)**
		(73,433,030)	**26,491,882**	**(10,732,892)**	**1,908,588**	**(55,765,452)**

(in thousands of Tenge, unless otherwise stated)

	Interest rate	Less than 1 year	1-5 years	More than 5 years	Undefined	Total
31 December 2018						
Loans issued	0%-10.75%	-	66,309,677	-	-	66,309,677
Trade accounts receivable	-	10,082,632	-	-	1,412,258	11,494,890
Other current assets	-	1,214,568	-	-	-	1,214,568
Cash, interest bearing	5.85%-11%	4,213,039	-	-	-	4,213,039
Cash, interest free	-	1,407,605	-	-	-	1,407,605
		16,917,844	**66,309,677**	-	**1,412,258**	**84,639,779**
Loans and debt securities issued	7%-15%	(21,651,886)	(95,662,115)	(12,575,645)	-	(129,889,646)
Trade accounts payable	-	(8,492,942)	-	-	-	(8,492,942)
Other non-current liabilities	10.25%	-	(2,009,620)	-	-	(2,009,620)
Other accounts payable and accrued liabilities	-	(3,421,525)	-	-	-	(3,421,525)
		(33,566,353)	**(97,671,735)**	**(12,575,645)**	**-**	**(143,813,733)**
		(16,648,509)	**(31,362,058)**	**(12,575,645)**	**1,412,258**	**(59,173,954)**

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

The following methods and assumptions were used by the Group to calculate the fair value of financial instruments:

- the carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature of these financial instruments;
- for assets and liabilities with a maturity of less than twelve months, the carrying amount is approximates the fair value due to the short-term nature of these financial instruments;
- for financial assets and liabilities with a maturity of more than twelve months, the fair value is the present value of the estimated future cash flows, discounted using effective rates existing at the end of the reporting year.

The calculation of the bank loans' fair value was made by discounting the expected future cash flows for individual loans during the settlement repayment period using the market rates prevailing at the end of the corresponding year for loans with similar maturities and credit rating parameters.

As at 31 December 2019, fair value of financial assets and liabilities did not differ significantly from their carrying amount, except for the following:

	Carrying amount as at 31 December 2019	Fair value as at 31 December 2019
Financial assets recognised at famortized cost:		
Long-term loans issued (Level 2)	61,351,522	52,780,058
Short-term loans issued (Level 2)	3,129,486	2,992,647
Financial liabilities recognised at amortized cost:		
Long-term bank loans (Level 2)	(109,459,164)	(106,798,962)

The fair values of the long-term financial liabilities included in the category of Level 2 of the hierarchy have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

30. CONTINGENT LIABILITIES

Contractual commitments

As at 31 December 2019, contractual commitments for purchase of property, plant and equipment and capital investments amounted to 3,256,015 thousand tenge (31 December 2018: 1,493,868 thousand tenge).

Under the MRENC shares purchase transaction, on 20 September 2017 (Note 13), the Group and KBI Energy LLP entered into a contract with Samruk-Energy JSC for the redemption of the sixth issue of MRENC bonds totalling 1,253,250 items (626,625 items to each buyer) owned by Samruk-Energy JSC. The contract amount was 1,538,402 thousand tenge and is to be paid in equal instalments during 2020-2023. This obligation was not accounted for when determining the amount of consideration payable, as the ownership for these bonds passes to the buyer from the date of starting payment of the purchase price, i.e. from 2020.

Operating environment

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

Because Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped for more than 40%, which resulted in immediate weakening of tenge against major currencies.

The impact of further economic developments on future operations and consolidated financial position of the Group may be significant.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Republic of Kazakhstan economy.

Management of the Group analyzed its impact on the activities of the Group and expects a slight decrease in revenue due to the temporary suspension of activities of a number of industrial enterprises, however management believes that this effect will not be significant and will not affect the ability of the Group to continue as a going concern (Note 3).

Taxation and regulatory environment

At present time, the Republic of Kazakhstan has a number of laws relating to various taxes levied by both national and regional authorities. Laws on these taxes have not been in effect for a considerable amount of time compared to more developed markets, so the application of their provisions is often not clear or not established. Accordingly, few precedents have been established regarding tax issues, and there are differing views on the legal interpretation of laws. In accordance with the law, the tax authorities may impose significant penalties on fines and penalties for late or incorrect filing of tax returns and/or tax payments. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for five calendar years preceding the year of tax audit; however, under certain circumstances reviews may cover longer periods. Consequently, the Group may be exposed to additional tax liabilities that may arise as a result of tax audits. These factors create more significant tax risks in the Republic of Kazakhstan than in countries with a more developed tax system.

Regulation of activity

The activity of a subsidiary Karaganda Energocentre LLP is regulated by the Law of the Republic of Kazakhstan On Natural Monopolies because it is the monopolist in the area of thermal power generation, and by the Law of the Republic of Kazakhstan On Electricity for the electricity generation. According to the laws, tariffs for the generation of thermal power are subject to approval by the Committee, and tariffs for the generation of electricity are subject to approval by the Ministry of Energy of Republic of Kazakhstan.

The activities of the subsidiaries Ust-Kamenogorsk CHP LLP and Sogrinsk CHP LLP are regulated by the Law of the Republic of Kazakhstan On Natural Monopolies as they are monopolists in the area of thermal power generation, and by the Law of Republic of Kazakhstan On Electricity for the electricity generation. According to the laws, tariffs for the generation of thermal power are subject to approval by the Committee, and tariffs for the generation of electricity are subject to approval by the Ministry of Energy of the Republic of Kazakhstan.

The activity of Karaganda ZhyluSbyt LLP is regulated by the Law of the Republic of Kazakhstan On Natural Monopolies and the Business Code of Republic of Kazakhstan ("Code"), as the entity is the monopolist in the distribution of thermal power and a dominant in the area of electricity supply. According to this law and the Code, tariffs for thermal power supply are subject to approval by the Committee, and tariffs for electricity supply are subject to agreement with the Committee.

The activities of the subsidiaries, Karagandy Zharyk LLP, Ontustik Zharyk Tranzit LLP and MRENC JSC, are also regulated by the Law of Republic of Kazakhstan On Natural Monopolies, as they are monopolists in the area of transmission of electricity. Under this law, tariffs for transmission of electricity are subject to approval by the Committee.

The activities of the subsidiaries, Raschetny Servisny Tsentr LLP, Ontustik Zharyk LLP and Energopotok LLP are regulated by the Code since they are dominant in the area of electricity supply.

The Group believes that it complies with all the requirements of the Committee, as well as other established requirements.

Investment programs

On 18 August 2015, the Department of the Committee for the Regulation of Natural Monopolies and Protection of Competition in the East Kazakhstan Region ("DCRNM&PC"), in agreement with the Akimat of the East Kazakhstan Region ("Akimat of the EKR"), approved the investment program ("Program") for the period from 2016 to 2020 in the amount of 5,465,806 thousand tenge. The actual amount of investment commitments for 2019, taking into account the adjustment agreed and approved with DCRNM&PC and Akimat of the EKR, is 1,416,578 thousand tenge (of which 1,414,303 thousand tenge approved) due to the sale of thermal power (in 2018: 1,179,219 thousand tenge from 1,166,224 thousand tenge approved). Ust-Kamenogorsk CHP LLP reported to DCRNM&PC on the execution of the Program for 2019.

In November 2016, investment program for 2016-2020 for Karagandy Zharyk LLP was approved by the order of the Committee Department. This investment program includes actions for the reconstruction and construction of Substation 35/110/220 kW, design, construction and reconstruction of high-voltage line 35/110kW, reconstruction of 0.4-6-10 kW electrical network, other activities and payment of principal.

In September 2015, Ontustik Zharyk Transit LLP approved the investment program for 2016-2022; this investment program includes actions for implementation of an automated system for commercial accounting of electricity and energy (ASKUE), the construction of new power grids and other activities.

In accordance with the order of the Committee on approval of the investment program of MRENC JSC for 2016-2020, taking into account adjustments №84-OD dated 29 November 2017, investment obligations of MRENC JSC as at 31 December 2019 amounted to 3,275,428 thousand tenge. As at 31 December 2019, the subsidiary completed the investment plan for the amount of 7,064,392 thousand tenge (without capitalization of interest on loans). The percentage of implementation of the investment plan for 2019 was 102%.

Management believes that it complies with the requirements of investment programs.

Terms of loan agreements

Under the loan agreements, the Group has to comply with financial and non-financial covenants (Note 22).

Property, plant and equipment of 24,120,000 thousand tenge of subsidiary Karaganda Energocenter LLP were pledged under an addendum to property pledge agreements with Development Bank of Kazakhstan JSC to ensure the Group's obligations to Development Bank of Kazakhstan JSC on a credit line dated 19 June 2012, which also covers the security of YDD Corporation LLP obligations (Note 14).

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The management does not believe that such pending or potential claims, individually or in aggregate, are likely to have any material negative impact on the Group's financial position or financial results of its operations.

The Group assesses the likelihood of occurrence of significant liabilities and accrues provisions in its financial statements only when it is probable that the events giving rise to a liability will occur and the amount of the liability can be reliably estimated.

In the ordinary course of business, the Group may be subject to legal proceedings and lawsuits. The management of the Group believes that the final obligation, if any, arising from such legal proceedings and claims will not have a material adverse effect on the future financial position or core activities of the Group.

In 2018, the prosecutor's office of the Mangistau region filed a lawsuit against the DNMRC with respect to the recognition of the order on approval of tariffs No.129-OD dated 24 November 2015 to be illegal. The subsidiary, MRENC JSC, in this lawsuit was involved as a third party. On 7 November 2018, according to the results of the court proceedings, a decision was made that invalidated and canceled the mentioned order in the part of overestimated labour and remenuration costs in the approved tariff budget. As a result, DNMRC sent to the MRENC a prescription on taking measures to adjust the overestimated expenditures on labor on remuneration costs in the approved tariff estimate, which was appealed by MRENC JSC in court.

As a result of the review of the MRENC JSC appeal, was left unsatisfied. Along with that, the court decided that the Group, to satisfy of the appealed requirement is obliged to submit an application for approval of the compensating tariff, taking into account the impossibility of reimbursement of labor costs and the measures taken by the claimant to adjust the costs of remuneration. At the same time, the amount of expenses, as well as the name and list of articles of the tariff estimates to be adjusted, are determined by the natural monopoly entity on its own. However, this decision did not enter into force, since an appeal was filed, which, by virtue of the requirements of the legislation, is to be considered within two months from the date when the case is submitted to the board. As a result of the proceeding, the earlier decision was left unchanged and thus the appeal was rejected.

Pursuant to the above court decision, in July 2019, the Group sent a request to DNMRC for approval of the temporary compensating tariff, which was approved by DNMRC for the period from 1 November 2019 to 31 October 2020.

31. EVENTS AFTER THE REPORTING DATE

Tariffs

Since 1 January 2020, the Group, represented by Ontustik Zharyk Transit LLP, agreed with the Agency an increase in electricity transmission tariff from 5.93 tenge to 6.25 tenge per kWh, exclusive of VAT.

Since 1 January 2020, the Group, represented by MREC, and based on Department of the Committee for the Regulation of Natural Monopolies, the Protection of Competition and Consumer Rights of the Kazakhstan Ministry of the National Economy Order *On the Approval of a Temporary Compensatory Tariff for the Regulated Transfer of Electricity to MREC* No. 57-ОД dated 20 September 2019, and according to MREC Order No. 05-03/0323-1-П dated 20 December 2019, reduced the tariff between 1 January 2020 and 31 October 2020 for transferring and distributing electricity for legal entities from KZT 4.75 to KZT 4.69 per kW/h, exclusive of VAT.

Due to a growth in maximum power station tariffs from 1 October 2019 and an increase in capacity market tariffs, FSC, in accordance with "Pricing Guidelines for Socially Significant Entities", set new electricity tariffs for trading companies (Energopotok LLP) from 1 January 2020:

- average daily tariff – KZT 21.1904 per kW/h, inclusive of VAT, including:
- consumer group 1 tariff – KZT 15.5232 per kW/h, inclusive of VAT;
- consumer group 2 tariff, used for non-domestic electricity and state-financed companies – KZT 27.6640 per kW/h, inclusive of VAT.

For group 1 consumers using electric stoves:

- level three tariff – KZT 23.2848 per kW/h, inclusive of VAT;
- level two tariff – KZT 18.6256 per kW/h, inclusive of VAT;
- level one tariff – KZT 12.4992 per kW/h, inclusive of VAT.

For group 1 consumers not using electric stoves:

- level three tariff – KZT 23.2848 per kW/h, inclusive of VAT;
- level two tariff – KZT 18.6256 per kW/h, inclusive of VAT;
- level one tariff – KZT 14.1456 per kW/h, inclusive of VAT.

The corresponding notice of the increase in electricity tariffs was provided to the Department of the Committee for the Regulation of Natural Monopolies, the Protection of Competition and Consumer Rights for Shymkent and Turkestan Oblasts on time.

Based on Presidential Edict No. 285 dated 15 March 2020 *On the Introduction of a State of Emergency*, FSC and KZS LLP electricity tariffs were reduced from 1 April 2020 by 5% until the end of the state of emergency. The tariff reduction was cancelled from 11 May 2020 based on Presidential Edict No. 310 dated 29 April 2020, and tariffs returned to their former level.

To reduce social tension among consumers, MREC reduced its service tariffs during quarantine and restrictions put in place. The decision to do so was taken to act out the President's instructions and a letter from the local executive body. Given the above, the actual average tariff for all consumers does not exceed the average tariff approved by the regulatory authorities.

The Group refinanced a loan under Agreement No. 6649 with outstanding balance as at 31 December 2019 of 59,232,000 thousand tenge (9,600,000 thousand Russian roubles) until 14 May 2025 under credit line under agreement No. 6773 previously concluded with Sberbank PJSC (Note 22). The interest rate is 11.5% per annum.

On 27 February 2020, KaragandyZhyluSbyt LLP entered into a Bank Loan Agreement (Overdraft) with SB Sberbank of Russia JSC for a revolving credit line of 1,000,000 thousand tenge. The Overdraft was provided to replenish the working capital. Interest is accrued on principal over the life of loan. The life of each loan instrument should not exceed 28 days and should not exceed the loan maturity date, which is 11 April 2020.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the year ended 31 December 2019 were approved by management of the Group and authorised for issue on 28 May 2020.