KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

Consolidated Financial Statements
for the Year Ended 31 December 2020

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

TABLE OF CONTENTS

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of 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 2020, and the consolidated results of its operations, consolidated cash flows and consolidated changes in 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 consolidated 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 2020 were approved by management and authorised for issue on 14 May 2021.

On behalf of management of the Group:

Казахстанские коммунальные системы

N.Y. Aitzhanov
General Director

S.A. Akhanov
Financial Director

14 May 2021
Nur-Sultan, Republic of Kazakhstan

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

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INDEPENDENT AUDITOR'S REPORT

To the Participants 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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for 2020 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for qualified opinion

Loans given to related parties were recognised in the Group's consolidated statement of financial position as at 31 December 2020 in the amount of 70,134,268 thousand tenge (31 December 2019: 64,481,008 thousand tenge), the related interest income in the consolidated statement of profit or loss and other comprehensive income for 2020 related to these loans amounted to 5,446,481 thousand tenge (2019: 5,442,384 thousand tenge). The Group did not assess the fair value of these loans as at the date of their initial recognition and did not recognise expected credit losses as at 31 December 2020 and 2019, which is a departure from IFRS 9 Financial Instruments. According to our estimates, the minimum effect of this error on the carrying amount of these loans as at 31 December 2020 is 64,725,963 thousand tenge and, accordingly, the balance of loans given in the consolidated statement of financial position as at 31 December 2020 is overstated by this amount, while retained earnings as at 31 December 2020 is overstated by 51,780,770 thousand tenge, net of the deferred income tax effect. We were unable to determine the effect of this error on the statement of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019.

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") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, 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 judgement, were of most significance in our audit of the current period consolidated financial statements. 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 discussed in the *Basis for Qualified Opinion* section, we identify below key audit matter to be communicated in our report.

Why was the matter recognised as a key audit matter?	How was the matter addressed during the audit?
Compliance with credit agreements terms and liquidity risk As at 31 December 2020, the Group's current liabilities exceeded current assets by 16,897,407 thousand tenge (31 December 2019: 71,735,598 thousand tenge). As at 31 December 2020, the Group's current liabilities include loans and bonds issued in the amount of 18,939,003 thousand tenge which are payable within 12 months from the date of these consolidated financial statements. As disclosed in Note 22, the terms of loans from certain banks stipulate specific covenants, where a failure to comply provides creditors the right to demand early debt repayment. The amount outstanding on these loans included in non-current liabilities as at 31 December 2020 was 81,158,704 thousand tenge. Group management prepared a forecast for the compliance with covenants for 2020 in advance, and concluded that the Group would not be able to meet some of them. For this reason, as at 31 December 2020, the management obtained a waiver letter from creditors to waive their right to early debt repayment as a result of the failure to meet certain covenants. Management's critical judgement is required in connection with the above circumstances to assess the sufficiency of the Group's liquid assets and its ability to repay current liabilities in due time. Management plans regarding this matter are described in Note 3. Given that liquidity risk has a pervasive impact on the Group's consolidated financial statements, the matter was considered as key audit matter in our audit.	Our audit procedures were primarily focused at critically assessing key assumptions and conclusions of the Group's management in relation to liquidity risk and included the following: • 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's liquidity and its ability to repay liabilities, including the ability to generate sufficient cash flows from operations to service the loans and repay them in timely manner; • analysing current and expected events and conditions, including financial and operating conditions caused by COVID-19, which may have a negative impact on Group's liquidity; • examining documents supporting the availability of financing, including current loan agreements and correspondence with financial institutions; • analysing the terms of loan agreements and the corresponding covenants; • checking the calculation of financial covenants for mathematical accuracy, as well as the fulfilment of non-financial covenants; • examining the waiver letters from banks waiving their right to demand early debt repayment as a result of failure to fulfil certain covenants as at 31 December 2020; • checking the information disclosed in consolidated financial statements for completeness and accuracy.

Other information

Management is responsible for other information, which comprises information included in an annual report, but does not include the consolidated financial statements and our auditor’s report. 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 extend to other information and we will not present an assurance conclusion in any form with respect to that information.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information when it becomes available and, in doing so, consider whether it 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 in it, 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 consolidated 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 consolidated financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 current period consolidated financial statements, 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

Zhangir Zhilysbayev
General Director
Deloitte LLP
State license to perform audit activities 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

14 May 2021
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 2020

(thousands of tenge)

	Notes	2020	2019
Revenue	6	143,467,728	134,469,242
Cost of sales	7	(106,989,007)	(97,223,720)
Gross profit		**36,478,721**	**37,245,522**
General and administrative expenses	8	(9,066,778)	(9,120,755)
Selling expenses	9	(3,287,864)	(2,910,741)
Finance costs	10	(11,132,343)	(9,812,009)
Finance income	11	5,824,931	5,752,203
Other income, net		70,414	535,983
Foreign exchange gain/(loss), net	29	5,079,044	(6,685,027)
PROFIT BEFORE INCOME TAX		**23,966,125**	**15,005,176**
Income tax expenses	13	(4,201,523)	(4,394,367)
NET PROFIT FOR THE YEAR		19,764,602	10,610,809
Other comprehensive income for the year			
Items that will be subsequently reclassified to profit or loss:			
Foreign exchange differences on translation of foreign operations		290,771	65,989
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**290,771**	**65,989**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,055,373**	**10,676,798**
Profit attributable to:			
Company owners		18,970,896	8,366,583
Non-controlling interests	21	793,706	2,244,226
		19,764,602	**10,610,809**
Total comprehensive income attributable to:			
Company owners		19,261,667	8,432,572
Non-controlling interests	21	793,706	2,244,226
		20,055,373	**10,676,798**

On behalf of management of the Group:

Казахстанские коммунальные системы

N.Y. Aitzhanov
General Director

14 May 2021
Nur-Sultan, Kazakhstan

S.A. Akhanov
Financial Director

14 May 2021
Nur-Sultan, Kazakhstan

The notes below are 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 2020

(thousands of tenge)

	Notes	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	237,161,609	231,091,162
Advances paid	15	441,296	2,127,506
Loans given to related parties	28	67,004,782	61,351,522
Other non-current assets		732,623	835,592
Deferred tax assets	13	289,075	167,068
Total non-current assets		**305,629,385**	**295,572,850**
CURRENT ASSETS:			
Trade accounts receivable	16	16,931,780	12,197,346
Inventories	17	4,493,560	4,101,448
Loans given to related parties	28	3,129,486	3,129,486
Advances paid	15	591,530	452,973
Prepaid corporate income tax		777,173	361,847
Other current assets	18	2,160,866	1,938,904
Cash and cash equivalents	19	4,028,566	4,363,170
Total current assets		**32,112,961**	**26,545,174**
TOTAL ASSETS		337,742,346	322,118,024
EQUITY AND LIABILITIES			
EQUITY:			
Charter capital	20	11,636,404	11,636,404
Additional paid-in capital	20	9,239,137	9,239,137
Foreign currency translation reserve		621,911	331,140
Retained earnings		136,817,082	117,846,186
Equity attributable to owners of the Company		158,314,534	139,052,867
Non-controlling interests	21	13,985,116	13,191,410
Total equity		**172,299,650**	**152,244,277**
NON-CURRENT LIABILITIES			
Loans and bonds issued	22	81,158,704	37,581,671
Deferred tax liabilities	13	32,140,600	31,328,779
Other non-current liabilities	23	3,133,024	2,682,525
Total non-current liabilities		116,432,328	71,592,975
CURRENT LIABILITIES:			
Loans and bonds issued	22	18,939,003	71,877,493
Trade accounts payable	24	14,118,363	11,992,472
Other accounts payable and accrued liabilities	25	13,133,286	12,215,664
Other taxes payable	26	2,418,089	1,692,887
Corporate income tax payable		401,627	502,256
Total current liabilities		49,010,368	98,280,772
TOTAL LIABILITIES		165,442,696	169,873,747
TOTAL EQUITY AND LIABILITIES		337,742,346	322,118,024

On behalf of management of the Group:

N.Y. Aitzhanov
General Director

14 May 2021
Nur-Sultan, Kazakhstan

S.A. Akhanov
Financial Director

14 May 2021
Nur-Sultan, Kazakhstan

Казахстанские коммунальные системы

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

KAZAKHSTAN UTILITY SYSTEMS LIMITED LIABILITY PARTNERSHIP
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(thousands of tenge)

	Charter capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
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
Net profit for the year	-	-	-	18,970,896	18,970,896	793,706	19,764,602
Other comprehensive income for the year	-	-	290,771	-	290,771	-	290,771
Total comprehensive income for the year	-	-	290,771	18,970,896	19,261,667	793,706	20,055,373
As at 31 December 2020	11,636,404	9,239,137	621,911	136,817,082	158,314,534	13,985,116	172,299,650

On behalf of management of the Group:

N.Y. Aitzhanov
General Director

14 May 2021
Nur-Sultan, Kazakhstan

S.A. Akhanov
Financial Director

14 May 2021
Nur-Sultan, Kazakhstan

Казахстанские коммунальные системы

The notes below are 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 2020
(thousands of tenge)

	Notes	2020	2019
OPERATING ACTVITIES:			
Sales of goods and services		153,074,970	146,402,097
Other proceeds		4,469,495	1,637,524
Total cash inflow		157,544,465	148,039,621
Payments to suppliers for goods and services		(93,508,011)	(82,142,361)
Salary payments		(13,769,137)	(12,947,407)
Other payments to the budget		(12,144,398)	(10,870,312)
Other payments		(2,877,546)	(3,337,886)
Total cash outflows		(122,299,092)	(109,297,966)
Cash from operating activities before interest received and paid and corporate income tax		35,245,373	38,741,655
Interest received		156,789	248,761
Interest paid on loans and bonds issued		(9,747,604)	(8,796,479)
Corporate income tax		(4,027,664)	(3,052,762)
Net cash generated from operating activities		**21,626,894**	**27,141,175**
INVESTING ACTIVITIES:			
Sale of property, plant, and equipment		11,058	53,468
Total cash inflow		11,058	53,468
Purchase of property, plant, and equipment and materials for capital repairs, and advances paid for acquisition of non-current assets		(17,052,626)	(26,545,625)
Purchase of intangible assets		(11,073)	(9,845)
Disposal of cash to purchase subsidiaries		(1,101,151)	(1,014,334)
Financial aid given to a third party		(91,000)	-
Other payments		(182,934)	-
Total cash outflow		(18,438,784)	(27,569,804)
Net cash used in investing activities		**(18,427,726)**	**(27,516,336)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(thousands of tenge)

	Notes	2020	2019
FINANCING ACTIVITIES:			
Financial aid received	22	1,987,900	3,747,000
Loans received	22	21,950,000	22,907,620
Other proceeds		-	217,949
Total cash inflow		23,937,900	26,872,569
Repayment of loans and bonds issued	22	(26,669,011)	(26,681,485)
Loan given to an entity under common control	28	-	(500,000)
Repayment of financial aid received	22	(765,000)	(20,000)
Dividends payment	20	(4,464)	(6,700)
Other		-	(255,000)
Total cash outflow		(27,438,475)	(27,463,185)
Net cash used in financing activities		(3,500,575)	(590,616)
NET CHANGE IN CASH		(301,407)	(965,777)
CASH AND CASH EQUIVALENTS, as at the beginning of the year	19	4,363,170	5,458,604
Effect of a changes in the allowance for expected credit losses on cash and cash equivalents		35,198	22,537
Effect of changes in foreign exchange rates on cash balances held in foreign currencies		(68,395)	(152,194)
CASH AND CASH EQUIVALENTS, as at the end of the year	19	4,028,566	4,363,170

On behalf of management of the Group:

N.Y. Aitzhanov
General Director

14 May 2021
Nur-Sultan, Kazakhstan

S.A. Akhanov
Financial Director

14 May 2021
Nur-Sultan, Kazakhstan

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

(thousands of tenge, unless indicated otherwise)

1. NATURE OF OPERATIONS

The principal activities of Kazakhstan Utility Systems Limited Liability Partnership (the "Company", "parent company", "KUS" which include management of holding companies (the Group), primary income of which is generated from the lease of premises in Shymkent) and its subsidiaries (the "Group") include generating thermal power, electricity and chemically purified water in Karaganda and East-Kazakhstan regions; transmitting and distributing electricity in Karaganda, Turkestan and Mangistau regions; supplying electricity in Turkestan region and supplying electricity and thermal power in Karaganda region.

Kazakhstan Utility Systems Limited Liability Partnership was created and registered with the Almaty Department of Justice on 3 November 2008 and was re-registered on 26 December 2014 with the Yessil District Justice Agency of the Astana Justice Department.

As at 31 December 2020 and 2019, Company participants are Kazakhstan nationals M.K. Idrissova, who holds a 99% interest and Z.M. Ismailova with a 1% interest, accordingly.

Since the number of the Group's subsidiaries are thermal power production monopolists in Karaganda and East-Kazakhstan regions, in electricity supplies in Karaganda region and electricity transmission in Karaganda, Turkestan and Mangistau regions, their activities are regulated by the Kazakhstan Law On Natural Monopolies, while tariffs for the same services are subject to approval by the Ministry of the National Economy's Committee for the Regulation of Natural Monopolies and Protection of Competition and Consumer Rights (the "Committee") (Note 30).

Company legal name	**Kazakhstan Utilities Systems Limited Liability Partnership**
Legal address	Kunayev Street 14/3, Nur-Sultan, Republic of Kazakhstan
Business identification number	BIN 081140000288

As at 31 December 2020, the Group employed 8,695 people (31 December 2019: 8,584 people).

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, while tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by government fiscal and monetary policies, 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, global oil prices dropped by over 40%, which resulted in immediate weakening of the tenge against the major currencies.

In addition, in early 2020 a new coronavirus (COVID-19) began spreading rapidly across the world resulting in the announcement of a pandemic by the World Health Organisation in March 2020. Responses put in place by many countries to contain the spread of COVID-19 have resulted in significant operational disruption for many companies and had a significant impact on global financial markets. As the situation develops rapidly, COVID-19 can significantly affect the activities of many companies in different sectors of the economy, including, but not limited to, the disruption of operating activities as a result of production suspensions or closures, supply chain disruptions, staff quarantine, demand reduction, and difficulties in obtaining financing. The impact of further economic developments on the Group's future operations and financial position might be significant. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and intensity of the effects of the pandemic on the global and Kazakhstan economies.

Group management has analysed the impact of the financial consequences of COVID-19 on Group operations and concluded that despite COVID-19 quarantine and restrictions, the Group has been able to maintain its financial results and financial indicators at expected levels. Impact of COVID-19's on Group activities in 2020 is described in Note 3.

The Group's operating priority is to ensure a reliable power supply to businesses, the public and socially significant facilities. As a significant company providing constant power and thermal energy to Republic of Kazakhstan consumers, the Group did not stop its operations during the entire nationwide COVID-related restrictive period and does not expect to suspend its operations in the future.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards affecting financial statements

Adoption of revised standards as well as adjustments to existing standards effective from 1 January 2020

A number of amendments to Standards, as well as a new edition of Conceptual Framework for Financial Reporting became effective from 1 January 2020:

- A new edition of Conceptual Framework for Financial Reporting. In particular, new definitions of assets and liabilities and refined definitions of income and expenses;
- Amendments to IFRS 9, IFRS 7 and IAS 39 – Interest Rate Benchmark Reform. The adopted amendments present relief of some of the hedge accounting requirements, the fulfilment of which can bring to discontinuation of hedge accounting due to uncertainty, affected by interest rate benchmark reform;
- Amendments to IAS 1 and IAS 8 – New definition of material;
- Amendments to IFRS 3 – The adopted amendments clarify the determination of the business as an integrated aggregate of activities and assets, that must include input and fundamentally significant process as a minimum, that together to a large extent can promote provision of output. At the same time it is clarified that business does not necessarily need to include all inputs and processes required for provision of output.

Amendment to IFRS 16 became effective from 1 June 2020 and provides practical expedient to account for COVID-19 related rent concessions as if they were not lease modifications in accordance with requirements of IFRS 16.

New edition of Conceptual Framework for Financial Reporting and mentioned amendments did not impact the Group`s consolidated financial statements.

New or revised standards issued but not yet effective

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning on or after 1 January 2021. Specifically, the Group did not apply early the following standards, interpretations and amendments to the standards:

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 and IAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture (effective date has yet to be set);
- Amendments to IAS 1 regarding classification of liabilities as current or non-current (effective for annual reporting periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 regarding references to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2022);
- Amendments to IAS 16 Property, Plant and Equipment regarding proceeds before intended use (effective for an annual reporting period beginning on or after 1 January 2022);
- Amendments to IAS 37 regarding onerous contracts: cost of fulfilling a contract (effective for an annual reporting period beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle effective for annual periods beginning on or after 1 January 2022 (Amendment to IFRS 1 - Subsidiary as a first-time adopter; Amendments to IFRS 9 - Fees in the '10 per cent' test for derecognition of financial liabilities; Amendment to IFRS 16 - Removal of an example in relation to capital investment into leased property, plant and equipment; Amendment to IAS 41 - Taxation in fair value measurements);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2) (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IAS 1 regarding disclosure of accounting policies (effective for annual reporting periods beginning on or after 1 January 2023);
- Amendments to IAS 8 regarding definition of accounting estimates (effective for annual reporting periods beginning on or after 1 January 2023);
- Amendments to extend the exemption from assessing whether a COVID-19 lease concession is a lease modification (effective for annual periods beginning on or after 1 April 2021).

Group management expects that the application of the standards and amendments will not have a significant effect on the Group`s consolidated financial statements when such standards and amendments become effective.

3. BASIS OF THE PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICY

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Going concern

These consolidated financial statements have been prepared in accordance with IFRS, based on the assumption that the Group will follow the principle of going concern. As at 31 December 2020, the Group's current liabilities exceeded current assets by 16,897,407 thousand tenge (31 December 2019: 71,735,598 thousand tenge). In addition, during 2020, the Group generated net income of 19,764,602 thousand tenge (2019: 10,610,809 thousand tenge); net cash from operating activities of 21,626,894 thousand tenge (2019: 27,141,175 thousand tenge).

Current liabilities are mostly represented by the current portion of long-term loans of 18,939,003 thousand tenge, trade accounts payable of 14,118,363 thousand tenge and other accounts payable and accrued liabilities of 13,133,286 thousand tenge.

Group management regularly track Group compliance with all significant loan agreement terms, and Group entities' ability to make loan payments on time. As shown in Note 31, at the beginning of 2021, the Group repaid loans and bonds issued in the amount of 2,620,793 thousand tenge.

The Group has a dominant market position in the generation, transportation and sale of electricity, thermal power and chemically purified water in the largest regions of the country. To assess going concern assumptions, management considered the Group's financial position, expected future financial results, loans, available loans, expected tariffs, as well as other factors that impact an ability to meet creditor obligations. Group management assessed its cash requirements, including borrowing obligations and its development plans. After 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 in the preparation of these consolidated financial statements. The Group's management expects an increase in cash flow from operating activities in 2021, which will be sufficient to cover current liabilities on time due to the increase in tariffs at subsidiaries (Note 31).

As a result of the above, management believes that the Group will continue as a going concern for the foreseeable future.

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

In early 2020, the new COVID-19 virus had a significant effect on the operations of many companies in various sectors due to its negative impact on the global economy and major financial markets. The Group produces, transmits, distributes and sells electricity and thermal power, which is recognised as a commodity important in ensuring stable operations for the country's enterprises.

In 2020, the epidemiological situation caused by the spread of COVID-19 had an effect on Group's operations. A presidential decree reduced Karagandy ZhyluSbyt LLP and Energopotok LLP electricity and thermal power tariffs for the public by 5% and 3%, respectively, from 1 April 2020 until the end of the state of emergency. Once the state of emergency ended on 11 May 2020, the two companies applied tariffs approved from 1 January 2020. In addition, as part of the execution of orders of the President of the Republic of Kazakhstan, as well as on the basis of a letter from local executive body, between 1 April and 31 December 2020, subsidiary JSC MRENC transported electricity free of charge to certain consumers in the region whose total electricity consumption was not significant from the JSC MRENC total transmission in 2020. This situation did not have a significant negative impact on the Group's operating results for 2020.

The significance of the effect of COVID-19 on the Group's business largely depends on the duration and intensity of the effects of the pandemic on the global and Kazakhstan economies. Group management is monitoring the current economic situation and taking all necessary actions to maintain Group's stability and business development in the foreseeable future. However, the impact of further economic developments on the Group's future operations and financial position is at this stage difficult to determine.

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 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.

(thousands of tenge, unless indicated otherwise)

Functional and presentational currencies

These consolidated financial statements are presented in Kazakhstan Tenge ("tenge"). Tenge is the functional currency of the Company and its subsidiaries in Kazakhstan and the presentation currency of the consolidated financial statements. The assets and liabilities of foreign operations, where the functional currency is different to tenge, are translated into tenge at the exchange rate prevailing on the reporting date, while profit and loss items are translated into tenge at the weighted-average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange rate differences arising on translation are recorded directly to other comprehensive income. All amounts presented in tenge are rounded to the (nearest) thousand.

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 transaction dates. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items 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.

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).

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

	31 December 2020	31 December 2019
Exchange rate at the end of the year (in tenge)		
1 USD	420.71	381.18
1 Russian Rouble	5.65	6.17
1 Euro	516.13	426.85

	2020	2019
Average exchange rate for the year (in tenge)		
1 USD	413.36	382.87
1 Russian Rouble	5.74	5.92
1 Euro	471.81	428.63

Offsets

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 Group accounting policies.

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 authority 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 holds less than a majority of investee voting rights, it has power over the investee when its 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 its voting rights in an investee are sufficient to give it power, including:

- the share of Company voting rights relative to the share and allocation of the holdings of 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 shareholder meetings.

Subsidiary consolidation begins when the Company obtains control over the subsidiary and ceases when it loses control of the subsidiary. Specifically, the 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 the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to Company owners and to non-controlling interests. Total subsidiary comprehensive income is attributed to Company owners and to 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 Group 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.

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 other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the owners of the Group.

Revenue recognition

Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is 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”).

Main share of consolidated revenue of the Group consists of revenue from electricity and heat sale and transmission. The implementation of each type of service/goods is executed by a separate, identifiable contract with an individual customer.

Under the terms of contracts for sale and transmission of electricity and heat energy of subsidiaries of the Group, performance obligations are identified at the time when the contract is concluded. Contracts for electricity and heat sale and transmission for the Group do not include related and/or additional services.

Under the terms of the contract for electricity and heat sale and transmission, the contract amount is the price for the sold or transmitted volume of electricity or heat, which is an independent object of the service/product.

Electricity and heat sales

Revenue is determined based on actual volumes of electricity and heat sold and tariffs approved by the Committee.

Revenue is recognised in the reporting period in which electricity and heat were consumed, according to metered values.

A receivable is recognised when invoice is issued as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Transmission and distribution of electricity and thermal power

The Group provides services under contracts with fixed price 1 kWh/1 Gcal of transmitted and distributed electric and heat energy based on tariffs approved by the Committee.

Revenue from providing services is recognised in the reporting period, in which the services were rendered. Revenue is recognised based on the actual volume of electric and heat energy transmitted over the reporting period because the customer receives and uses the benefits simultaneously. The actual volume of transmitted and distributed electric and heat energy for the reporting period is confirmed by reconciliation acts for the volumes of transmitted and distributed electric and heat energy, which are executed and signed with customers based on commercial meter readings on a monthly basis. Invoices are issued to customers on a monthly basis as of the last date of each months, and consideration is payable after invoice issue.

A receivable is recognised when invoice is issued as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from electricity capacity maintenance

The Group provides a service to maintain the availability of electricity capacity. Revenues from the provision of services to maintain the availability of electricity capacity are recognised in the reporting period when these services were provided. Revenue is determined on the basis of the actual available electric energy capacity, on the basis of monthly reports on the availability of electricity capacity from the Single Buyer in accordance with the Rules of the capacity market.

The contract provides for payment for one megawatt of supported power per month, and revenue is recognised in the amount to which the Group has the right to invoice. Based on the act signed for the reporting month, the Group issues invoices for the Single Buyer on a monthly basis.

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 recognised at their fair value, and subsequently funds are stated at amortized cost. The difference between the funds received and its fair value is recognised as deferred income. Deferred income is recognised in the statement of profit or loss and other comprehensive income during the useful life of property, plant and equipment.

Borrowing costs

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 financing is related to a qualifying asset. In this case the corresponding amount is capitalised 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 capitalisation.

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, bonuses and corresponding employment-related payments to non-budgetary funds in the current period, is recognised as an expense for the period in which it is earned.

Income tax

Income tax expenses represent the sum 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 to calculate 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. Any such deferred tax assets and liabilities are not recognised if a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable profit nor 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, current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting treatment of a business combination, the tax effect is reported 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 items 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 capitalised 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 structures	7-60
Machinery and equipment	3-52
Vehicles	3-14
Others	3-40

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

At each reporting date, the Group assesses whether there is any indication that property, plant and equipment has suffered an impairment loss. If any such indication exists, the entity estimates the recoverable amount of the asset (if any). If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent 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.

Recoverable amount is calculated as the higher of fair value less costs to sell and value in use. To assess value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and risks specific to the asset for which 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, its carrying amount 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 in the Group’s statement of financial position 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 standard transactions to purchase or sell financial assets are recognised and derecognised at the transaction date. Standard purchase or sale transactions for financial assets require assets be delivered by a deadline established by rules or agreements in effect in the relevant market.

All recognised financial assets are subsequently fully valued either at amortised 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 amortised cost:

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

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 whose goal 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 debt principal and interest on outstanding principal.

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

Effective interest method

The effective interest method is used to calculate the amortised 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 impaired at 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 that are an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses for the expected period until debt instrument maturity or (if applicable) a shorter period to book value at the 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 amortised cost of a debt instrument at the time of its initial recognition.

The amortised cost of a financial instrument is the amount at which a financial asset is estimated at initial recognition, less debt principal payments, plus depreciation calculated using the effective interest method - the difference between the initial amount and the amount to be paid at maturity, adjusted for the estimated loss allowance. The gross book value of a financial asset is the amortised 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 4 types of financial assets for which IFRS 9 requires creation of an allowance for expected credit losses:

- loans given;
- 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 credit losses expected over the life of the financial instrument. In this case, default is determined if the delay period exceeds 210 days.

Loans given

The probability of loan default is calculated based on external ratings; in the absence of an external rating, an internal rating is used. Default on loans given is determined if the delay exceeds 210 days, or due to the inability to fulfil obligations as a result of counterparty financial difficulties.

Other current assets

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

Funds in credit institutions

Funds in credit institutions are represented by such assets as cash and cash equivalents, short-term and long-term financial investments, and restricted cash. Financial assets in the form of funds in credit institutions meet the definition of default if the delay is more than 210 days, or if obligations cannot be met as a result of credit institution financial difficulties.

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

Derecognition of financial assets

The Group derecognises financial assets only if contractual rights to cash flows on them are terminated or a financial asset and corresponding risks and benefits are transferred to another organisation. If the Group does not transfer or retain all of the major risks and benefits of asset ownership 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 benefits of ownership of a transferred financial asset, the Group continues to recognise 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 amortised cost, the difference between the carrying amount of the asset and the amount received and receivable is recognised in profit or loss.

Financial liabilities

The Group's financial liabilities are represented by financial liabilities at fair value through profit or loss or as “other financial liabilities” carried at amortised cost. The Group’s other financial liabilities include loans and bonds issued, trade payables and other payables.

Trade payables from the main activity and other payables

Trade payables from the main activity and other payables are charged when a counterparty has fulfilled its contractual obligations. The Group initially accounts for trade payables and other payables, excluding advances received, at fair value and subsequently at amortised cost using the effective interest method.

Loans and bonds issued

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

Loans and bonds issued are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the consolidated statement of financial position date.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial liability and allocate interest expenses over the period. The effective interest rate discounts estimated future cash payments (including fees and points paid or received forming 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 its amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, its 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.

Estimated liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

Provision amounts are the best estimate of the consideration required to settle a present obligation at the reporting date, given the risks and uncertainties surrounding it. Where a provision is measured using the cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows (if the effect of the time value of money is significant.

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 recognised when their occurrence is highly probable and they can be reliably estimated.

Site restoration obligation provision 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 estimates and revised terms of use, with official inspections conducted regularly.

Even though the exact final amount of required costs is unknown, the Group estimates its costs using a feasibility study and engineering studies in accordance with current technical rules and standards for remediation work and restoration methods.

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

Management periodically reviews its site abandonment and restoration provision estimates. Changes to existing obligations to remove facilities from operation, restore 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.

Dividends

The Group recognises an obligation to distribute cash to participants when the distribution is approved and no longer remains at the Group’s discretion. The corresponding amount is recognised 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 approval date 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 lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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, as described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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

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.

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; and
- 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.

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.

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 Group assets, and the lowest level at which the Group performs control over the reimbursement of assets. Accordingly, each entity assesses 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, and 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.

As at 31 December 2020, the Group analysed impairment indicators of property, plant and equipment. Based on the results of analysis, the indicators were found at the subsidiary JSC MRENC, which carried out a test for impairment of property, plant and equipment as at 31 December 2020.

To test the asset impairment, the Group used a nine-year forecasted period of 2021-2029, because Group management believes that it can use historical data to forecast Group operating results with sufficient accuracy, since no significant changes in Group activities are expected during the forecasted period. The level of tariffs for electricity transmission, as well as the volume of electricity transmission used in the forecast period, are based on the order of the Department of the Committee for the Regulation of Natural Monopolies (hereinafter - "DCRNM") dated from 5 November 2020, approved for the period 2021-2025. In subsequent periods, tariffs were adjusted taking into account the forecasted inflation rate. Growth in electricity transmission volumes from 2025 to 2029 was, on average, 3%, which is in line with the historical level of volume growth. The long-term growth rate in the post-forecast period was 3.44%.

A number of subjective factors are included to the cash flow statement, such as operating and financial factors, using best available evidence. Financial assumptions include significant estimates related to inflation level and growth forecast. The discount rate (WACC) used to calculate the value in use of the Group’s property, plant and equipment was 13.62%.

As at 31 December 2020 based on a value in use calculation for property, plant and equipment of the Company, no impairment was identified. In this respect, value in use calculations are sensitive, in particular to:

- electricity transmission volumes;
- growth in electricity transmission tariffs, and
- discount rate (WACC).

Negative changes in expected tariff indexation, planned electricity transmission growth rates related to general economic trends in the country, and negative changes in other factors in the future, may result in significant impairment losses in the periods in which the changes occur.

Site restoration obligations

In accordance with the Kazakhstan laws and regulations, the Group, through its subsidiaries, Ust-Kamenogorsk CHP LLP and Karaganda Energocentre LLP, is legally obliged to restore the ash dump territory. The Group estimates that it will restore the ash dump area between 2025 and 2027. The carrying amount of liabilities is the current value of estimated costs 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 2020, 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 totalling 359,953 thousand tenge was added to the value of the related asset. As at 31 December 2020, the Group used the following assumptions to measure the fair value of site restoration obligations: average long-term inflation of 4% and discount rate of 9.4% (31 December 2019: 4.55% and 9.4% respectively).

Fair value of purchased property, plant and equipment

In 2019, the Group, represented by subsidiary JSC Mangistau Regional Electricity Network Company, acquired property, plant and equipment from third party Mangystau Nucler Power Plant – Kazatomprom LLP and paid for it 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 analysing the income potential of assets and the economic impairment test. In the course of the valuation, certain assumptions were made, in particular, a weighted average cost of capital of 13.3% was applied.

5. SEGMENT INFORMATION

Information provided to Group management responsible for operating decisions, to allocate resources and assess results by segment, deals with the types of services provided to produce, transmit, distribute and sell electricity. To generate Group 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:

- thermal power and electricity generation;
- electricity transmission and distribution;
- thermal power and electricity sales;
- other.

(thousands of tenge, unless indicated otherwise)

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.

	2020					
Key operating indices	**Thermal power and electricity production**	**Electricity transmission and distribution**	**Thermal power and electricity sales**	**Others**	**Elimination**	**Total**
Revenue from sales to external customers	38,371,636	25,486,520	79,095,931	513,641	-	143,467,728
Segment revenue	23,000,160	22,428,891	30,748	559,799	(46,019,598)	-
Cost of sales, total	(48,617,866)	(29,415,342)	(74,778,619)	-	45,822,820	(106,989,007)
Gross profit	**12,753,930**	**18,500,069**	**4,348,060**	**1,073,440**	**(196,778)**	**36,478,721**
General and administrative expenses	(3,676,729)	(3,394,437)	(1,842,843)	(728,184)	575,415	(9,066,778)
Selling expenses	(13,109)	(1,288,059)	(2,015,769)	-	29,073	(3,287,864)
Finance costs	(966,050)	(2,361,197)	(108,909)	(7,829,797)	133,610	(11,132,343)
Finance income	89,989	198,410	84,890	5,585,252	(133,610)	5,824,931
Other income/(expenses), net	451,929	(173,614)	251,717	(51,908)	(407,710)	70,414
Foreign exchange gain/(loss), net	329	(385,747)	144	5,464,318	-	5,079,044
Profit before income tax	**8,640,289**	**11,095,425**	**717,290**	**3,513,121**	**-**	**23,966,125**
Income tax expenses	(1,883,520)	(2,190,306)	(147,184)	19,487	-	(4,201,523)
Net profit for the year	**6,756,769**	**8,905,119**	**570,106**	**3,532,608**	**-**	**19,764,602**
Other key segment information						
Capital costs on property, plant and equipment	3,184,326	17,562,924	88,529	4,981	-	20,840,760
Depreciation of property, plant and equipment	7,028,885	7,359,741	96,717	20,243	-	14,505,586

	2019					
Key operating indices	**Thermal power and electricity production**	**Electricity transmission and distribution**	**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
Segment 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/(expenses), net	487,091	183,971	253,301	12,863	(401,243)	535,983
Foreign exchange gain/(loss), net	(207)	32,916	1,016	(6,718,752)	-	(6,685,027)
Profit before income tax	**7,785,338**	**15,599,552**	**1,185,558**	**(9,565,272)**	**-**	**15,005,176**
Income tax expenses	(1,500,318)	(2,639,744)	(254,305)	-	-	(4,394,367)
Net profit for the year	**6,285,020**	**12,959,808**	**931,253**	**(9,565,272)**	**-**	**10,610,809**
Other key segment information						
Capital costs on 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)

(thousands of tenge, unless indicated otherwise)

6. REVENUE

	2020	2019
Sale of electricity	91,455,040	81,270,040
Transmission of electricity	25,486,520	25,610,488
Sale of thermal power	16,882,333	16,256,855
Revenue from electricity capacity maintenance	8,742,700	10,422,664
Sales of chemically purified water	364,070	370,516
Lease of buildings	43,480	43,648
Other	493,585	495,031
	143,467,728	**134,469,242**

Revenue from agreements with Group customers is recognised during the 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 2019 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.

7. COST OF SALES

	2020	2019
Materials	38,869,226	40,228,607
Depreciation and amortisation	14,350,702	12,771,727
Services of transmission of electricity, thermal power and chemically purified water	13,731,653	13,550,177
Payroll and related taxes	10,796,369	9,959,826
Electricity purchased from FSC	8,587,488	2,381,490
Technical losses from electricity transmission	6,434,959	4,195,823
Electricity tariff control and regulation	2,915,332	943,091
Electricity availability services or ensuring the readiness of electricity load	2,881,996	4,778,103
Water supply	2,211,125	2,003,719
Repairs	1,952,943	2,912,666
Transportation costs	785,122	1,050,517
Taxes other than income tax	518,325	426,145
Security	494,126	492,864
Provision for unused vacation	411,692	95,356
Other	2,047,949	1,433,609
	106,989,007	**97,223,720**

(thousands of tenge, unless indicated otherwise)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Payroll and related taxes	3,874,004	3,540,447
Taxes other than income tax	2,525,372	2,352,133
Accrual of allowance for expected credit losses (Notes 16 and 18)	236,673	221,777
Consulting services	377,333	370,399
Rental costs	355,407	374,772
Depreciation and amortisation	232,898	419,456
Provision for unused vacation	229,495	146,859
Bank fees	226,008	484,868
Materials	126,271	140,043
Security services	106,757	106,886
Transportation costs	99,746	87,399
Charity	46,742	43,837
Fines and penalties	43,216	212,636
Other	586,856	619,243
	9,066,778	**9,120,755**

Rental costs include current leases of less than one year.

9. SELLING EXPENSES

	2020	2019
Payroll and related taxes	2,074,266	1,916,046
Billing system maintenance	603,696	491,675
Taxes other than income tax	152,599	63,960
Rental costs	128,081	116,862
Bank fees	109,943	107,405
Materials	37,266	66,247
Other	182,013	148,546
	3,287,864	**2,910,741**

Rental costs include current leases of less than one year.

10. FINANCE COSTS

	2020	2019
Interest on bank overdrafts and loans	10,885,921	10,894,831
Interest on bonds issued	128,512	128,511
	11,014,433	**11,023,342**
Unwinding of discount	353,942	186,708
Other finance costs	88,750	159,767
	11,457,125	**11,369,817**
Less capitalised costs (Note 22)	(324,782)	(1,557,808)
	11,132,343	**9,812,009**

(thousands of tenge, unless indicated otherwise)

11. FINANCE INCOME

	2020	2019
Financial assets measured at amortised cost:		
Interest income	5,446,481	5,442,384
	5,446,481	**5,442,384**
Other	378,450	309,819
	5,824,931	**5,752,203**

Finance income for the year ended 31 December 2020 includes interest income of 5,402,520 thousand tenge on a loan given to related party JSC Ushkuyu (2019: 5,402,520 thousand tenge) and 43,961 thousand tenge on a loan to related party Dragon Fortune PTE. LTD (2019: 39,864 thousand tenge) (Note 28).

12. SUBSIDIARIES

The Group comprises 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 2020	31 December 2019
Karaganda Energocentre LLP	Thermal power, electricity and chemically purified water production in Karaganda region	Kazakhstan	100%	100%
Karagandy Zharyk LLP	Electricity transmission and distribution in Karaganda region	Kazakhstan	100%	100%
Ontustik Zharyk Transit LLP	Electricity transmission and distribution in South-Kazakhstan region	Kazakhstan	100%	100%
Karagandy ZhyluSbyt LLP	Thermal power and electricity supply in Karaganda region	Kazakhstan	100%	100%
Raschetny Servisny Tsentr LLP	Electricity supply in Karaganda region	Kazakhstan	100%	100%
Ontustik Zharyk LLP	Electricity supply in South-Kazakhstan region	Kazakhstan	100%	100%
Energopotok LLP	Electricity supply in South-Kazakhstan region	Kazakhstan	100%	100%
Energy Center LLP	Thermal power and electricity production in Karaganda region	Kazakhstan	100%	100%
Vetropark Zhuzimdyk LLP	Electricity generation in South-Kazakhstan region	Kazakhstan	100%	100%
Ust-Kamenogorsk CHP LLP	Thermal power and electricity production in East-Kazakhstan region	Kazakhstan	100%	100%
Shygys Energy LLP	Production entity management	Kazakhstan	100%	100%
Heat & Power Holding B.V.	Production entity management	Netherlands	100%	100%
JSC Mangistau Regional Electricity Network Company	Electricity transmission and distribution in Mangistau region	Kazakhstan	52.63%	52.63%

(thousands of tenge, unless indicated otherwise)

Group structure as at the reporting date is as follows:

	No. of subsidiaries fully owned	
Core activities	**31 December 2020**	**31 December 2019**
Thermal energy and electricity production	4	4
Electricity transfer and distribution	2	2
Thermal power and electricity sales	4	4
Other	2	2
	12	**12**

JSC MRENC is non-wholly owned by the Group.

Non-wholly owned subsidiary with material non-controlling interests

Year	Subsidiary name	Place of registration and main place of operation	Non-controlling ownership share and voting rights	Profit attributable to non-controlling interests	Carrying amount of non-controlling interests
31 December 2020	MRENC	Republic of Kazakhstan	47.37%	793,706	13,985,116
31 December 2019	MRENC	Republic of Kazakhstan	47.37%	2,244,226	13,191,410

A more detailed overview of the movement of non-controlling interest is provided in Note 21.

The table below provides a summary of financial information on the Group subsidiary with significant non-controlling interests.

	31 December 2020	31 December 2019
Current assets	3,849,845	2,383,678
Non-current assets	53,851,246	54,527,725
Current liabilities	(4,835,094)	(4,913,055)
Non-current liabilities	(24,088,892)	(24,150,744)
Equity attributable to owners of the Company	14,791,989	14,656,194
Non-controlling interests	13,985,116	13,191,410

	2020	2019
Revenue	14,979,287	14,491,647
Expenses	(13,303,741)	(9,753,995)
Profit and total comprehensive income for the year	**1,675,546**	**4,737,652**
Profit and total comprehensive income attributable to owners of the Company	881,840	2,493,426
Profit and total comprehensive income attributable to non-controlling interests	793,706	2,244,226
Profit and total comprehensive income for the year	**1,675,546**	**4,737,652**
Net receipt of cash from operating activities	4,848,974	5,327,544
Net disposal of cash from investing activities	(2,237,726)	(8,357,357)
Net disposal and receipt of cash from financial activities	(1,799,613)	1,815,133
Net cash inflow/(outflow)	**811,635**	**(1,214,680)**

(thousands of tenge, unless indicated otherwise)

13. TAXATION

	2020	2019
Current income tax expenses	3,461,403	3,495,906
Deferred income tax expenses	689,814	902,317
Adjustment to income tax from previous years	50,306	(3,856)
	4,201,523	**4,394,367**

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 asset recovery or liability repayment periods.

The table below shows a reconciliation of income tax at 20% to actual income tax recorded in the consolidated statement of comprehensive income:

	2020	2019
Profit before income tax	23,966,125	15,005,176
Statutory income tax rate	20%	20%
Theoretical income tax expense at the statutory rate	4,793,225	3,001,035
Tax losses (used)/unused not recognised as deferred tax assets	(631,066)	1,653,336
Adjustment to income tax from previous years	50,306	(3,856)
Other permanent differences	(10,942)	(256,148)
Income tax expenses	**4,201,523**	**4,394,367**

The following is an analysis of deferred tax assets and liabilities in the consolidated statement of financial position:

	31 December 2020	31 December 2019
Deferred tax assets	289,075	167,068
Deferred tax liabilities	(32,140,600)	(31,328,779)
	(31,851,525)	**(31,161,711)**

As at 31 December 2020, the total tax effect of unrecognised tax losses is 2,194,020 thousand tenge (31 December 2019: 2,825,086 thousand tenge).

(thousands of tenge, unless indicated otherwise)

Changes in deferred tax assets and liabilities are as follows:

	31 December 2019	Recognised in profit or loss	31 December 2020
Deferred tax assets:			
Tax losses carried forward	4,894	-	4,894
Interest payable	51,308	(26,763)	24,545
Site restoration liabilities	180,545	137,261	317,806
Allowance for doubtful debts	598,433	112,020	710,453
Provision for unused vacations	115,574	30,561	146,135
Provision for slow-moving and obsolete inventories	8,141	428	8,569
Taxes	22,102	20,147	42,249
Deferred income	449,212	(148,189)	301,023
	1,430,209	**125,465**	**1,155,674**
Deferred tax liabilities:			
Property, plant and equipment	(32,356,729)	(525,817)	(32,882,546)
Accrued expenses	(158,829)	37,794	(121,035)
Other	(76,362)	(327,256)	(403,618)
	(32,591,920)	**(815,279)**	**(33,407,199)**
Total net deferred tax liabilities	**(31,161,711)**	**(689,814)**	**(31,851,525)**

	31 December 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
Site restoration liabilities	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
Other	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)**

(thousands of tenge, unless indicated otherwise)

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Vehicles	Others	Construction in progress	Total
Cost							
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)
Changes in estimates (Note 4)	-	339,615	-	-	-	-	339,615
Transfers 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**
Additions	1,552	5,502	335,395	1,309,603	40,868	19,147,840	20,840,760
Disposals	-	(75,023)	(679,105)	(53,878)	(13,234)	(712,888)	(1,534,128)
Changes in estimates (Note 4)	-	359,953	-	-	-	-	359,953
Internal transfers	-	5,421,724	17,697,021	8,051	164,586	(23,291,382)	-
As at 31 December 2020	**2,982,017**	**59,035,567**	**230,447,368**	**5,741,939**	**1,243,938**	**23,520,734**	**322,971,563**
Accumulated depreciation and impairment							
As at 1 January 2019	**-**	**(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)**
Accrued for the year	-	(2,518,928)	(11,453,313)	(399,214)	(134,131)	-	(14,505,586)
Disposals	-	69,863	668,901	43,217	11,400	-	793,381
Recovery of impairment	-	-	-	-	-	116,067	116,067
As at 31 December 2020	**-**	**(15,488,261)**	**(67,011,394)**	**(2,640,906)**	**(525,170)**	**(144,223)**	**(85,809,954)**
Net carrying amount							
As at 31 December 2020	**2,982,017**	**43,547,306**	**163,435,974**	**3,101,033**	**718,768**	**23,376,511**	**237,161,609**
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 2020 and 2019, Group construction-in-progress is mainly represented by modernisation objects and reconstruction of substation equipment, SCADA system implementation, power line and substation construction, and ash-disposal dump areas.

In 2020, the Group, represented by the subsidiaries JSC MRENC, Ontustik Zharyk Transit LLP and Karagandy Zharyk LLP, completed construction-in-progress, including substations construction and power lines; equipment modernisation, reconstruction and repairs, which resulted facilities for a total of 23,628,416 thousand tenge being transferred to property, plant and equipment.

Property, plant and equipment acquisitions in 2019 are mostly represented by 8 substations purchased by JSC MRENC on behalf of the Group from the non-related party Mangystau Nucler Power Plant – Kazatomprom LLP (“MNPP LLP”). In accordance with the agreement terms, payment for property, plant and equipment received was made partially using cash of 423,463 thousand tenge under the deferred payment term , which is included into the normal credit terms, and partially in non-cash form of payment that has represented the JSC MRENC’s obligation to organise and pay for construction and installation works at the seller’s facilities and to transport electricity to certain consumers at a zero tariff until the end of March 2020.

As at the time of acquisition of these property, plant and equipment, the Company has valued their fair value at 3,079,030 thousand tenge and allocated it on the cash and non-cash considerations under the agreement as follows:

- 423,463 thousand tenge was allocated for cash consideration, which corresponds to the amount of payment in cash under the agreement;
- to perform construction and assembly, and commissioning work, Group management allocated 514,264 thousand tenge (exclusive of VAT), which matches the amount to be paid to transfer the obligation in a usual transaction between market entities. As Group management planned to provide these services in 2020, as at 31 December 2019, the Group treated their value as an estimated liability to purchase property, plant and equipment;
- the remaining portion of the fair value of purchased property, plant and equipment in the amount of 2,141,303 thousand tenge was treated as deferred income for electricity transportation at the zero tariff for the period between 1 April 2019 and 31 March 2020, out of which 612,108 thousand tenge is attributable to deferred income for first quarter of 2020 as at 31 December 2019. Subsequently, the Group recognised revenue for electricity transportation at the zero tariff in the amount of 612,108 thousand tenge and 1,529,195 thousand tenge for 2020 and 2019, respectively.

For the years ended 31 December 2020 and 2019, the Group capitalised interest in property, plant and equipment of 324,782 thousand tenge and 1,557,808 thousand tenge, respectively (Note 10). In 2020 and 2019, the average capitalisation rate was 11.6%.

As at 31 December 2020 and 2019, the value of the Group’s fully depreciated property, plant and equipment was 5,107,846 thousand tenge and 4,755,829 thousand tenge, respectively.

As at 31 December 2020 and 2019, the Group’s property, plant and equipment, with a carrying amount of 91,382,346 thousand tenge and 96,904,651 thousand tenge, respectively, acted as a security for loans received from JSC Sberbank Russia, JSC SB Sberbank Russia and Development Bank of Kazakhstan (Note 22).

(thousands of tenge, unless indicated otherwise)

15. ADVANCES PAID

Non-current advances paid are presented as follows:

	31 December 2020	31 December 2019
Advances to purchase non-current assets	440,313	851,811
Advances for capital repairs to property, plant and equipment	983	1,275,695
	441,296	**2,127,506**

As at 31 December 2020, non-current advances were predominantly represented by advances paid to suppliers to purchase non-current assets.

Current advances paid are represented by:

	31 December 2020	31 December 2019
Advances to supply materials and other assets	346,079	136,939
Advances to perform work and provide services	286,959	316,034
Provision for doubtful debts	(41,508)	-
	591,530	**452,973**

16. TRADE ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Trade accounts receivable	19,307,361	14,061,493
Less: allowance for expected credit losses	(2,375,581)	(1,864,147)
	16,931,780	**12,197,346**

			Overdue		
31 December 2020	**Total**	**Not overdue**	**up to 120 days**	**120-210 days**	**over 210 days**
Gross carrying amount	19,307,361	220,813	17,757,239	506,672	822,637
Expected credit losses (%)	-	-	7.84%	31.80%	100%
Provision for expected credit losses	(2,375,581)	-	(1,391,842)	(161,102)	(822,637)
Carrying amount	**16,931,780**	**220,813**	**16,365,397**	**345,570**	**-**

(thousands of tenge, unless indicated otherwise)

			Overdue		
31 December 2019	**Total**	**Not overdue**	**up to 120 days**	**120-210 days**	**over 210 days**
Gross carrying amount	14,061,493	67,466	12,974,022	245,022	774,983
Expected credit losses (%)	-	-	7.60%	41.83%	100%
Provision 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**	**-**

Changes in the provision for expected credit losses are represented as follows:

	2020	**2019**
Allowance for expected credit losses at the beginning of the year	**(1,864,147)**	**(1,412,258)**
Accrued for the year (Note 8)	(2,389,528)	(1,895,601)
Written off for the year	13,947	31,454
Recovered for the year (Note 8)	1,864,147	1,412,258
Allowance for expected credit losses at the end of the year	**(2,375,581)**	**(1,864,147)**

The Group records 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 2020 and 2019, trade accounts receivable were denominated in tenge.

17. INVENTORIES

	31 December 2020	**31 December 2019**
Raw materials and supplies	1,937,574	1,775,238
Fuel	1,920,273	1,672,158
Spare parts	597,219	611,323
Goods for resale	4,480	4,905
Other	136,838	118,784
Less: a provision for slow-moving and obsolete inventories	(102,824)	(80,960)
	4,493,560	**4,101,448**

(thousands of tenge, unless indicated otherwise)

18. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Other financial assets:		
Short-term loans given	467,000	319,894
Accounts receivable from the sale of property, plant and equipment	631,512	899,017
Other current financial assets	717,606	765,131
	1,816,118	**1,984,042**
Less: allowance for expected credit losses	(686,735)	(975,443)
	1,129,383	**1,008,599**
Other non-financial assets:		
Other taxes recoverable	979,194	892,107
Deferred expenses	52,289	38,198
	1,031,483	**930,305**
	2,160,866	**1,938,904**

Changes in the allowance for expected credit losses are represented as follows:

	2020	2019
Allowance for expected credit losses at the beginning of the year	**(975,443)**	**(1,237,009)**
Accrued for the year (Note 8)	-	-
Recovered for the year (Note 8)	288,708	261,566
Allowance for expected credit losses at the end of the year	**(686,735)**	**(975,443)**

As at 31 December 2020, other current assets mainly consist of restricted cash of 328,150 thousand tenge (31 December 2019: 121,946 thousand tenge) and payables on claims of 115,941 thousand tenge (31 December 2019: 132,709 thousand tenge). All remaining current assets were mainly represented by other receivables.

As at 31 December 2020 and 2019, financial assets within other current assets were mainly denominated in tenge.

19. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in savings accounts, in tenge	3,314,283	3,311,861
Cash in bank accounts, in tenge	397,202	714,553
Cash in transit, in tenge	247,806	321,256
Petty cash, in tenge	78,590	59,941
Less: allowance for expected credit losses	(9,315)	(44,441)
	4,028,566	**4,363,170**

As at 31 December 2020, cash in savings accounts is mainly represented by deposits with SB Sberbank of Russia JSC and ATF Bank JSC. As of 31 December 2020 and 2019 these deposits are denominated in tenge and placed with an original maturity of up to 12 months and annual interest rates of 8.00-8.25% and 11.5%, respectively. Withdrawal of funds from deposits is possible at any time, without loss of interest earned amounts, except for the minimum balance of deposits in the amount of 20,000 thousand tenge.

20. EQUITY

Share capital

Company share capital as at 31 December 2020 and 2019 was 11,636,404 thousand tenge. The interests of each partner in Group share capital is as follows as at 31 December 2020 and 2019:

	31 December 2020		31 December 2019	
Partner	**Amount, thousands of tenge**	**Participation interest**	**Amount, thousands of tenge**	**Participation interest**
M.K. Idrissova	11,636,403	99%	11,636,403	99%
Z.M. Ismailova	1	1%	1	1%
	11,636,404	**100%**	**11,636,404**	**100%**

During 2020 and 2019, no dividends for 2019 and 2018 were declared or paid.

In 2020, the subsidiary JSC MRENC paid dividends on preferred shares of 4,464 thousand tenge (2019: 6,700 thousand tenge).

Additional paid-in capital

Additional paid-in capital of 9,239,137 thousand tenge as at 31 December 2019 and 2020 was formed between 2008 and 2011 as a result of transactions to purchase 100% interests in Karagandy Zharyk LLP, Energopotok LLP and Karaganda Energocentre LLP, where the purchase amount exceeded the balance of net identifiable assets, and as a result attracting of interest-free long-term financing from related parties.

21. NON-CONTROLLING INTERESTS

	2020	**2019**
At the beginning of the year	13,191,410	10,947,184
Share of profit for the year	793,706	2,244,226
At the end of the year	**13,985,116**	**13,191,410**

(thousands of tenge, unless indicated otherwise)

More detailed information on subsidiary transactions with significant non-controlling interests is provided in Note 12.

22. LOANS AND BONDS ISSUED

	Currency	Rate	31 December 2020	31 December 2019
JSC Sberbank Russia	Russian Roubles	10.75%-11.50%	61,318,092	66,961,527
JSC SB Sberbank Russia	Tenge	12.5%-13.75%	10,868,089	8,490,005
European Bank of Reconstruction and Development	Tenge	7.25% (variable)	9,356,180	10,707,322
JSC Development Bank of Kazakhstan	Tenge	7%	6,771,627	10,641,128
Bonds issued	Tenge	8%-15%	4,353,159	4,381,850
Bonds issued	USD	8%	3,340,901	3,026,989
European Bank of Reconstruction and Development	USD	1.7%	1,951,043	2,020,254
JSC Bank CenterCredit	Tenge	13.7%	-	663,830
JSC First Heartland Jýsan Bank	Tenge	11%	-	750,000
Other loans	Tenge		363,366	442,260
Accrued interest			1,938,182	1,682,239
			100,260,639	**109,767,404**
Non-depreciated part of a one-time payment for loan processing			(162,932)	(308,240)
			100,097,707	**109,459,164**
Less the current portion of the loans payable within one year			(18,939,003)	(71,877,493)
Non-current portion of loans and bonds issued			**81,158,704**	**37,581,671**

Loans and bonds issued mature as follows:

	31 December 2020	31 December 2019
On demand or within one year	18,939,003	71,877,493
1-2 years	13,649,745	9,318,782
2-3 years	25,901,188	3,485,489
3-5 years inclusive	38,687,056	16,327,511
Over 5 years	3,083,647	8,758,129
	100,260,639	**109,767,404**

JSC Sberbank Russia

In May 2018, the parent company concluded agreements on the receipt by the Group, represented by the parent company, to receive financing in the form of 3 non-renewable credit lines in JSC Sberbank Russia:

- of up to 12,962,500 thousand Russian Roubles, with interest at 10.75% per annum, up to 24 months (Contract 1), to provide a loan to JSC Ushkuyu (previously JSC Ansagan Petroleum), a related party (Note 28), to refinance previously attracted JSC Ushkuyu loans;
- of up to 12,962,500 thousand Russian Roubles, with interest of 11.5% per annum, up to 84 months (Contract 2), to refinance the abovementioned credit line under Contract 1. The period of availability under Contract 2 is until 14 June 2020;
- of up to 1,320,000 thousand Russian Roubles, with interest of 10.75% per annum, for a period of up to 60 months (Contract 3), to provide loans to subsidiaries to finance investment costs.

In 2020, the Group refinanced the loan under Contract 1 in the amount of 55,104,000 thousand tenge (9,600,000 thousand Russian Roubles) due to credit line under Contract 2, as a result of which the loan maturity was extended until 14 May 2025. As at 31 December 2020 and 2019, the outstanding balance under the contracts was 54,240,000 thousand tenge and 59,232,000 thousand tenge, respectively.

The 51% interest in the charter capital of the parent company owned by M.K. Idrissova, and the 1% interest held by Z.M. Ismailova, as well as the 100% interest in Karaganda Energocentre LLP, Ontustik Zharyk Transit LLP and Karagandy Zharyk LLP were pledged under the contracts as a collateral for the fulfilment of obligations under these agreements. Property, plant and equipment of Karaganda Energocentre LLP was used as a collateral for the loan, as well as for the loan from JSC Development Bank of Kazakhstan. Guarantees were also provided by D.A. Idrissov and M.K. Idrissova.

On 20 November 2019, the Group received cash under Contract 3 in the amount of 6,057,620 thousand tenge (1,000,961 thousand Russian Roubles). For the year ended 31 December 2020, interest repaid amounted to 660,072 thousand tenge. As at 31 December 2020 and 2019, the outstanding balance under this contract was 7,078,092 thousand tenge and 7,729,527 thousand tenge, respectively.

JSC SB Sberbank Russia

On 9 October 2020, the Group, represented by parent company, opened a renewable credit line and received a first tranche from JSC SB Sberbank Russia in the amount of 5,000,000 thousand tenge to replenish working capital and provide financial aid to subsidiaries, at a fixed interest rate of 12.5% per annum. The period of each tranche should not exceed 12 months and should not exceed the loan period, which is 9 October 2023 inclusive. Loan collateral is property, plant and equipment of Karagandy Zharyk LLP with a carrying amount of 19,561,234 thousand tenge (Note 14). Guarantees were also provided by D.A. Idrissov and M.K. Idrissova. As at 31 December 2020, the outstanding balance under this contract was 5,000,000 thousand tenge (31 December 2019: 0).

As at 31 December 2020 and 2019, the outstanding amount on a loan received by Group, represented by the parent company from 10 March 2017 was 3,442,351 thousand tenge and 4,425,880 thousand tenge, respectively. Loan collateral is a 70% interest in Shyngys Energo LLP and Heat & Power Holding B.V., property, plant and equipment of Karagandy Zharyk LLP with a carrying amount of 19,561,234 thousand tenge (31 December 2019: 17,414,020 thousand tenge) (Note 14). Guarantees were also provided by D.A. Idrissov and M.K. Idrissova.

In 2020, the subsidiary Ust-Kamenogorsk CHP LLP repaid principal amount of 2,804,176 thousand tenge (2019: 2,804,176 thousand tenge) on a loan from 28 June 2018. As at 31 December 2020, the balance on the principal is 1,025,738 thousand tenge (31 December 2019: 3,829,915 thousand tenge). Loan collateral is property, plant and equipment of Ust-Kamenogorsk CHP LLP as a movable and immovable estate with a carrying amount of 15,393,156 thousand tenge (31 December 2019: 16,402,807 thousand tenge). As at 31 December 2020 and 2019, the outstanding amount under this contract was 1,025,738 thousand tenge and 3,829,915 thousand tenge, respectively.

In 2020, Karagandy Zharyk LLP did not receive new loans and fully repaid principal and interest amount in full of 252,826 thousand tenge and 11,670 thousand tenge, respectively (2019: 805,751 thousand tenge and 72,629 thousand tenge, respectively, the balance as at 31 December 2019 was 234,210 thousand tenge).

In 2020, the subsidiary Karagandy ZhyluSbyt LLP received cash in the amount of 6,750,000 thousand tenge in accordance with bank loan agreement (overdraft) from JSC SB Sberbank Russia from 27 February 2020. Interest is accrued on the principal amount for the actual time of use. The loan interest rate is 12.50% with a maturity date of 27 February 2021. During the reporting period, the subsidiary repaid principal of 6,000,000 thousand tenge and interest of 27,234 thousand tenge. As at 31 December 2020, the amount outstanding under this contract was 750,000 thousand tenge (31 December 2019: 0).

As at 31 December 2020 and 2019, the amount outstanding under the loan with Energopotok LLP was 650,000 thousand tenge and 753,059 thousand tenge, respectively.

JSC Development Bank of Kazakhstan

As at 31 December 2020 and 2019 the amount outstanding under a loan agreement with LLP Karaganda Energocenter amounted to 6,771,627 thousand tenge and 10,641,128 thousand tenge, respectively. As at 31 December 2020, property, plant and equipment with a carrying amount of 56,427,956 thousand tenge (31 December 2019: 59,130,602 thousand tenge) acted as collateral for loans of the Group to JSC Development Bank of Kazakhstan.

On 21 February 2018, the Group, represented by subsidiary Karaganda Energocentre LLP, entered into pledge agreement addendums of property with JSC Development Bank of Kazakhstan, whereby pledge agreements of property of Karaganda Energocentre LLP concluded to secure the Group's obligations to JSC Development Bank of Kazakhstan under a credit line from 19 June 2012 extend to securing YDD Corporation LLP liabilities to JSC Development Bank of Kazakhstan under an agreement to open a credit line from 16 February 2018 of 24,120,000 thousand tenge (Note 30).

D.A. Idrissov and M.K. Idrissova guaranteed the loans received from JSC Development Bank of Kazakhstan and JSC SB Sberbank Russia.

JSC European Bank for Reconstruction and Development

On 16 March 2018, the Group, represented by subsidiary JSC MRENC, entered into a loan agreement with JSC European Bank for Reconstruction and Development ("EBRD") to provide financing of 12,300,000 thousand tenge from the bank's usual resources and 5,300,000 USD from the special Green Climate Fund administered by the EBRD. As at 31 December 2020, the unused portion of the loan agreement is 1,300,000 thousand tenge (31 December 2019: 1,300,000 thousand tenge).

Interest for 2020 was 1,326,197 thousand tenge, of which 272,688 thousand tenge was capitalised in property, plant and equipment (2019: 900,109 thousand tenge and was fully capitalised in property, plant and equipment). For the year ended 31 December 2020, the Group, represented by its subsidiary JSC MRENC, repaid principal and interest of 1,795,149 thousand tenge and 1,649,803 thousand tenge, respectively (178,198 thousand tenge and 169,143 thousand tenge, respectively). As at 31 December 2020, loans from usual resources and the Green Climate Fund amounted to 9,356,180 thousand tenge and 1,951,043 thousand tenge, respectively (31 December 2019: 10,707,322 thousand tenge and 2,020,254 thousand tenge, respectively).

JSC Bank CenterCredit

For the year ended 31 December 2020, the Group, represented by its subsidiary Ontustik Zharyk Transit LLP, repaid credit line principal and interest of 663,830 thousand tenge and 52,094 thousand tenge, respectively (2019: 612,766 thousand tenge and 138,382 thousand tenge, respectively). Accrued interest for 2020 amounted to 52,094 thousand tenge (2019: 131,233 thousand tenge), which was fully capitalised in property, plant and equipment. As at 31 December 2020, Ontustik Zharyk Transit LLP had repaid the loan in full.

Loans from consumers

Other loans comprise loans of the acquired subsidiary JSC MRENC. According to Government Decision No. 1044 dated 8 October 2004, JSC MRENC received funds from customers to construct a power transmission network or upgrade current infrastructure. The funds are interest-free and due for repayment within 25 years. The funds received from customers are initially recognised at their fair value using the effective interest rate method at the prevailing market rate (2009: 16%, 2008: 16% and 2007: 12%), and subsequently recognised at amortised cost in long-term loans. As at 31 December 2020, loans from consumers for additional capacity amounted to 363,366 thousand tenge (31 December 2019: 442,260 thousand tenge). The difference between the funds received and their fair value is recognised as deferred income (Note 23).

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

(thousands of tenge, unless indicated otherwise)

Bonds issued

As at 31 December 2020 and 2019, bonds issued included:

Group enterprise	Bonds issued, by price	Maturity date	Exchanges	31 December 2020	31 December 2019
KUS LLP	15% tenge bonds issued	2021	Kazakhstan stock exchange	856,744	856,744
MRENC JSC	8% bonds issued of the 6th issue in tenge	2023	Kazakhstan stock exchange	1,402,508	1,489,794
MRENC JSC	9% bonds issued of the 7th issue in tenge	2024	Kazakhstan stock exchange	2,093,907	2,035,312
MRENC JSC	8% bonds issued of the 8th issue in USD	2025	Kazakhstan stock exchange	3,340,901	3,026,989
	Total bonds issued			**7,694,060**	**7,408,839**
	Current portion of bonds issued			856,744	-
	Non-current portion of bonds issued			6,837,316	7,408,839
				7,694,060	**7,408,839**

For the year ended 31 December 2020, accrued interest on bonds issued amounted to 669,497 thousand tenge (2019: 660,727 thousand tenge, out of which 526,467 thousand tenge was capitalised in property, plant and equipment). Funds from the bonds issued placement were used to implement the JSC MRENC investment programme. In 2020, the Group paid interest to holders of bonds issued in the amount of 672,384 thousand tenge (2019: 655,024 thousand tenge).

As at 31 December 2020 and 2019, the Group had no delays in the payment of principal and interest of loans and bonds issued.

Changes in 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 2020	Cash flows from financing activities (i)	Other changes (ii)	31 December 2020
Credit and loans	101,789,981	(4,719,011)	(4,691,863)	92,379,107
Bonds issued	7,669,183	-	49,417	7,718,600
Other borrowings (Note 25)	5,818,420	1,222,900	-	7,041,320
	115,277,584	**(3,496,111)**	**(4,642,446)**	**107,139,027**

(thousands of tenge, unless indicated otherwise)

	1 January 2019	Cash flows from financing activities (i)	Other changes (ii)	31 December 2019
Credit and loans	99,196,340	(3,773,865)	6,367,506	101,789,981
Bonds issued	7,273,940	-	395,243	7,669,183
Other borrowings (Note 25)	2,091,419	3,727,000	1	5,818,420
	108,561,699	**(46,865)**	**6,762,750**	**115,277,584**

(i) Cash flows from loans and borrowings, bonds 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, amortisation of a one-time consideration for arranging loans, the effect of revising the interest rate on a loan, and netting transactions.

Compliance with credit agreements terms

Under loan agreements, the Group has obligations to comply with financial and non-financial covenants. As at 31 December 2020, the Group's outstanding balance under these loans was 62,436,704 thousand tenge, out of which 3,288,212 thousand tenge were in current portion and 59,148,492 thousand tenge were in non-current portion.

To prevent non-compliance, as at the reporting date, the Group received a waiver letter on non-application of non-financial terms from the banks. As at 31 December 2020, the Group fulfilled the financial covenants within the frame of loan agreements with JSC Sberbank Russia, JSC SB Sberbank Russia and JSC European Bank for Reconstruction and Development.

23. OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2019
Other non-current financial liabilities:		
Additional capacity liabilities	56,315	59,563
Other non-current financial liabilities	82,847	152,154
	139,162	**211,717**
Other non-current non-financial liabilities:		
Restoration reserve	1,589,038	902,728
Deferred income	1,404,824	1,568,080
	2,993,862	**2,470,808**
	3,133,024	**2,682,525**

In 2020 and 2019, the estimated liability to restore the Group’s TPP-3 ash dump, held by subsidiary Karaganda Energocentre LLP, increased as a result of an adjustment to the proposed technology to create a restoration layer by 289,671 thousand tenge and 186,104 thousand tenge, respectively.

(thousands of tenge, unless indicated otherwise)

In December 2020, Group management, represented by subsidiary Ust-Kamenogorsk CHP LLP, analysed the outflow of resources required to repay land restoration liabilities. As at 31 December 2020 and 2019, the increases in the environmental restoration estimated liability of 359,953 thousand tenge and 339,615 thousand tenge, respectively, were capitalised in the value of the corresponding asset (Note 14).

As at 31 December 2020, deferred income is mainly represented by loans in accordance with the agreement of JSC MRENC customers of 1,197,993 thousand tenge (31 December 2019: 1,265,122 thousand tenge) (Note 22).

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

24. TRADE ACCOUNTS PAYABLE

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

	31 December 2020	31 December 2019
In tenge	13,908,299	11,874,169
In USD	142,481	118,255
In Russian Roubles	67,583	48
	14,118,363	**11,992,472**

25. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2020	31 December 2019
Other financial liabilities:		
Interest-free short-term loans	7,041,320	5,818,420
Salaries payable	907,690	710,164
Other accounts payable	474,164	1,100,345
Current portion of the amount outstanding for JSC MRENC shares	-	1,101,151
	8,423,174	**8,730,080**
Other non-financial liabilities:		
Liabilities from contracts with customers	3,829,697	2,814,020
Provision for unused vacations	880,415	671,564
	4,710,112	**3,485,584**
	13,133,286	**12,215,664**

As at 31 December 2020 and 2019, interest-free short-term loans were received to finance Group working capital and included loans of Karaganda Energosbyt LLP of 3,201,303 thousand tenge (31 December 2019.: 2,235,803 thousand tenge), Yugenergoimpulse LLP of 1,758,400 thousand tenge (31 December 2019: 1,046,000 thousand tenge), Garant Energo LLP of 788,000 thousand tenge (31

(thousands of tenge, unless indicated otherwise)

December 2019: 580,000 thousand tenge) and Energosbyt 21 LLP of 553,000 thousand tenge (31 December 2019: 453,000 thousand tenge).

As at 31 December, liabilities from contracts with customers by type of activity are presented below. These liabilities are prepayments/advances.

Liabilities from contracts with customers by activity type	**31 December 2020**	**31 December 2019**
Sales of electricity	2,816,266	2,002,215
Transmission of electricity	1,009,998	721,102
Sale of thermal water	197	64,063
Other	3,236	26,640
	3,829,697	**2,814,020**

Financial liabilities in other current liabilities are denominated in tenge.

26. OTHER TAXES PAYABLE

	31 December 2020	**31 December 2019**
Value added tax	1,633,996	1,043,261
Pension contribution obligations	212,872	167,115
Individual income tax	143,168	98,064
Other taxes	428,053	384,447
	2,418,089	**1,692,887**

27. EMPLOYEE BENEFITS

In accordance with the Law On Pension Benefits in the Republic of Kazakhstan effective from 1 January 1998, which replaced the solidary pension system with an accumulation pension system, all employees are entitled to a guaranteed pension proportional to their employment duration, if any, as at 1 January 1998. They are also eligible for pension payments from accumulation pension funds made from individual retirement savings generated by obligatory employee contributions of 10% of their salary. However, by law, from 1 January 2016 salary deductions should not exceed 212,500 tenge per month (2019: 212,500 tenge per month). These amounts are expensed as incurred. Pension fund payments are deducted from employee salaries and included in other payroll costs in the statement of comprehensive income.

As at 31 December 2020 and 2019, the Group had no further obligations to its current and former employees with respect to pension benefits, health care for retired employees, insurance benefits or pension compensation.

(thousands of tenge, unless indicated otherwise)

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.

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 2020 and 2019 are detailed below.

For the years ended 31 December 2020 and 2019, the Group had trading operations and transactions to sell assets with the following related parties:

Service	Period	Companies making up the Participant Group	Other related parties	Total
	2020	4,440,067	-	4,440,067
Sales of goods and services	2019	1,013,259	-	1,013,259
	2020	-	374,040	374,040
Purchase of goods and services	2019	-	361,168	361,168

In 2020, the Group sold electricity to related parties and leased office premises from related parties.

Service	Period	Companies making up the Participant Group	Other related parties	Total
	2020	1,939,570	-	1,939,570
Trade accounts receivable	2019	415,969	-	415,969
Including allowance for expected	2020	(178,787)	-	(178,787)
credit losses	2019	(28,823)	-	(28,823)
	2020	-	631,512	631,512
Other receivables	2019	-	926,920	926,920
Including allowance for expected	2020	-	(631,512)	(631,512)
credit losses	2019	-	(890,261)	(890,261)
	2020	-	8,492	8,492
Other payables	2019	-	7,282	7,282

(thousands of tenge, unless indicated otherwise)

Related party transactions are exclusive of VAT, balance with debtors and creditors are inclusive of VAT.

Loans given to related parties

	Currency	Interest rate	Maturity date	31 December 2020	31 December 2019
JSC Ushkuyu	Tenge	0%, 10.75%	14 May 2022	64,725,963	59,327,415
D.Y. Mustafin	Tenge	0%	November 2021	3,129,486	3,129,486
Dragon Fortune PTE. LTD	USD	2.00%	18 December 2022	2,278,819	2,024,107
Less the current portion of the loan to be repaid within 12 months				(3,129,486)	(3,129,486)
Non-current portion of loans				**67,004,782**	**61,351,522**

In 2018, the Group, represented by its subsidiary, Heat and Power Holding B.V., issued a loan to a related party (Dragon Fortune PTE. LTD) of 5,100 thousand USD, based on a loan agreement from 29 December 2017, with interest rate at 2% per annum. The loan is repayable in a lump sum at the end of the term. Loan interest income in 2020 amounted to 43,961 thousand tenge (Note 11) (2019: 39,864 thousand tenge).

In 2019, the Company provided interest-free financial aid to JSC Ushkuyu of 500,000 thousand tenge. The financial aid was not repaid in 2020 and 2019.

In 2018, the Company provided loan to JSC Ushkuyu of 50,256,000 thousand tenge. Interest income on the loan in 2020 amounted to 5,402,520 thousand tenge (Note 11) (2019: 5,402,520 thousand tenge). The loan with a balance as at 31 December 2020 of 64,725,963 thousand tenge, was given in 2018 for two years and with interest rate at 10.75% per annum, to repay outstanding amounts of the JSC Ushkuyu loans. In 2021, the Group signed additional agreements to extend the maturity of the loan until 14 May 2022.

In 2018, the Group, represented by its subsidiary, Karaganda Energocenter LLP, provided financial aid to Capital Building Development LLP in the amount of 2,980,466 thousand tenge. In order to ensure the timely fulfillment of obligations to return the amount of financial aid, Capital Building Development LLP pledged real estate owned by it in the form of a land. At the end of 2018, an agreement was signed on the assignment of rights under an agreement on pledge of real estate between Karaganda Energocenter LLP and Mustafin D.E., according to which all rights to the pledged property and obligations under the pledge agreement and financial aid were transferred to Mustafin D. E., and taking into account the penalty for late payments accrued by Capital Building Development LLP, the debt amounted to 3,129,486 thousand tenge as at 31 December 2018. During 2020 and 2019 there were no movements on this loan, the debt as at 31 December 2020 amounted to 3,129,486 thousand tenge. For the loan issued to Mustafin D.E., the maturity date was set for November 2020, but the loan was not repaid. As a result of negotiations, the Group postponed the due date for November 2021.

Other transactions

As at 31 December 2020, interest-free financial aid provided to a related party, the spouse of the Company participant, D.A. Idrissov, amounted to 61,000 thousand tenge (31 December 2019: 61,000 thousand tenge). In 2020 and 2019, the financial aid had not been repaid.

As at 31 December 2020, interest-free financial aid provided to a related party controlled by the spouse of the participant of Ordabasy Group LLP amounted to 60,000 thousand tenge (31 December 2019: 60,000 thousand tenge). In 2020 and 2019, the financial aid had not been repaid.

As at 31 December 2020, interest-free financial aid provided to a related party where M.K. Idrissova is a participant, Ordabasy Shrakat LLP, amounted to 65,000 thousand tenge (31 December 2019: 65,000 thousand tenge). In 2020 and 2019, the financial aid had not been repaid.

Key management personnel remuneration

Key management personnel remuneration is determined at founder meetings and by senior management based on human resource management policy, staff schedules, individual employment agreements, resolutions of founder meetings and orders awarding bonuses.

Remuneration paid to Group key management personnel for the years ended 31 December 2020 and 2019 amounted to 324,104 thousand tenge and 214,755 thousand tenge, respectively. Key management personnel remuneration mainly consists of salary and bonus costs.

29. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return for founders by optimising the debt and equity balance. Compared to 2019, overall strategy of the Group has not changed.

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

Significant accounting policies

Note 3 to these consolidated financial statements contains a summary of significant accounting policies and methods adopted, including recognition criteria, 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.

(thousands of tenge, unless indicated otherwise)

Financial instrument categories

As at 31 December 2020 and 2019, financial instruments were presented as following:

	31 December 2020	31 December 2019
Financial assets		
Loans given	70,134,268	64,481,008
Trade accounts receivable	16,931,780	12,197,346
Other current assets (excluding deferred expenses and other taxes recoverable)	1,129,383	1,008,599
Cash and cash equivalents	4,028,566	4,363,170
Financial liabilities		
Bank loans (current and non-current portions)	100,097,707	109,459,164
Other non-current liabilities	139,162	211,717
Trade accounts payable	14,118,363	11,992,472
Other accounts payable and accrued liabilities (excluding advances received and provisions for unused vacation)	8,423,174	8,730,080

Financial risk management objectives

The Group monitors and manages financial risks related to the Group's business through internal risk reports, which analyse risk probability and its expected exposure. These risks include market risk (including currency risk and the risk of changes in fair value as a result of interest rate 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 given (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.

Credit risk concentration 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.

The Group holds deposits in Kazakhstan and foreign banks. Group management periodically reviews the banks' credit ratings to exclude credit risks.

(thousands of tenge, unless indicated otherwise)

		Rating		As at 31 December	
Banks	**Location**	**2020**	**2019**	**2020**	**2019**
JSC SB Sberbank Russia	Kazakhstan	BB-	BB+	2,454,685	2,654,874
JSC ATF Bank	Kazakhstan	B-	B-	1,211,798	1,059,978
JSC Halyk Bank Kazakhstan	Kazakhstan	BB+	BB	35,418	-
JSC Bank CenterCredit	Kazakhstan	B-	B	5,820	5,023
JSC Altyn Bank	Kazakhstan	BBB-	BBB-	2,575	1,828
JSC First Heartland Jýsan Bank	Kazakhstan	B	B-	86	254,235
Others	Kazakhstan	-	-	1,103	50,476
				3,711,485	**4,026,414**

The credit ratings in the above table are provided by Standard & Poor's.

Market risk

The Group's activities are exposed to possible changes in exchange rates (see Currency risk management) and interest rates (see Interest rate changes 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 any such exposure will have no significant effect on the consolidated financial statements.

Currency risk management

Forex gain for 2020 was 5,079,044 thousand tenge (2019: forex loss was 6,685,027 thousand tenge), and was mainly formed as a result of a revaluation of foreign currency loan and bonds issued liabilities using the exchange rate on the reporting date.

As at 31 December 2020 and 2019, the carrying amounts of the Group's foreign currency loans, accounts payable and cash, and USD denominated bonds issued are as follows:

	USD		Russian Roubles	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Loans given	2,278,819	2,024,107	-	-
Accounts payable	(142,481)	(118,255)	(67,583)	(48)
Bonds issued denominated in USD	(3,340,901)	(3,026,989)	-	-
Loans received	(1,951,043)	(2,020,254)	(61,318,092)	(66,961,527)

Foreign currency sensitivity analysis

The Group is mainly exposed to risks associated with changes in the USD and Russian Rouble exchange rates.

(thousands of tenge, unless indicated otherwise)

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 USD, b) accounts payable and c) loans issued and accounts receivable of the Group, if they are denominated in a currency other than the creditor or debtor currency.

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

	USD effect		Russian Rouble effect	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Loans given	(455,764)	(404,822)	-	-
Accounts payable	28,496	23,651	13,517	10
Bonds issued denominated in USD	668,180	605,398	-	-
Loans received	390,209	404,051	12,263,618	13,392,305
	631,121	**628,278**	**12,277,135**	**13,392,315**

Interest rate changes risk management

The Group is exposed to an insignificant interest rate changes risk as the Group receives loans from the EBRD at a rate subject to inflation adjustment. The Group does not enter into derivatives contracts to manage interest rate risks.

Liquidity risk management

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

Liquidity risk and interest rate changes 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.

(thousands of tenge, unless indicated otherwise)

	Interest rate	Up to one year	1-5 years	Over 5 years	Unspecified maturity[1]	Total
31 December 2020						
Loans given	0%-10.75%	3,129,486	74,701,285	-	-	77,830,771
Trade accounts receivable		16,931,780	-	-	2,375,581	19,307,361
Other current assets		1,129,383	-	-	-	1,129,383
Cash, interest-bearing	8.0%-11.25%	3,304,968	-	-	9,315	3,314,283
Cash, interest-free		723,598	-	-	-	723,598
		25,219,215	**74,701,285**	**-**	**2,384,896**	**102,305,396**
Credits, loans and bonds issued	1.7%-15%	(26,047,345)	(95,860,847)	(6,283,698)	-	(128,191,890)
Trade accounts payable		(14,118,363)	-	-	-	(14,118,363)
Other non-current liabilities		-	(139,162)	-	-	(139,162)
Other accounts payable and accrued liabilities		(8,423,174)	-	-	-	(8,423,174)
		(48,588,882)	**(96,000,009)**	**(6,283,698)**	**-**	**(150,872,589)**
		(23,369,667)	**(21,298,724)**	**(6,283,698)**	**2,384,896**	**(48,567,193)**

	Interest rate	Up to one year	1-5 years	Over 5 years	Unspecified maturity [1]	Total
31 December 2019						
Loans given	0%-10.75%	3,129,486	70,817,090	-	-	73,946,576
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		1,095,750	-	-	-	1,095,750
		20,698,601	**70,817,090**	**-**	**1,908,588**	**93,424,279**
Credits, loans and bonds 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		(8,730,080)	-	-	-	(8,730,080)
		(94,885,625)	**(36,671,638)**	**(10,732,892)**	**-**	**(142,290,155)**
		(74,187,024)	**34,145,452**	**(10,732,892)**	**1,908,588**	**(48,865,876)**

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 Group's financial instruments, judgement is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

[1] The amounts with unspecified maturities represent the amounts which were provided for expected credit losses.

(thousands of tenge, unless indicated otherwise)

The Group used the following methods and assumptions 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 12 months, the carrying amount approximates fair value due to the short-term nature of these financial instruments;
- for financial assets and liabilities with a maturity of more than 12 months, the fair value is the present value of 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 2020, the 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 2020	**Fair value as at 31 December 2020**
Financial assets held at amortised cost:		
Long-term loans provided (Level 2)	67,004,782	58,060,215
Short-term loans provided (Level 2)	3,129,486	3,003,054
Financial liabilities held at amortised cost:		
Long-term bank loans and bonds issued (Level 2)	(100,097,707)	(97,419,871)

The fair values of the long-term financial liabilities included in the 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 counterparty credit risk.

30. CONTINGENT LIABILITIES

Contractual commitments

As at 31 December 2020, contractual commitments to purchase property, plant and equipment and capital investments amounted to 448,347 thousand tenge (31 December 2019: 3,256,015 thousand tenge).

Under the MRENC shares purchase transaction, on 20 September 2017 the Group and KBI Energy LLP entered into a contract with JSC Samruk-Energy to redeem the sixth MRENC bonds issue of 1,253,250 thousand bonds (626,625 bonds to each buyer) owned by JSC Samruk-Energy JSC. The contract value was 1,538,402 thousand tenge and is to be paid in equal instalments during 2020-2023. The liability was not considered when determining the consideration payable, as title to the bond passes to the buyer from the date payment of the purchase price starts, i.e. from 2020. In 2020 each buyer purchased 156,656 of the first portion of bonds issued. The purchase price was 192,300 thousand tenge. The Group recorded the difference between the purchase and nominal values of the bonds issued in the statement of profit or loss. In recent years, the Group, together with KBI Energy LLP, will continue to purchase the bonds issued in equal tranches until 2023.

Taxation and legal environment

Kazakhstan currently applies a number of laws relating to various taxes levied by both national and regional authorities, the majority of which have not been in effect for as long as in more developed markets, which is why their application is often not clear or established. Accordingly, few precedents have been established regarding tax issues, and differing views exist on the legal interpretation of laws. The Group makes a range of assumptions on its accounting treatment of business transactions for taxation purposes, including the categorisation of property, plant and equipment in a specific category and the corresponding tax depreciation rates. The tax authorities are entitled to dispute these assumptions. The tax authorities have the authority to impose significant fines and penalties for the late or incorrect filing of tax returns and/or tax payments. Fiscal periods generally remain open to tax audits by the authorities for five calendar years preceding the tax audit year; however, under certain circumstances that period may be longer. 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 Kazakhstan than in countries with more developed tax systems.

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation are dependent on the opinion of local tax officials and the Ministry of Finance. Instances of inconsistent treatment between local, regional and national tax authorities are relatively common. The current regime of charging fines and interest on reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the disputed amounts (for currency law violations), as well as fines of 50% of unpaid taxes. The current interest rate is 13.75%. As a result, fines and interest can lead to amounts that are several times higher than initially reported taxes.

Group management believes that the Group has assessed and paid all applicable taxes. Where uncertainty exists, the Group assesses tax liabilities based on management's best estimates. Group policy assumes the creation of provisions in the accounting period in which a loss is deemed probable and the amount can be reliably determined.

Due to the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, fines and interest, may exceed the amount expensed to date and accrued as at 31 December 2020. It is impracticable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Regulation of activities

The operations of the subsidiaries Karaganda Energocentre LLP, Ust-Kamenogorsk CHP LLP, Karagandy ZhyluSbyt LLP, Karagandy Zharyk LLP, Ontustik Zharyk Transit LLP, Energopotok LLP and JSC MRENC are governed by the Law on Natural Monopolies as they are monopolists and are dominant in the production, supply and transmission of electricity and thermal power. Karaganda Energocentre LLP and Ust-Kamenogorsk CHP LLP are also governed by the Electricity Industry Law on electricity production operations. By law, electricity and thermal power production, supply and transmission tariffs are subject to approval by the Committee, and electricity production tariffs are subject to additional approval by the Ministry of Energy.

The Group believes it meets all Committee requirements, as well as other statutory requirements.

Investment programmes

The Ministry of the National Economy Department of the Committee for the Regulation of Natural Monopolies and the Protection of Competition is responsible for approving investment programmes for five year for Group subsidiaries producing and transmitting electricity and thermal power. The programmes include planned, major work at Group enterprises. Subsidiaries submit annual reports to the authorities outlining the results of Programme measures.

The Group's investment obligations for 2021 amount to 17,535,294 thousand tenge. Management believes that the Group meets all investment programme obligations in full.

Credit agreement terms

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

Karaganda Energocentre LLP property, plant and equipment of 24,120,000 thousand tenge was pledged under an addendum to property pledge agreements with JSC Development Bank of Kazakhstan to secure the Group's obligations to JSC Development Bank of Kazakhstan on a credit line dated 19 June 2012, which also covers the security of YDD Corporation LLP obligations (Note 22).

Litigation

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group 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.

31. EVENTS AFTER THE REPORTING DATE

Tariffs

On 26 January 2021, Department of the Committee for the Regulation of Natural Monopolies and the Protection of Competition set an average tariff for electricity produced by Ust-Kamenogorsk CHP LLP between 1 February 2021 and 31 January 2022 of 3.046 tenge/Gcal, which is a 24% increase compared to tariffs in effect in 2019.

On 30 March 2021, the Ministry of Energy of Republic of Kazakhstan approved maximum tariffs for electricity produced by Karaganda Energocentre LLP and Ust-Kamenogorsk CHP LLP of 9.92 tenge/kWh and 9.68 tenge/kWh, respectively, until 2025, which is a 25% increase on the maximum tariff for 2019.

Loans and bonds

In the first quarter of 2021, the Group, represented by the subsidiary Ust-Kamenogorsk CHP LLP repaid a loan from JSC SB Sberbank Russia in full by repaying the two latest tranches of 1,025,738 thousand tenge.

On 6 April 2021, Karagandy ZhyluSbyt LLP entered into an agreement for a renewable credit line from JSC SB Sberbank Russia of 1,000,000 thousand tenge to replenish working capital. The agreement is due to expire on 6 April 2022.

On 6 April 2021, the Company repaid its liabilities on bonds issued of 856,744 thousand tenge in full.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by Group management on 14 May 2021.