



Energy of life

2019

YEAR OF YOUTH

INTEGRATED ANNUAL REPORT

Tom 2



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Independent auditor’s report

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

Our opinion

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

What we have audited

The Group’s consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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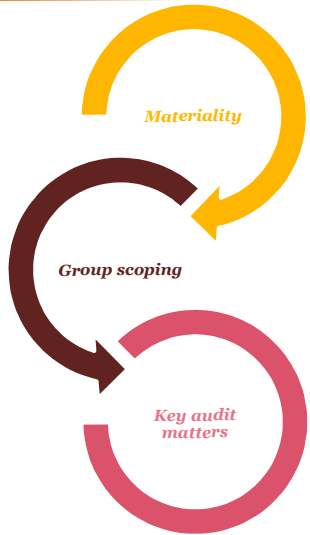


INDEPENDENT AUDITOR’S REPORT (Continued)

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Our audit approach

Overview



- Overall Group materiality: 2,2 billion Tenge, which represents 0.9 % of the Group’s revenue for the year ended 31 December 2019.
- We conducted audit procedures over the Company, its 5 subsidiaries and 2 jointly controlled entities located across Kazakhstan.
- Our audit scope addressed 94% of total assets, 97% of total revenue and 94% of absolute value of net profit of the Group.
- Impairment of property, plant and equipment and intangible assets of Ekibastuz GRES- 1 named after Bulat Nurzhanov LLP (“EGRES-1”);
- Impairment of investment in "Station Ekibastuz GRES-2" JSC (“SEGRES-2”);

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



INDEPENDENT AUDITOR’S REPORT (Continued)

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Overall group materiality	2.2 billion Tenge for 2019
How we determined it	0.9 % of total revenue
Rationale for the materiality benchmark applied	<p>We chose revenue as the benchmark for materiality determination. We did not use profit before tax due to its fluctuation. Instead, we used revenue, which is less volatile and is also used by the Shareholder to assess the Group’s performance. We believe that revenue aligns with the principal considerations of the users of consolidated financial statement.</p> <p>We determined materiality as 0.9 % of total revenue, which is, based on our professional judgment, within the range of acceptable quantitative materiality thresholds.</p>



INDEPENDENT AUDITOR’S REPORT (Continued)

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Key audit matters

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

Key audit matter	Audit procedures performed in relation to key audit matters
<p><i>Impairment of property, plant and equipment and intangible assets</i></p> <p><i>See Note 4 of the consolidated financial statements.</i></p> <p>Based on the impairment indicators analysis performed as of 31 December 2019, management of the Group concluded that changes in the legislation, which regulates tariffs are the indicators of possible impairment of non-financial assets.</p> <p>We paid special attention to the issue of impairment of property, plant and equipment and intangible assets of the EGRES-1, largest component of the Group, due to significance of their carrying value, as well as due to the fact that estimating values in use of property, plant and equipment and intangible assets is complex as it is based on the use of significant estimates and judgments with respect to future market and economic conditions and the results of operations of the Group.</p>	<p>The Group together with independent experts carried out the impairment test of property, plant and equipment and intangible assets of EGRES-1.</p> <p>We received, inspected and evaluated the model used by management’s experts to assess the impairment of assets and assessed the methodology and the main assumptions used in the model, and their consistency with the budgets and business plans, external information and our expertise, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment.</p> <p>Our procedures in respect of management’s assessment of the impairment of property, plant and equipment and intangible assets included:</p> <ul style="list-style-type: none">• assessment of competence, qualifications, experience and objectivity of independent experts, involved by management;• analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets;• verification of accuracy and relevance of key assumptions used by management to perform the test;• consideration of Kazakhstan’s Government statement on introducing amendments and addenda to the law of the Republic of Kazakhstan On Electric Power Industry;• consideration of other input data for the models and reconciliation of them with supporting documents, such as the Development plan and



INDEPENDENT AUDITOR’S REPORT (Continued)

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Key audit matter

Audit procedures performed in relation to key audit matters

- comparison of the Development plan with actual results, where relevant;
- making a series of inquiries with management to assess the impairment tests;
- comparison of actual performance for the year against prior year forecast;
- consideration of the potential impact of reasonably possible changes in key assumptions.

Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 "Impairment of Assets".

Impairment of investment in SEGRES-2

See Notes 4 of the consolidated financial statements.

Based on the analysis of impairment indicators as of December 31, 2019, the Group's management concluded that changes in the legislation, which regulates tariffs, since January 1, 2019 are the indicators of possible impairment of non-financial assets.

As of 31 December 2019 the carrying value of the Group's investment in SEGRES-2 amounts to Tenge 17,787,425 thousand.

We paid special attention to the issue of impairment of the investment due to significance of its carrying value and the complexity of the process of evaluating its recoverable value.

We have reviewed the working papers of the component auditor and discussed the key assumptions and the methodology used in the impairment test models on property, plant and equipment of SEGRES-2, made by management of SEGRES-2. We assessed whether key assumptions are in line with our understanding of SEGRES-2 operations.

We also discussed with management of the Group and the Audit Committee plans in respect of this investment.

Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 "Impairment of Assets".

How we tailored our group audit scope

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



INDEPENDENT AUDITOR’S REPORT (Continued)

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In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors, including other audit firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group consolidated financial statements as a whole.

The assets and operations of the Group are spread amongst 21 subjects (components), including associated companies and jointly controlled entities. Out of these, we have identified 8 components as material components, including the Company, its 5 subsidiaries and 2 jointly controlled entities.

For 7 material components we or other independent auditors, carried out a full scope audit of the financial information of the components, which the Group uses for the preparation of the consolidated financial statements. We have reviewed the working documents of other independent auditors, and discussed with them the key assumptions and methodology, received independence and compliance with IESBA Code requirements confirmations. We also discussed the key audit matters with management and the Audit Committee.

We have identified other companies of the Group as not material components, for which we carried out audit procedures for the most material line items of the financial information and general analytical procedures.

In general, the scope of our audit covered 94% of total assets, 97% of total revenue and 94% of the absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

Other information

Management is responsible for the other information. The other information comprises annual report but does not include the consolidated financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after our audit report date.

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

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

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



INDEPENDENT AUDITOR'S REPORT (Continued)

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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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITOR'S REPORT (Continued)

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers LLP

26 February 2020
Almaty, Kazakhstan

Approved and signed by:



(General State License of the Ministry of Finance
of the Republic of Kazakhstan №00000005
dated 21 October 1999)

Executive auditor
(Qualification certificate
No. 0000492 dated January 18, 2000)

SAMRUK-ENERGY JSC
Consolidated Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
ASSETS				
Non-current assets				
Property, plant and equipment	7	752,989,264	771,934,237	780,661,534
Investment property		350,401	428,734	531,852
Exploration assets		-	-	14,086,775
Intangible assets	8	3,691,945	4,767,633	3,799,095
Right-of-use assets	3, 9	2,850,017	-	-
Investments in joint ventures and associates	10	54,143,504	55,860,500	52,888,220
Other non-current assets	11	4,597,856	14,904,942	18,572,328
Total non-current assets		818,622,987	847,896,046	870,539,804
Current assets				
Inventories	12	10,572,869	9,378,118	9,050,364
Trade and other receivables	13	28,923,422	23,913,414	23,514,698
Other current assets	14	17,687,371	93,677,296	18,451,046
Income tax prepaid		1,403,568	1,268,014	1,432,148
Cash and cash equivalents	15	12,007,037	13,624,165	32,657,822
Total current assets		70,594,267	141,861,007	85,106,078
TOTAL ASSETS		889,217,254	989,757,053	955,645,882

Signed on behalf of management on 26 February 2020.


Aidar K. Ryskulov
Managing Director on Economics and Finance


Saule B. Tulekova
Head of Accounting and Tax Department –
Chief Accountant

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2).

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Consolidated Statement of Financial Position (Continued)

In thousands of Kazakhstani Tenge	Note	31 December 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
EQUITY				
Share capital	16	373,314,888	373,314,888	373,314,888
Other reserves	16	127,357,014	127,412,909	127,546,130
Accumulated deficit		(16,823,598)	(21,607,444)	(22,807,115)
Equity attributable to the Group's equity holders		483,848,304	479,120,353	478,053,903
Non-controlling interest		1,168,066	891,592	707,640
TOTAL EQUITY		485,016,370	480,011,945	478,761,543
LIABILITIES				
Non-current liabilities				
Provision for liquidation of ash dump		2,217,222	2,643,471	2,279,270
Employee benefit obligations		1,566,676	1,297,228	1,314,015
Borrowings	18	212,584,076	266,959,110	312,690,957
Other non-current liabilities	19	4,331,376	6,743,656	4,459,263
Non-current lease liabilities	3, 9	1,660,455	-	-
Deferred income tax liabilities		80,529,427	82,771,915	82,058,114
Total non-current liabilities		302,889,232	360,415,380	402,801,619
Current liabilities				
Provision for liquidation of ash dump		114,369	248,406	125,000
Borrowings	18	57,355,607	43,403,659	45,912,886
Employee benefit obligations		99,197	124,286	120,361
Trade and other payables	20	38,738,066	99,991,801	24,954,396
Taxes payable and other payables to budget		3,599,886	4,653,520	2,600,743
Current lease liabilities	3, 9	1,036,163	-	-
Income tax payable		368,364	908,056	369,334
Total current liabilities		101,311,652	149,329,728	74,082,720
TOTAL LIABILITIES		404,200,884	509,745,108	476,884,339
TOTAL LIABILITIES AND EQUITY		889,217,254	989,757,053	955,645,882
Carrying amount of an ordinary share		85,925	84,839	84,789

Signed on behalf of management on 29 February 2020.


Aidar K. Ryskulov
Managing Director on Economics and Finance


Saule B. Tulekova
Head of Accounting and Tax Department –
Chief Accountant

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2019	2018 (restated*)
Revenue	21	243,722,396	260,399,900
Cost of sales	22	(195,890,779)	(188,356,123)
Gross profit		47,831,617	72,043,777
Selling expense	23	(7,998,630)	(14,340,193)
General and administrative expenses	24	(12,709,701)	(13,285,216)
Share in profit of joint ventures and associates	10	11,191,438	9,751,872
Profit/(loss) from reversal/(impairment) of financial assets (net)		1,398,565	(1,756,353)
Other income	25	3,221,259	3,690,482
Other expense	25	(1,598,778)	(4,759,372)
Finance income	26	2,811,986	2,333,831
Finance cost	27	(32,319,252)	(42,536,265)
Profit before tax		11,828,504	11,142,563
Income tax expense	28	(4,717,155)	(7,717,940)
Profit for the period		7,111,349	3,424,623
<i>Other comprehensive loss (Items that will not be reclassified to profit or loss)</i>			
Remeasurements of post-employment benefit obligations		(55,895)	(133,221)
Total comprehensive income for the period		7,055,454	3,291,402
Profit attributable to:			
Equity holders of the Group		6,834,875	3,240,671
Non-controlling interest		276,474	183,952
Profit for the period		7,111,349	3,424,623
Total comprehensive income attributable to:			
Equity holders of the Group		6,778,980	3,107,450
Non-controlling interest		276,474	183,952
Total comprehensive income for the period		7,055,454	3,291,402
Earnings per ordinary share for the year (in Tenge per share)	36	1,220	578

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Consolidated Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Note	Attributable to equity holders of the Group				Non-controlling interest	Total Equity
		Share capital	Other reserves	Uncovered loss	Total		
Balance at 31 December 2017		373,314,888	127,546,130	(22,057,982)	478,803,036	707,640	479,510,676
Adjustment to opening balance (IFRS 9)		-	-	(749,133)	(749,133)	-	(749,133)
Restated balance at 1 January 2018		373,314,888	127,546,130	(22,807,115)	478,053,903	707,640	478,761,543
Profit for the year		-	-	3,240,671	3,240,671	183,952	3,424,623
Other comprehensive loss		-	(133,221)	-	(133,221)	-	(133,221)
Total comprehensive (loss)/income		-	(133,221)	3,240,671	3,107,450	183,952	3,291,402
Dividends	16	-	-	(2,041,000)	(2,041,000)	-	(2,041,000)
Balance at 1 January 2019		373,314,888	127,412,909	(21,607,444)	479,120,353	891,592	480,011,945
Profit for the year		-	-	6,834,875	6,834,875	276,474	7,111,349
Other comprehensive loss		-	(55,895)	-	(55,895)	-	(55,895)
Total comprehensive (loss)/income		-	(55,895)	6,834,875	6,778,980	276,474	7,055,454
Other capital distribution		-	-	(10,029)	(10,029)	-	(10,029)
Dividends	16	-	-	(2,041,000)	(2,041,000)	-	(2,041,000)
Balance at 31 December 2019		373,314,888	127,357,014	(16,823,598)	483,848,304	1,168,066	485,016,370

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Consolidated Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Cash flows from operating activities		
Profit before income tax ns	11,828,504	11,134,955
Adjustments for:		
Depreciation and amortisation	55,352,105	53,232,434
Loss / (profit) on disposal of property, plant and equipment and intangible assets	415,600	(80,619)
(Reversal) / losses on impairment of non-financial assets	(59,886)	3,580,284
(Reversal) / losses on impairment of financial assets	(1,338,679)	1,756,337
Amortisation of income from connection of additional capacities	(260,055)	(308,219)
Finance costs	32,319,252	42,536,265
Finance income	(2,811,986)	(2,333,831)
Share in profit of joint ventures and associates	(11,191,438)	(9,751,872)
Other	566,974	(1,978,674)
Operating cash flows before working capital changes	84,820,392	97,787,060
Increase in trade and other receivables and other current assets	(11,132,639)	(70,854,461)
Increase in inventories	(1,508,695)	(2,642,993)
Increase in trade and other payables and other non-current liabilities	5,687,576	75,427,537
Increase / (decrease) in employee benefits payable	90,326	(23,548)
(Decrease) / increase in taxes payable	(2,282,466)	2,494,889
Cash flows from operating activities	75,674,494	102,188,484
Income tax paid	(7,645,310)	(6,583,748)
Interest paid	(24,652,401)	(26,658,066)
Dividends received	15,311,951	8,058,965
Net cash from operating activities	58,688,734	77,005,635
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,181,681)	(27,563,667)
Purchase of intangible assets	(181,489)	(1,195,934)
Proceeds from the Shareholder on a free-of-charge bases allocated for the acquisition of shares of Balkhash TPP JSC (Note 4)	70,196,400	-
Acquisition of shares of Balkhash TPP JSC (Note 4)	(70,196,400)	-
Purchase of debt instruments (bonds)	-	(903,942)
Replenishment of the authorized capital of the Associate	(2,403,501)	-
Interest income received	1,198,867	1,209,852
Proceeds from sale of subsidiaries	2,085,454	1,859,548
Proceeds from sale of property, plant and equipment	47,012	182,530
Decrease / (increase) in bank deposits	13,184,771	(2,644,983)
Collection of receivables / (conversion of current deposits to financial receivables) - Tauba Invest LLP (note 14)	1,516,580	(2,934,450)
Other	761,413	4,748
Net cash used in investing activities	(10,972,574)	(31,986,298)

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Consolidated Statement of Cash Flows (Continued)

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Cash flows from financing activities		
Proceeds from borrowings	167,982,854	66,595,855
Repayment of borrowings and payment of principal on bonds	(212,412,073)	(127,991,322)
Payment of principal on financial lease	(783,438)	-
Other receipts	-	11,892
Dividends paid to shareholders	(2,041,000)	(2,041,000)
Dividends paid to non-controlling interest holders	(200,476)	(224,584)
Other payments attributable to the Shareholder	(24,257)	(144,928)
Other	(1,542,138)	(67,972)
Net cash used in financing activities	(49,020,528)	(63,862,059)
Foreign exchange effect on cash and cash equivalents	(312,847)	(255,895)
Less provision for cash impairment under IFRS 9	87	(7,862)
Net decrease in cash and cash equivalents	(1,617,128)	(19,106,479)
Cash and cash equivalents at the beginning of the year	13,624,165	32,730,644
Cash and cash equivalents at the end of the year	12,007,037	13,624,165

The accompanying notes on pages 16 to 86 are an integral part of these consolidated financial statements.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

1 Samruk-Energy Group and Its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2019 for Samruk-Energy JSC (the “Company”) and its subsidiaries (together referred to as the “Group”).

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company and was set up in accordance with regulations of the Republic of Kazakhstan (“RoK”). The Group was established for the purpose of consolidation of entities in power and utilities industry of the Republic of Kazakhstan.

As at 31 December 2019 the Company’s shareholder is Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”). The Company’s ultimate controlling party is the Government of the Republic of Kazakhstan.

Principal activity

The Group’s principal activities are production of electricity, heating energy, hot water on the basis of coal, hydrocarbons and water resources, and renewable energy sources (“RES”), and sale to and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, as well as leasing of property of hydro power plants.

The operations of the Group’s subsidiaries and joint ventures are regulated by the Law of the Republic of Kazakhstan *On Electric Power Industry*, the *Law On Natural Monopolies and Regulated Markets*, the *Law On Competition and Control over Monopolistic Activity* (the “Competition Law”). Tariffs, based on the type of activities of the entities, regulated by the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) or by the relevant ministry – Ministry of Energy of the Republic of Kazakhstan (“ME”).

Electricity tariffs for energy producers are approved by orders of the Minister of Energy No.160 *On Approval of Cap Tariffs for Electricity* dated 27 February 2015 and subsequent amendments and addendum. Tariffs for supply of electricity produced by renewable energy sources are fixed and approved by the Decree of the Government of the Republic of Kazakhstan, according to the Renewable Energy sources used (separately for wind, solar and other sources), and are subject to annual indexation. In addition, Financial Settlement Centre on support of the renewable energy sources LLP acts as a buyer, and the power producer acts as a seller. Tariffs for electric power transmission and distribution, heating energy production and power supply are regulated by the Committee on Regulation of Natural Monopolies and Competition Protection of the Ministry of National Economy. Regulation and control are performed in accordance with the legislation.

The tariff related decisions are significantly exposed to social and political matters. Economic, social and other policies of the Government of the Republic of Kazakhstan may have a significant effect on the Group’s operations.

Registered address and place of business

The registered address and place of Company’s Head Office is: 15A Kabanbay Batyr Avenue, Block B, Nur-Sultan, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, Leases, effective from 1 January 2019, these policies have been consistently applied to all the periods presented.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Going concern

Management prepared these consolidated financial statements on a going concern basis. Management decision is based on the financial position of the Group, its current intentions, profitability of operations and access to financial resources and Government support. As at December 31, 2019, the Group’s current liabilities exceed its current assets by TENGE 31,188,943 thousand. The main factor in increasing current liabilities was the attraction of short-term bank loans, associated with the Group’s policy to reduce the level of long-term loans with a higher interest rate. In addition, in the reporting period, the Group made early repayments on long-term loans.

The following factors were considered in assessing the Group’s ability to continue in the foreseeable future:

- The Group is of strategic importance for ensuring the reliability of the Kazakhstan power system. The management and shareholders of the Group have neither the intention nor the need to dissolve the Group. The current liabilities of the Group in the amount of Tenge 5,841,514 thousand represent debt to the Akimat of Almaty city and, by agreement, do not require cash outflows.
- In 2020, the Group expects positive cash flows from operating activities, minus cash outflow for capital expenditures, in the amount of exceeding Tenge 18 billion.
- As of December 31, 2019, The Group has revolving credit facilities available for financing its operation in Halyk Bank of Kazakhstan JSC amounting to over Tenge 75 billion, as well as in SB Sberbank JSC amounting to over Tenge 10 billion.

These consolidated financial statements do not include any adjustments to the carrying amount of assets and liabilities, income and expenses, or classification of the consolidated statement of financial position that would be necessary if it was not possible to continue operations, such adjustments may be significant.

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be existing, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest’s proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

SAMRUK-ENERGY JSC

Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserves within equity.

(iii) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iv) Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(v) Investments in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

SAMRUK-ENERGY JSC

Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

(vi) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the parent is Tenge.

(ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2019 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 381,18 (31 December 2018: US Dollar = Tenge 384,20). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 33).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

(ii) Financial assets

Measurement categories. The Group classifies financial assets in the following measurement categories: i) carried at fair value through profit or loss (FVTPL), ii) carried at fair value through other comprehensive income (FVOCI), iii) carried at amortised cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL. Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

(iii) Financial liabilities

Measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss

(iv) *Offsetting*

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract

Property, plant and equipment

(i) *Recognition and subsequent measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other income or expenses.

(ii) *Depreciation*

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings and constructions	8-100
Machinery and equipment	3-50
Other	3-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

(iii) *Impairment*

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 25 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

If the Group acquires a group of assets, which is not a business, it spreads the cost of the group between the individual identifiable assets in the group based on their relative fair values at the acquisition date.

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

Right-of-use assets

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

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	34 – 63
Buildings	5 – 50

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first-in, first-out basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Prepaid taxes are stated at actual amounts paid less impairment provision.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets; balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale (or disposal groups)

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

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Board of Directors of the Company determines value per share and a number of shares to be issued on each individual share issue based on the statutory rules.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of reporting period only if they are declared and approved before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped, or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provision for liquidation of Ash dump

Provision for liquidation of ash dump is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump liquidation costs include dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated liquidation costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related disturbance occurs during the mine development phase, based on the net present value of estimated future costs. Ash dump restoration provision does not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the operating life to reflect known developments, such as updated cost estimates and revisions to the estimated lives of operation and are subject to formal review at regular intervals.

Although the ultimate cost to be incurred is uncertain, the Group estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques for conducting works on restoration and remediation of waste polygons. The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit and loss in each accounting period. The amortisation of the discount is shown as finance costs.

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit or loss and other comprehensive income for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in post-employment benefit obligations when incurred are accounted for as follows: (i) cost of services and net interest costs are included in profit or loss; and (ii) restatements are recorded in other comprehensive income.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group withholds and transfer those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan to Unified Accumulative Pension Fund JSC ("Fund"). For those employees, not covered by the Collective Labour Agreement payments, upon retirement, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the Fund.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

In accounting for loans from the shareholders with off market terms, the Group records gain/(loss) on origination in equity as a capital contribution/(distribution). The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated interim financial statements.

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. 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 shown net of value-added tax and discounts. Revenue from sale of energy is recognised over the period.

Consolidated revenue of the Group is mainly attributed to sale and transmission of electric and heating power, and hot water production. Sale of each type of the goods/services is documented in a separate, identifiable contract with an individual customer.

According to the contracts for sale and transmission of electric and heating power of the Group's subsidiaries, obligations to be performed are identified when concluding the relevant contract. Contracts for sale and transmission of electric and heating power within the Group do not include related and/or additional services.

The Group does not assume concluding contracts which provide for a period between transfer of the promised goods or services to the customer and payment by the customer to be more than one year. Accordingly, the Group does not adjust transaction prices for time value for money.

According to the contracts for sale and transmission of electric and heating power, the contract amount is the price for sold or transmitted amount of electric or heating power, which is an independent item of the service/goods.

Electric and heating energy generation and sale

Revenues are recognised based on the actual amount of electric power and heating energy sold by the Group's power plants. Revenue is determined based on tariffs approved by the Authorities.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Sales of electric power and heating energy are recognised when control of the power has transferred, being when the power is transmitted to the customer at the delivery point, which is a connection point of the Group's power plant to the transmission networks.

A receivable is recognised when electric power and heating energy is delivered at the connection point of the Group's power plant to the transmission networks, 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. Actual volume of electric and heating power transmitted for the accounting period is supported by the act of electric power supply/reconciliation report on heating energy. Invoices are issued to customers on a monthly basis.

Electric power transmission and distribution

The Group provides services under fixed-tariff contracts per 1 kWh of transmitted and distributed power based on the tariffs approved by the authorised agency.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual volume of electric power transmitted over the reporting period because the customer receives and uses the benefits simultaneously.

The actual volume of electric power transmitted and distributed for the reporting period is supported by relevant reconciliation reports to be monthly executed and signed with customers based on readings of metering devices. Customers are billed on a monthly basis on the last day of each month, and consideration is payable within 5 working days after billing.

A receivable is recognised when an 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 services for maintenance of the power capacity

Also, the Group provides a service for maintenance of the power capacity. Revenues from the provision of services for maintenance of the power capacity are recognized in the reporting period when these services were provided. Revenue is determined on the basis of the actual power capacity available, on the basis of monthly reports on the available power capacity from a single purchaser, the financial settlement centre LLP, in accordance with the Rules of the power capacity market.

The contract provides for payment for 1 MW of available power capacity per month, and revenue is recognized in the amount to which the Group has the right to invoice. Pursuant to the certificate signed for the reporting month, the Group issues invoices to the Single Purchaser on a monthly basis.

Sale of electric power

The Group sells electric power under agreements with individuals and legal entities based on the tariffs approved by the authorised agency.

Sales to legal entities are recognised in the reporting period in which electric power is consumed, according to readings of the metering devices. A legal entity agreement requires payment within 5 working days after billing. An agreement of state organisations provides for payment until 15th day of the month following the billing month.

Sales to residences are recognised in the reporting period in which electric power is consumed. Revenues from agreements with residences include revenues for the last few days of the month after reading of the metering devices, which are recognised as a proportion of the total electric power sold for the billing month. An agreement with residences provides for payment until the 25th day of the month following the billing month, based on the payment document to be issued by the Company. The billing period is one calendar month.

Exploration and evaluation assets

Exploration and evaluation assets are measured at cost less provision for impairment, where required.

(i) Recognition and subsequent measurement

Exploration includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These assets are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Exploration and evaluation assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

2 Basis of Preparation and Significant Accounting Policies (Continued)

Acquisition costs include the cost of the subscription bonus and other costs incurred to acquire subsurface rights.

Administrative expenses (office rent, office motor vehicles, and administrative personnel) that are not directly attributable to the exploration and evaluation activities are expensed as incurred.

An exploration asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. Once commercial reserves are found, exploration assets are transferred to development tangible and intangible assets and amortised using the unit-of-production method based on proved and probable reserves. Activities preceding the acquisition of mining properties are defined as pre-exploration (or pre-license).

(ii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment.

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Offsetting

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities in these consolidated statements represent actual cash flows.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result or assets are ten percent or more of all the segments assets are reported separately.

Income taxes

Income taxes have been provided for in these consolidated financial statements in accordance with legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply.

Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Uncertain tax positions

Management at the end of each reporting period evaluates the Group's uncertain tax positions. Liabilities reported in respect of income tax positions are taken into account when management believes that the likelihood of emergence of additional tax liabilities, in case the tax authorities challenge the tax position of the Group, is higher than the probability of their absence.

Such an assessment is conducted based on the interpretation of tax laws that are in force or in effect at the end of the reporting period, as well as any known court decisions or other decisions on such matters. Liabilities for fines, penalties and taxes, other than income tax, are presented on the basis of management's best estimate of the costs required to settle the obligations at the end of the reporting period. Adjustments to uncertain income tax positions are reported within income tax expense.

Transactions with Shareholder

The accrual of expenses or the distribution of assets at the discretion of the shareholder, including fixed assets, business combinations, interests in other entities and disposal groups, cash and other, are recognised in retained earnings as "Other equity distributions".

Changes in presentation

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

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

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

Consequently, the assets and liabilities of Tegis Munay were transferred from discontinued operations to continuing operations at 31 December 2019. Comparative information was also restated to reflect the results of the transfer from the disposal group.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

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

<i>In thousands of Kazakhstani Tenge</i>	As originally presented at 31 December 2018	Reclassification Tegis Munay	31 December 2018 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	756,453,621	15,480,616	771,934,237
Investment property	428,734	-	428,734
Intangible assets	4,767,633	-	4,767,633
Exploration assets	-	-	-
Investment in joint ventures and associates	55,860,500	-	55,860,500
Other non-current assets	14,282,994	621,948	14,904,942
Total non-current assets	831,793,482	16,102,564	847,896,046
Current assets			
Inventories	9,373,661	4,457	9,378,118
Trade and other receivables	23,913,414	-	23,913,414
Other current assets	93,673,376	3,920	93,677,296
Prepaid income tax	1,268,014	-	1,268,014
Cash and cash equivalents	13,604,335	19,830	13,624,165
Disposal group assets held for sale	16,130,771	(16,130,771)	-
Total current assets	157,963,571	(16,102,564)	141,861,007
TOTAL ASSETS	989,757,053	-	989,757,053

<i>In thousands of Kazakhstani Tenge</i>	As originally presented at 31 December 2018	Reclassification Tegis Munay	31 December 2018 (restated)
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision	2,643,471	-	2,643,471
Employee benefits obligation	1,297,228	-	1,297,228
Borrowings	266,959,110	-	266,959,110
Other non-current liabilities	4,843,536	1,900,120	6,743,656
Deferred income tax liabilities	82,771,915	-	82,771,915
Total non-current liabilities	358,515,260	1,900,120	360,415,380
Current liabilities			
Ash dump restoration provision	248,406	-	248,406
Borrowings	43,403,659	-	43,403,659
Employee benefits obligation	113,600	10,686	124,286
Trade and other payables	99,901,007	90,794	99,991,801
Taxes payable and other payables to budget	4,636,438	17,082	4,653,520
Income tax payable	908,056	-	908,056
Disposal group liabilities held for sale	2,018,682	(2,018,682)	-
Total current liabilities	151,229,848	(1,900,120)	149,329,728
TOTAL LIABILITIES	509,745,108	-	509,745,108

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

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

<i>In thousands of Kazakhstani Tenge</i>	As originally presented at 1 January 2018	Reclassification Tegis Munay	1 January 2018 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	780,565,005	96,529	780,661,534
Investment property	531,852	-	531,852
Intangible assets	3,799,095	-	3,799,095
Exploration assets	-	14,086,775	14,086,775
Investment in joint ventures and associates	52,888,220	-	52,888,220
Other non-current assets	17,953,844	618,484	18,572,328
Total non-current assets	855,738,016	14,801,788	870,539,804
Current assets			
Inventories	9,046,924	3,440	9,050,364
Trade and other receivables	23,514,698	-	23,514,698
Other current assets	18,451,046	-	18,451,046
Prepaid income tax	1,432,148	-	1,432,148
Cash and cash equivalents	32,646,221	11,601	32,657,822
Disposal group assets held for sale	14,816,829	(14,816,829)	-
Total current assets	99,907,866	(14,801,788)	85,106,078
TOTAL ASSETS	955,645,882	-	955,645,882

<i>In thousands of Kazakhstani Tenge</i>	As originally presented at 1 January 2018	Reclassification Tegis Munay	1 January 2018 (restated)
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision	2,279,270	-	2,279,270
Employee benefits obligation	1,314,015	-	1,314,015
Borrowings	312,690,957	-	312,690,957
Other non-current liabilities	4,443,216	16,047	4,459,263
Deferred income tax liabilities	82,058,114	-	82,058,114
Total non-current liabilities	402,785,572	16,047	402,801,619
Current liabilities			
Ash dump restoration provision	125,000	-	125,000
Borrowings	45,912,886	-	45,912,886
Employee benefits obligation	120,361	-	120,361
Trade and other payables	24,897,537	56,859	24,954,396
Taxes payable and other payables to budget	2,600,743	-	2,600,743
Income tax payable	369,334	-	369,334
Disposal group liabilities held for sale	72,906	(72,906)	-
Total current liabilities	74,098,767	(16,047)	74,082,720
TOTAL LIABILITIES	476,884,339	-	476,884,339

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****2 Basis of Preparation and Significant Accounting Policies (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	As originally presented 12 months of 2018	Reclassification Tegis Munay	12 months of 2018 (restated)
Revenue	260,399,900	-	260,399,900
Cost of sales	(188,356,123)	-	(188,356,123)
Gross profit	72,043,777	-	72,043,777
Selling expenses	(14,340,193)	-	(14,340,193)
General and administrative expenses	(13,018,028)	(267,188)	(13,285,216)
Share in profit of joint ventures and associates	9,751,872	-	9,751,872
Profit/(loss) from reversal/(impairment) of financial assets (net)	(1,756,337)	(16)	(1,756,353)
Other income	3,690,482	-	3,690,482
Other expense	(3,766,980)	(992,392)	(4,759,372)
Finance income	2,333,275	556	2,333,831
Finance cost	(42,211,348)	(324,917)	(42,536,265)
Profit/(loss) before tax	12,726,520	(1,583,957)	11,142,563
Income tax expense	(7,717,940)	-	(7,717,940)
Profit/(loss) for the period from continuing operations	5,008,580	(1,583,957)	3,424,623
Loss for the period from discontinued operations	(1,583,957)	1,583,957	-
Total profit /(loss) for the period	3,424,623	-	3,424,623

3 New Accounting Pronouncements*Adoption of new or revised standards and interpretations*

The adopted accounting policies are consistent with those of the previous financial year except for the new standards and interpretations, as well as amendments to existing standards that became effective on January 1, 2019.

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

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

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

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

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

The weighted average incremental borrowing rate applied by the Group to the leased liabilities on 1 January 2019 was 12,7%. A reconciliation of the operating lease commitments to the recognised liability is as follows:

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3 New Accounting Pronouncements (Continued)

<i>In thousands of Kazakhstani Tenge</i>	31 December 2018 / 1 January 2019
Total future minimum lease payments for operating leases as at 31 December 2018	4,122,345
- Effect of discounting to present value	(1,049,958)
- Contractual obligations related to leases previously classified as finance leases	545,636
- Less short-term leases not recognised as a liability	(162,653)
Total lease liabilities recognised as at 1 January 2019	3,455,370
Of which are:	
Short-term lease liabilities	1,032,982
Long-term lease liabilities	2,422,388

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

<i>In thousands of Kazakhstani Tenge</i>	Notes	Impact of adopting IFRS 16
Increase in right-of-use assets	9	3,444,040
Increase in lease liabilities	9	(3,455,370)

As IFRS 16 substantially carried forward the lessor accounting requirements in IAS 17, the Group did not recognise any significant impact on the consolidated financial statements in respect of the Group's activities as a lessor.

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

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

New standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

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

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3 New Accounting Pronouncements (Continued)

Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2019 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of non-financial assets

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

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

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

In assessing the recoverable amount of assets, the Group makes estimates and judgments. Estimates and judgments are repeatedly evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

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

Based on the analysis as at the end of 2019, management identified impairment indicators of property, plant and equipment of its subsidiaries: Ekibastuz GRES- 1 named after Bulat Nurzhanov LLP (“EGRES-1”), joint venture Station Ekibastuz GRES-2 JSC (“SEGRES-2”), and, accordingly, its investment in SSEGRES-2.

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

The Group engaged independent experts to conduct the impairment test of EGRES-1 and SSEGRES-2, in accordance with IAS 36 “Impairment of Assets”. The impairment test of Tegis Munay assets was performed by management similarly with the methodology used by independent experts in the impairment test of other Group companies. The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Group's management considers all property, plant and equipment and intangible assets of each entity as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which the Group monitors recovery of the assets' cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Group expects to obtain from their use.

Impairment test of property, plant and equipment and intangible assets of EGRES-1

In 2018-2019, the Ministry of Energy of the Republic of Kazakhstan issued several orders aimed at amending the approved cap tariffs for electricity and power capacity maintenance services, as well as the rules for approving cap tariffs for electricity, cap tariffs for balancing electricity and cap tariffs for power capacity maintenance services. In this regard, the Group revised its assumptions and tested its property, plant and equipment, and intangible assets for impairment taking into account the amendments introduced.

The impairment test was conducted using the relevant evaluation techniques, based on the following key assumptions for calculating the discounted cash flows for 2020 – 2025:

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

The forecast period for economic impairment test is six years since the Group plans to complete works on reconstruction of Power Unit 1 by the year-end of 2023. Power Unit No.1 will reach the scheduled production level between 2024-2025. The Group believes that the performance of Power Unit No.1 is essential for the calculation of discounted cash flows. As of December 31, 2019, the reconstruction of Power Unit No.1 was partially completed.

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

According to Order of the Minister of Energy of the Republic of Kazakhstan No. 475 *On Approval of the Group of Power Generating Entities Selling Electric Power* dated 5 December 2018, the Company is attributed to the group 1 of power plants. Based on Order of the Minister of Energy of the Republic of Kazakhstan No.514 dated 14 December 2018, as amended on 23 September 2019 №313, the cap tariff of Tenge 5,76 per kWh was established for group 1, effective from 1 October 2019, valid for the period of seven years with a breakdown by years.

However, if the effective cap tariff for electricity does not cover related production costs, in accordance with the Rules for approval of cap on electricity tariff and tariff for services on maintenance of power capacity as approved by Order of the Ministry of Energy of the Republic of Kazakhstan No.147 dated 27 February 2015 (as amended at 18 October 2019), power producers may report to the competent authority until 1 September of each year on the forecasted increase in main costs of power generation and attach supporting documents, financial statements for the prior year, and calculations based on the anticipated inflation rate provided for in the medium-term plans for economic and social development of the Republic of Kazakhstan.

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

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

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

Beginning from 2021 the forecast tariff was calculated using the rules for approval of the cap electricity tariff and calculation method of fixed profit approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 413 dated 28 November 2017 as amended on 14 December 2019, based on the forecast expenses according to the Development Plan for 2020-2024 and correction factor for calculation of fixed profit at 6% for 2021, 10% for 2022, and 12% for 2023-2025. Initially, the Methodology for determining fixed profit assumed the possibility of applying profitability of up to 12%. However, subsequently a zero rate of profit was set. However, Pavlodarenergo JSC, an independent power plant, won the case against the Authority on establishing of zero fixed profit and the court found this decision unlawful. In this regard, the Kazakhstan Electric Energy Association has begun to develop a methodological justification for the presence and amount of fixed profit (profitability) in the cap tariffs for power generation entities. For this purpose, two international consulting firms were engaged to develop two alternative options for the above methodological justification.

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

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

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

Tariffs	Unit	2020	2021	2022	2023	2024	2025
Cap electricity tariff - Kazakhstan	Tenge/kWh	5,76	6,51	6,78	7,06	7,62	7,79
Export tariff - Uzbekistan	Tenge/kWh	9,93	10,22	10,47	-	-	-
Tariff for maintenance of power capacity	mln Tenge/ (MW*month)	0,59	0,62	0,65	0,67	0,70	0,72
Tariff for maintenance of power capacity – individual	mln Tenge/ (MW*month)	-	-	-	-	0,939	0,939
Tariff for regulation of power capacity	thous Tenge/ kWh	0,69	0,72	0,76	0,79	0,82	0,84
Tariff for regulation of power capacity (KEGOC)	thous Tenge/ kWh	0,69	0,80	0,84	0,87	0,90	0,93

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

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

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

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

Based on the impairment test, the recoverable amount of assets of EGRES-1 at 30 November 2019 is Tenge 482,568,211 thousand, which is Tenge 30,458,620 thousand higher than their carrying amount. Accordingly, the Group did not recognise impairment losses in 2019.

If the cap electricity tariff remains 5.76 Tenge/ kWh for 2019-2025, the recoverable amount of the entity's assets will be Tenge 263,044,859 thousand less than their carrying amount.

If the cap electricity tariff remains at a level at which the entity will not incur losses and profit (breakeven), the recoverable amount will be Tenge 109,240,700 thousand less than their carrying amount.

If the cap electricity tariff decreases by 10%, the recoverable amount of the entity's assets will be Tenge 112,714,292 thousand less than their carrying amount.

In the case of 1% increase in the discount rate, the recoverable amount of the entity's assets will be Tenge 15,572,760 thousand less than their carrying amount.

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

Investments in SEGRES-2

As stated in Note 10, the Group has the investment in the joint venture SSEGRES-2. As at 30 November 2019, the carrying amount of this investment is Tenge 17,787,425 thousand.

Management of SSEGRES-2 reviewed the indicators of impairment, including dynamics of electricity tariffs and market demand. Uncertainties associated with both completion of power unit No.3 and sale of electricity generated by power unit No. 3 indicates a potential impairment of SEGRES-2 property, plant and equipment and, consequently, possible impairment of the Group's investment in SEGRES-2.

As result, management tested property, plant and equipment of SEGRES-2 for impairment as at 30 November 2019 within a single cash-generating unit.

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

Recoverable amount was calculated on the basis of value in use. These calculations were made taking into account cash flow forecasts, based on the updated financial budgets approved by management for a 5-year period from 2020 to 2024. So, calculated recoverable amount of property, plant and equipment exceeded their carrying amount, based on the impairment test as at 30 November 2019. Key assumptions on recoverable amount of non-financial assets used are presented below:

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

Tariffs

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

- Weighted average tariff for 2019 was Tenge 7, 42 per 1 kWh, which represents the actual tariff applicable to electricity sale by SEGRES-2 in 2019 and does not exceed the cap tariff of Tenge 7,73 per 1 kWh established and approved by the Ministry of Energy for 2019-2025.
- Projected weighted average tariffs for subsequent periods are as follows:

SEGRES-2		2020	2021	2022	2023	2024	2025	2026	2027	2028
Electricity tariff	Tenge/kWh	7,73	7,73	7,73	7,73	7,73	7,73	7,96	8,18	8,39
Tariff for power capacity	mIn. Tenge per 1 MW month	0,59	0,62	0,65	0,67	0,70	7,30	7,30	6,73	6,29

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No.3 in 2020. A significant increase in the tariff for power capacity in 2025 is due to the expected commissioning of power unit No.3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan *On Electric Power Industry*, the Company is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No.3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the Company, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of Power Unit 3. The Company projects an individual tariff for the power of Power Unit No. 3 from 2025-2034 inclusive, which corresponds to the planned period of repayment of borrowed funds raised to complete the project. A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of investment of not more than Tenge 12,141,162 thousand and Tenge 14,465,548 thousand, respectively.

Forecasted volumes of production and sales

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

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

Management expects that volumes of production and sales during the forecast period prior to commissioning of Power Unit 3 will be stable. After the launch of power unit No.3, SEGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company. While management expects the electricity sales or tariff to grow during the forecast period, a decrease in the sales of electricity and electrical power capacity within the reasonable range of 10% will result in an impairment loss of investment of not more than Tenge 5,625,619 thousand and 6,501,070 thousand, respectively.

Discount rate

The discount rate of 12,67%, was estimated taking into consideration the current market assessment of SEGRES-2 inherent risks and evaluated on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent in the industry and changes in the weighted average cost of capital, it may require further changes in the discount rate. 1% increase in the discount rate would result in an impairment loss investment of Tenge 8,087,397 thousand.

Impairment test for net assets of Tegis Munay

As at 31 December 2019, the Group performed a test for impairment of the carrying amount of Tegis Munay's net assets. Previously, this entity was classified as assets held for sale, but during 2019, by decision of the Board of Directors, it was resolved to exclude this entity from the list of assets for privatization. According to IFRS 5, the recoverable amount shall be assessed. The recoverable amount was determined using the value in use.

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

Tegis Munay has a direct subsidiary, Mangyshlak Munay, which has a contract for the production of natural gas at the Pridorozhnoy gas field.

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

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

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

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

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

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

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

**source: Consensus economics*

Accounting for property, plant and equipment

Property, plant and equipment with a carrying value of Tenge 17,058,863 thousand belong to the assets of the First Wind Power Plant (PVES) of Tenge 15,952,917 thousand and Kapchagai Solar Power (Kapchagai SES) of Tenge 1,105,846 thousand. Settlement and Financial Centre, a subsidiary of KEGOC JSC, acts as an agent who buys the entire volume of electricity generated by renewable energy companies and resells it to stations powered by coal and hydrocarbons. The total volume of electricity is purchased from the power plants at a specified tariff above the market, which is annually adjusted to the inflation rate.

According to IFRS 16, arrangements of this nature may contain a lease. Upon review of IFRS 16 criteria, management concluded that this arrangement is an operating lease, whereby PVES and Kapchagai SES act as lessors. Accordingly, revenue from electricity of these power plants was included in rental income from these power plants.

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant volume of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

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

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If the estimated useful lives were different by 10% from management's estimates, the depreciation for the year ended 31 December 2019 would have been higher/lower by Tenge 5,556,713 thousand (31 December 2018: higher/lower by Tenge 5,253,341 thousand).

Balkhash Thermal Power Plant

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

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

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

On 16 November 2018 the settlement agreement with Samsung C&T was concluded. In accordance with this agreement, Kazakh side, Government and Samruk-Energy are jointly obliged to pay the agreed upon amount to Samsung C&T by 30 November 2018. Upon receipt of the payment, Samsung C&T shall transfer 50% + 1 shares in BTPP to Samruk-Energy. In this regard, at 31 December 2018 the Company recognised provision for the total amount of liability (Note 20). The Government made a decision to provide the Company with necessary funds to settle the obligation to Samsung C&T. Since it is assumed that the costs required to settle the obligation to Samsung C&T will be fully recoverable, in line with IAS 37, as at 31 December 2018 the recoverable amount was recognised as a separate asset equal to the provision amount (Note 14). The relevant loss from liability recognition and gain from asset recognition were offset in profit or loss according to IAS 37. Management believes that the potential voting right related to future transfer of shares under the settlement agreement was not substantive, and at 31 December 2018 the Group did not control BTPP. Accordingly, at 31 December 2018 BTPP is still accounted for using the equity method.

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

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

Therefore, the management of the Group believes that in spite of the actual ownership of a 100% share in BTPP, the Group has no control and accordingly has not consolidated BTPP.

Acquisition of a share in SEGRES-2 by the parent company NWF Samruk-Kazyna

In December 2019, NWF Samruk-Kazyna, the parent company of the Group, declared the acquisition of a 50% share in SEGRES-2 from PJSC Inter RAO UES, and thus received full control over SEGRES-2, a 50% ownership interest directly and 50% of the ownership interest through a share in the Group.

The first meeting of the Board of Directors and Shareholders of SEGRES-2, after the change of control, is scheduled for the first quarter of 2020. It is also planned that in the first quarter of 2020, the parent company and the Group will sign a new joint control agreement, and its terms and conditions will be generally identical to the previous joint control agreement between the Group and PJSC Inter RAO UES. One of the key points of the joint control agreement is the agreement of the parties on "periodic change in the operational and financial management" between the parties.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

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

In accordance with the charter of SEGRES-2, the Group is entitled to a share of profit in SEGRES-2, based solely on the extent of its share in the joint venture, and neither the charter nor the agreement stipulate that the Group will receive remuneration for managing the joint venture.

Given the above factors and the future terms of the joint control agreement, management believes that the Group did not gain control over SEGRES-2 as a result of changes in the structure of shareholders of SEGRES-2. Accordingly, the management of the Group continues to account for the investment in SEGRES-2 using the equity method, since it believes that the role of the Group in the joint venture has not changed, from the date of acquisition of the share by the parent company to the reporting date.

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

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

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

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

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

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

- (i) its value changes as a result of a change in the price of a financial instrument or exchange rate;
- (ii) an initial net investment is not required for its acquisition or a relatively small initial net investment is required compared to other types of contracts that are expected to respond similarly to changes in market factors;
- (iii) it will be settled at some point in the future.

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

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

Settlement agreement with Akimat

In 2009 Alatau Zharyk Company LLP (“AZhK”) was involved in litigation with Akimat of Almaty city (“Akimat”) related to settlement of AZhK payables to Akimat. On 14 February 2014 AZhK and Akimat signed an amicable agreement for settlement of AZhK liabilities. To settle the liabilities, among other procedures, AZhK shall accept power lines, being in the communal ownership and under trust management of the Akimat, and Akimat assumes to write-off the liabilities of AZhK. On 14 February 2014, Akimat and AZhK signed an amicable agreement on the procedure for settling the debt of the AZhK to the Akimat. In addition, in repayment of its debt, the AZhK shall, among other things, take ownership of the power lines owned and operated by the Akimat. The amount of liabilities of the AZhK to Akimat, after deduction of all payments made during the previous years as part of a settlement, as of 31 December 2019 is Tenge 5,841,514 thousand (31 December 2018: Tenge 5,841,514 thousand). As of 31 December 2019, the transfer of ownership over power lines has not been completed. The Group will derecognise this liability when it is exempted from payments, i.e. at the time of implementation of all actions by the parties to the amicable agreement, particularly at the time of the assuming the ownership over power lines from the Akimat.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

5 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, segment operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the management board of the Group.

CODM monitors the revenue and operating profit. CODM also monitors the EBITDA, which is calculated as profit/ (loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill, share of profit/(loss) of associates and joint ventures and effects, related to acquisition and other similar effects. Sequence for identification of adjusted EBITDA by Group might be different from sequence used by other companies.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of three main business segments:

- Production of electric and heating energy.
- Transmission and distribution of electricity.
- Sale of electricity.

(b) Performance of operating segments

The CODM evaluates performance of each segment based on a measure of revenue and operating profit.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

5 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Production of electric and heating energy		Electricity transmission and distribution		Sale of electricity		Other		Total	
	12 months ended		12 months ended		12 months ended		12 months ended		12 months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Total segment revenue – Sales of electricity	153,938,104	180,716,059	-	-	100,171,442	96,955,378	-	-	254,109,546	277,671,437
Inter-segment revenue	(63,083,071)	(53,946,796)	-	-	(582)	(1,873)	-	-	(53,083,653)	(53,948,669)
External revenue – Sales of electricity	100,855,033	126,769,263	-	-	100,170,860	96,953,505	-	-	201,025,893	223,722,768
Sales of heating energy	16,782,196	21,675,428	-	-	-	-	-	-	16,782,196	21,675,428
Revenue from the service on maintaining power capacity	11,623,590	-	-	-	-	-	-	-	11,623,590	-
Rental income from renewable energy sources	4,749,788	4,600,580	-	-	-	-	-	-	4,749,788	4,600,580
Total segment revenue – Transmission of electricity	-	-	38,166,672	40,073,082	-	-	-	-	38,166,672	40,073,082
Inter-segment revenue	-	-	(34,433,167)	(35,236,049)	-	-	-	-	(34,433,167)	(35,236,049)
External revenue – Transmission of electricity	-	-	3,733,505	4,837,033	-	-	-	-	3,733,505	4,837,033
Rental income from investment property	-	-	-	-	-	-	3,925,227	3,539,557	3,925,227	3,539,557
Sales of chemically purified water	1,514,631	1,824,019	-	-	-	-	-	-	1,514,631	1,824,019
Total other	367,566	200,515	-	-	-	-	1,104,430	938,083	1,471,996	1,138,598
Inter-segment revenue – other-	-	-	-	-	-	-	(1,104,430)	(938,083)	(1,104,430)	(938,083)
External revenue – other	367,566	200,515	-	-	-	-	-	-	367,566	200,515
Total external revenue	135,892,804	155,069,805	3,733,505	4,837,033	100,170,860	96,953,505	3,925,227	3,539,557	243,722,396	260,399,900

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

5 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Production of electric and heating energy		Electricity transmission and distribution		Sale of electricity		Other		Inter-segment operation		Total	
	12 months ended		12 months ended		12 months ended		12 months ended		12 months ended		12 months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cost of sales	(148,637,663)	(150,878,120)	(32,542,772)	(30,067,534)	(101,280,390)	(95,955,378)	(821,634)	(733,605)	87,391,680	89,278,514	(195,890,779)	(188,356,123)
- Less depreciation and amortization	(46,624,548)	(45,912,213)	(7,717,676)	(6,794,212)	(241,571)	(94,644)	(768,310)	(431,365)	-	-	(55,352,105)	(53,232,434)
Selling expenses	(7,998,630)	(14,340,193)	-	-	-	-	-	-	-	-	(7,998,630)	(14,340,193)
Finance costs	(18,541,111)	(22,879,002)	(2,059,901)	(2,701,441)	(315,978)	(263,870)	(23,009,395)	(21,784,483)	11,607,133	5,092,531	(32,319,252)	(42,536,265)
- Less interest expenses	(10,540,584)	(12,551,263)	(1,328,138)	(1,447,443)	(249,571)	(258,570)	(12,196,562)	(11,723,526)	-	-	(24,314,855)	(25,980,802)
Finance income	4,909,471	4,253,755	37,281	72,953	82,588	52,269	10,210,395	3,313,141	(12,427,749)	(5,358,287)	2,811,986	2,333,831
Share in profit of joint venture and associates	-	-	-	-	-	-	11,191,438	9,751,872	-	-	11,191,438	9,751,872
Reversal/(impairment) of non-financial assets	59,886	(2,580,284)	-	-	-	-	-	(1,000,000)	-	-	59,886	(3,580,284)
Capital expenditures	(17,503,215)	(16,596,838)	(9,519,394)	(10,036,621)	(65,297)	(59,135)	(93,775)	(871,073)	-	-	(27,181,681)	(27,563,667)
Reportable segment assets	709,983,470	735,036,829	132,429,829	128,788,413	12,189,603	10,729,829	156,654,323	195,503,011	(122,039,971)	(80,301,029)	889,217,254	989,757,053
Reportable segment liabilities	250,663,944	266,182,910	41,597,288	45,727,041	12,925,413	10,280,464	215,523,890	253,514,663	(116,509,651)	(65,959,970)	404,200,884	509,745,108

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****5 Segment Information (Continued)****(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Total revenues for reportable segments	327,313,989	346,045,061
Revenues from other operations	5,029,657	4,477,640
Total revenue	332,343,646	350,522,701
Elimination of sales between segments	(88,621,250)	(90,122,801)
Total consolidated revenues	243,722,396	260,399,900

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Total consolidated adjusted EBITDA	85,496,437	97,236,006
Amortization and depreciation	(55,352,105)	(53,232,434)
Finance income	2,811,986	2,333,831
Finance cost	(32,319,252)	(42,536,265)
Share in profit of joint ventures and associates	11,191,438	9,751,872
Impairment of non-financial assets	-	(2,410,447)
Profit for the period before income tax	11,828,504	11,142,563

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Total reportable segment assets	854,602,902	874,555,071
Assets from other operations	156,654,323	195,503,011
Total assets	1,011,257,225	1,070,058,082
Elimination of balances between segments	(122,039,971)	(80,301,029)
Total consolidated assets	889,217,254	989,757,053

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Total reportable segment liabilities	305,186,646	322,190,415
Liabilities from other operations	215,523,890	253,514,663
Total liabilities	520,710,536	575,705,078
Elimination of balances between segments	(116,509,652)	(65,959,970)
Total consolidated liabilities	404,200,884	509,745,108

(d) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 21 (revenue from core activities). Majority of sales of the Group are within Kazakhstan.

(e) Major customers

In 2019 more than 10% of the total revenues were derived from sales to the companies under control of Samruk-Kazyna (Note 6). During the year ended 31 December 2019, there were no other customers for which sales of the Group represented 10% or more than 10% of the total revenues.

The Group's revenues are recorded during the period when obligations are performed, in accordance with IFRS 15.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****6 Balances and Transactions with Related Parties**

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

The related parties include the companies under control of Samruk-Kazyna. Transactions with the Government related entities are not disclosed if they are carried out in the ordinary course of business in accordance with conditions consistent with all public and private companies i) when they are not individually significant; ii) if the Group's services are provided on standard terms available to all consumers, or iii) provided there is no choice of providers of services such as electricity transmission services, telecommunications services, etc.

The Group purchases from and sells goods to a large number of government related entities. Such purchases and sales are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are detailed in Note 28.

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

<i>In thousands of Kazakhstani Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	3,203,727	6,572	8,090	-	10,996,767
Cash and cash equivalents	8,511	-	-	-	-
Other current assets	172,471	405	-	-	-
Assets held for the benefit of the Shareholder	-	-	-	363,571	-
Borrowings	-	-	4,512	64,876,984	17,683,481
Finance lease liabilities	18,750	-	-	-	-
Other distributions for the benefit of the Shareholder	-	-	-	363,571	-
Trade and other payables	3,578,422	3,199,392	-	45,093	626,385
Other payables	-	-	-	-	5,841,513

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

<i>In thousands of Kazakhstani Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	2,106,146	75,624	273	-	9,274,043
Cash and cash equivalents	5,477	-	-	-	64,995
Assets held for the benefit of the Shareholder	-	-	-	1,184,095	-
Other current assets	133 564	421	-	69,156,000	6,514,628
Borrowings	-	-	4,888	62,293,718	19,777,041
Trade and other payables	1,586,595	2,572,376	-	49,788	270,983
Finance lease liabilities	-	-	-	516,230	-
Other distributions for the benefit of the Shareholder	-	-	-	1,184,095	-
Other payables	60,289	-	-	-	5,841,513

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

6 Balances and Transactions with Related Parties (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	30,680,949	1,554,905	85,039	-	19,131,110
Cost of sales	36,933,307	27,699,291	3,663,872	-	5,592,175
General and administrative expenses	337,703	-	-	-	-
Selling expenses	7,927,763	-	-	-	-
Other expenses	387,925	-	-	76,918	-
Other income	388,952	39,002	-	-	-
Finance costs	3,166	-	-	6,553,375	1,247,427
Finance income	-	12,884	-	-	-
Foreign exchange gain/(loss)	-	48,787	-	1,040,400	(72,301)

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

<i>In thousands of Kazakhstani Tenge</i>	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	23,898,981	2,202,972	22,922	-	24,262,053
Cost of sales	27,942,612	29,208,869	-	-	2,822,221
General and administrative expenses	648,886	-	-	-	-
Selling expenses	14,311,681	-	-	-	-
Other expenses	405,215	54,117	-	85,187	-
Other income	406,710	-	-	-	-
Finance costs	-	-	-	6,276,891	1,353,663
Finance income	-	50,964	-	-	-
Foreign exchange loss	-	(15,353)	-	-	-

As specified in Notes 4 and 14, under the instruction of the Shareholder, the Group has committed to construct a kindergarten in Nur-Sultan. The Company recognised the liability for the estimated construction cost of Tenge 1,184,095 thousand as other distributions for the benefit of the shareholder. The Company recognised the expenses incurred during the construction of the kindergarten as current assets held for the benefit of the Shareholder.

At 31 December 2019, the Group has following outstanding guarantees from related parties:

- Corporate guarantee from Samruk-Kazyna in the amount of Tenge 12,285,000 thousand for outstanding loan to Development Bank of Kazakhstan JSC (2018: Tenge 12,285,000 thousand).
- Governmental guarantee in the amount of USD 25,000,000 for outstanding loan to Development Bank of Kazakhstan JSC (2018: USD 25,000,000).
- Corporate guarantee from Samruk-Kazyna in the amount of Tenge 91,412,308 thousand for outstanding loan to Eurasian Development Bank (2018: Tenge 91,412,308 thousand).

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Key management compensation	139,906	104,896
Total key management compensation	139,906	104,896

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2019 include 5 persons (31 December 2018: 6 persons).

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

6 Balances and Transactions with Related Parties (Continued)

Transactions with related parties are made on terms agreed between the parties that do not necessarily correspond to market rates, with the exception of regulated services that are provided on the basis of the tariffs approved by the Authorities

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Oil and gas assets	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2018	-	232,596,485	601,990,758	13,632,773	121,711,418	969,931,434
Accumulated depreciation and impairment	-	(48,090,846)	(133,168,181)	(5,195,747)	(2,815,126)	(189,269,900)
Carrying amount at 1 January 2018 (restated*)	-	184,505,639	468,822,577	8,437,026	118,896,292	780,661,534
Additions	2,134,074	447,646	1,044,317	607,673	29,385,683	33,619,393
Change in accounting estimates	-	(31,339)	-	-	-	(31,339)
Transfers	-	3,782,612	26,132,385	360,651	(30,275,648)	-
Disposal	-	(18,395)	(576,508)	(200,234)	(329,661)	(1,124,798)
Depreciation	-	(11,774,563)	(39,960,500)	(855,793)	-	(52,590,856)
Depreciation on disposal	-	13,621	470,174	186,951	-	670,746
Impairment	-	(913,091)	(1,359,581)	(11,542)	(126,233)	(2,410,447)
Transfer from exploration and appraisal assets	13,140,004	-	-	-	-	13,140,004
Carrying amount at 31 December 2018 (restated*)	15,274,078	176,012,130	454,572,864	8,524,732	117,550,433	771,934,237
Cost at 31 December 2018	15,274,078	236,777,009	628,590,952	14,400,863	120,491,792	1,015,534,694
Accumulated depreciation and impairment	-	(60,764,879)	(174,018,088)	(5,876,131)	(2,941,359)	(243,600,457)
Carrying amount at 31 December 2018 (restated*)	15,274,078	176,012,130	454,572,864	8,524,732	117,550,433	771,934,237
Additions	5,060	15,126,986	2,173,448	686,424	17,445,499	35,437,417
Change in accounting estimates	-	(153,728)	(31,407)	-	-	(185,135)
Transfers	8,766	6,043,452	15,547,347	1,392,593	(22,992,158)	-
Disposal	-	(1,020,336)	(470,515)	(256,192)	(11,214)	(1,758,257)
Depreciation	-	(11,229,786)	(41,984,524)	(865,139)	-	(54,079,449)
Depreciation on disposal	-	993,918	351,758	257,132	-	1,602,808
Impairment	-	(103,273)	-	-	140,916	37,643
Cost at 31 December 2019	15,287,904	256,773,383	645,809,825	16,223,688	114,933,919	1,049,028,719
Accumulated depreciation and impairment	-	(71,104,020)	(215,650,854)	(6,484,138)	(2,800,443)	(296,039,455)
Carrying amount at 31 December 2019	15,287,904	185,669,363	430,158,971	9,739,550	112,133,476	752,989,264

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2).

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****7 Property, Plant and Equipment (Continued)**

Additions include capitalised borrowing costs of Tenge 1,653,151 thousand. The average capitalization rate on interest expenses was 11.41% (2018: 12.18%).

As at 31 December 2019 property, plant and equipment with the carrying amount of Tenge 6,180,278 thousand (31 December 2018: Tenge 5,556,204 thousand) were pledged as collateral for borrowings received by the Group from Development Bank of Kazakhstan JSC.

Depreciation charge is allocated to the following items of profit and loss for the year:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Cost of sales	53,638,086	52,012,889
General and administrative expenses	431,611	564,899
Other expense	9,752	13,068
Total depreciation charges	54,079,449	52,590,856

8 Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	Licenses	Computer software	Other	Total
Cost at 1 January 2018	385,992	4,170,059	1,314,581	5,870,632
Accumulated amortisation	(251,916)	(1,376,565)	(443,056)	(2,071,537)
Carrying amount at 1 January 2018	134,076	2,793,494	871,525	3,799,095
Additions	11,751	631,807	764,207	1,407,765
Disposal	(29,046)	(154,891)	(46,780)	(230,717)
Depreciation on disposal	28,089	152,053	46,780	226,922
Transfers	-	80,160	18	80,178
Amortisation charge	(36,067)	(296,909)	(182,634)	(515,610)
Cost at 31 December 2018	368,697	4,727,135	2,032,026	7,127,858
Accumulated amortisation	(259,894)	(1,521,421)	(578,910)	(2,360,225)
Carrying amount at 31 December 2018	108,803	3,205,714	1,453,116	4,767,633
Additions	107,618	70,881	22,004	200,503
Disposal	(700)	(24,560)	(711,451)	(736,711)
Depreciation on disposal	700	22,534	199	23,433
Transfers	-	500	-	500
Amortisation charge	(33,471)	(384,890)	(145,052)	(563,413)
Cost at 31 December 2019	475,615	4,773,956	1,342,579	6,592,149
Accumulated amortisation	(292,665)	(1,883,777)	(723,762)	(2,900,205)
Carrying amount at 31 December 2019	182,950	2,890,179	618,816	3,691,945

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****9 Right-of-use Assets and Lease Liabilities**

The table below summarises the movements in the carrying amount of right-of-use assets:

<i>In thousands of Kazakhstani Tenge</i>	Buildings and constructions	Machinery and equipment	Other (incl. land)	Software	Total
Carrying amount at 1 January 2019	2,479,310	63,262	398,569	502,899	3,444,040
Additions	368,987	-	270,305	-	639,292
Change in accounting estimates	-	-	(79)	-	(79)
Depreciation	(596,655)	(9,395)	(24,860)	-	(630,910)
Disposal	(99,427)	-	-	(502,899)	(602,326)
Interest expense	-	-	-	-	-
Payments	-	-	-	-	-
Cost at 31 December 2019	2,748,870	63,262	668,795	-	3,480,927
Accumulated depreciation and impairment	(596,655)	(9,395)	(24,860)	-	(630,910)
Carrying amount at 31 December 2019	2,152,215	53,867	643,935		2,850,017

The Group recognised the following lease liabilities:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	1 January 2019
Current lease liabilities	1,036,163	1,032,982
Non-current lease liabilities	1,660,455	2,422,388
Total lease liabilities	2,696,618	3,455,370

Interest expenses included in finance costs in 2019 amounted to Tenge 430,728 thousand. The costs of variable lease payments not included in lease liabilities that are attributed to general and administrative expenses in 2019 amounted to Tenge 91,145 thousand.

10 Investment in Joint Ventures and Associates

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

<i>In thousands of Kazakhstani Tenge</i>	Joint ventures		Associates	Total
	SEGRES-2	Forum Muider B.V.	Energiya-Semirechya	
Balance at 1 January 2018	22,264,624	30,623,596	-	52,888,220
Share of profit/(loss) for the period	(3,411,721)	13,162,336	-	9,750,615
Dividends received	-	(6,778,335)	-	(6,778,335)
Balance at 31 December 2018	18,852,903	37,007,597	-	55,860,500
Share of profit/(loss) for the period	(1,065,478)	12,242,760	14,156	11,191,438
Dividends received	-	(15,311,935)	-	(15,311,935)
Contributions to the authorized capital without changing the share of ownership	-	-	2,403,501	2,403,501
Balance at 31 December 2019	17,787,425	33,938,422	2,417,657	54,143,504

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

10 Investments in Joint Ventures and Associates (Continued)

At 31 December 2019 the Group has interests in the following jointly controlled entities:

- SEGRES-2 – 50%. The remaining 50% interest is owned by SWF Samruk-Kazyna JSC (Note 4).
- Forum Muider – 50%. The remaining 50% is owned by UC RUSAL.

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

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

100% of shares of SEGRES-2 valued as of the date of the Guarantee contract of Tenge 10,582,636 thousand were pledged as collateral for the loan of SEGRES-2 JSC from Eurasian Development Bank.

The only difference at reconciliation of the amounts below and carrying values of investments in associates and joint ventures is the excluded share of other investors in these associates and joint ventures.

The Group's management believes that the Group's share in net assets in associates and joint ventures is limited to the investment in the associate.

Contingencies related to the Group's share in joint ventures are disclosed in Note 29. Related party balances and transactions are presented in Note 6.

Presented below is summarised financial information of joint ventures and associates at 31 December 2019 and 2018 and for the years then ended:

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

10 Investments in Joint Ventures and Associates (Continued)

	SEGRES-2		Forum Muider		Energiya-Semirechya	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<i>In thousands of Kazakhstani Tenge</i>						
Current assets, including	9,581,276	13,235,441	26,631,144	26,797,255	423,099	28,780
Cash and cash equivalents	1,579,310	4,613,012	5,241,487	6,392,803	207,817	-
Non-current assets	135,359,044	137,397,564	96,927,366	76,504,960	16,493,103	286,613
Current liabilities, including	(13,839,300)	(112,168,736)	(25,955,350)	(16,309,094)	(7,245,574)	(315,393)
Current financial liabilities (excluding trade and other payables and provisions)	(9,267,137)	(101,079,598)	(3,203,504)	(3,480,318)	(7,051,830)	(162,784)
Non-current liabilities, including	(95,526,170)	(758,463)	(29,726,416)	(12,977,928)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(93,223,679)	(434,156)	(26,252,964)	(10,781,585)	-	-
Net assets	35,574,850	37,705,806	67,876,844	74,015,193	9,670,628	-
Share of the Group	50%	50%	50%	50%	25%	25%
Group's share in net assets	17,787,425	18,852,903	33,938,422	37,007,597	2,417,657	-
Revenue	40,933,644	38,922,163	105,278,134	122,983,998	-	-
Depreciation and amortization of property, plant and equipment and intangible assets	(3,837,594)	(3,931,570)	(6,884,556)	(3,522,104)	-	-
Interest income	278,524	98,635	371,893	562,668	201,211	-
Interest expense	(11,416,636)	(10,459,913)	(403,602)	(717,385)	(12,884)	-
Income tax	(2,051,907)	(952,135)	(7,769,498)	(7,564,751)	-	-
Profit/(loss) before tax	(2,141,868)	(6,823,442)	24,653,205	26,518,437	56,624	-
Total comprehensive income/(loss)	(2,130,956)	(6,823,442)	24,485,520	26,324,672	56,624	-

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****11 Other Non-Current Assets**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Bonds	2,316,104	2,543,159
Long-term receivables	733,735	9,936,270
Restricted cash	54,265	-
Less: impairment provision	(254,456)	(288,944)
Total other non-current financial assets	2,849,648	12,190,485
Prepayments for non-current assets	1,011,136	1,418,506
Non-current VAT recoverable	544,282	1,116,463
Other non-current assets	192,790	179,488
Total other non-current assets	4,597,856	14,904,942

At 31 December 2019 long-term receivables of Tenge 733,735 thousand are long-term receivables from Inform System LLP with the internal rating of SK A. At 31 December 2019 and 2018, receivables are neither past due nor impaired and are fully denominated in Tenge.

Bonds include coupon bonds with a coupon rate of 8% of MEDC JSC with carrying amount of Tenge 1,166,643 thousand with a maturity of 2023.

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and property, plant and equipment:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Construction and reconstruction of substations in Almaty and Almaty region	809,783	934,240
Modernisation of Shardara HPS	101,683	484,266
Construction of 416 kW SPP in Almaty region	99,670	-
Total prepayments for non-current assets	1,011,136	1,418,506

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2).

12 Inventories

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Fuel	5,164,188	4,041,794
Auxiliary production materials	5,013,548	5,241,855
Spare parts	1,073,183	739,976
Other materials	308,266	323,453
Raw materials	28,375	24,854
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,014,691)	(993,814)
Total inventories	10,572,869	9,378,118

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****12 Inventories (Continued)**

Presented below are movements in the Group's inventory provision:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Provision at 1 January	993,814	1,026,184
Provision reversed	(95,850)	(201,230)
Accrual of provision	116,727	169,837
Inventories written off during the year	-	(977)
Provision at 31 December	1,014,691	993,814

13 Trade and Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Financial trade receivables	29,633,498	24,538,649
Less: impairment provision	(1,102,970)	(1,170,314)
Total financial trade receivables	28,530,528	23,368,335
Other receivables	3,933,208	4,122,563
Less: impairment provision	(3,540,314)	(3,577,484)
Total trade and other receivables	28,923,422	23,913,414

The financial receivables of the Group as at 31 December 2019 and 31 December 2018 are denominated in thousands of Tenge. Carrying amount approximates fair value due to its short-term nature. As at 31 December 2019, other receivables of Maikuben-West LLP were impaired in the amount of Tenge 3,448,604 thousand (2018: Tenge 3,477,982 thousand).

Movements in the impairment provision for financial assets:

<i>In thousands of Kazakhstani Tenge</i>	2019		2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Provision for impairment at 1 January	1,170,314	3,577,484	198,281	3,858,922
Change in opening balance in accordance with IFRS	-	-	211,814	230,135
Reclassification to other assets	-	-	-	(381,252)
Accrual of impairment provision	101,008	31,784	930,671	30,034
Reversal of provision during the year	(129,905)	(78,245)	(165,839)	(155,143)
Amounts written off during the year	(38,447)	9,291	(4,613)	(5,212)
Provision for impairment at 31 December	1,102,970	3,540,314	1,170,314	3,577,484

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2).

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****14 Other Current Assets**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Other receivables	10,991,594	5,171,414
Term deposits	2,341,375	2,286,731
Restricted cash	318,542	13,853,678
Bonds	24,626	29,449
Dividends receivable	405	421
Loans issued	-	104,228
Reimbursement receivable for BTPP (Note 4)	-	69,156,000
Less: impairment provision	(278,334)	(1,222,362)
Total other current financial assets	13,398,208	89,379,559
VAT recoverable and prepaid taxes	2,618,561	1,011,498
Advances to suppliers	1,023,621	1,184,095
Assets held for the benefit of the Shareholder	363,571	1,377,916
Other	1,076,330	1,087,880
Less: impairment provision	(792,920)	(363,652)
Total other current assets	17,687,371	93,677,296

Other receivables

Other receivables primarily include short-term receivables from the buyers of disposed subsidiaries of Tenge 10,065,377 thousand, there were sold in 2017, and receivables of Tauba Invest LLP of Tenge 1,038,725 thousand. Receivables from Tauba Invest LLP are secured by the pledge agreement for property dated 26 April 2018. In the reporting period, Tauba Invest LLP has partially repaid its debt for Tenge 1,516,580 thousand.

In the absence of adequate information on Tauba Invest LLP, in assessment of the expected credit loss model, the Group assigned a SK D rating and recognised an impairment of Tenge 137,906 thousand. As of 31 December 2019 the receivables from the acquirers of subsidiaries, that were sold during 2017, in the amount of Tenge 9,952,869 thousand are payable from KBI Energy LLP with an internal rating of SK A, in the amount of tenge 1,056,563 thousand, from East Kazakhstan Regional Energy Company LLP with an internal rating of SK A, in the amount of Tenge 7,782,955 thousand, from Inform-System LLP with an internal rating of SK A, in the amount of Tenge 56,788 thousand, from the Kazakhstan Utility Systems LLP with an internal rating of SK A in the amount of Tenge 1, 056,563 thousand. At 31 December 2019 and 2018, other receivables are neither past due nor impaired, and are fully denominated in Tenge.

Assets held for the benefit of the Shareholder

As specified in Note 14, under the instruction of the Shareholder, the Group assumed an obligation to construct a kindergarten in Nur Sultan. The Company recognised the liability for the estimated construction cost of Tenge 1,184,095 thousand as other distributions for the benefit of the shareholder. The Company recognised the expenses incurred during the construction of a kindergarten as current assets held for the benefit of the Shareholder. Pursuant to the gift agreement No. 56 dated 28 August 2019, the Group transferred to the State Institution, Department of Asset Management and Public Procurement of Nur-Sultan city a part of the Asset, specifically, a kindergarten building with technical equipment and boiler equipment for a total amount of Tenge 820,524 thousand. According to clause 11 of IFRIC 17 “Distribution of non-monetary assets to owners”, the Group shall evaluate the obligation to distribute non-monetary assets as a dividend for the benefit of its owners at the fair value of the assets distributed. The management of the Group believes that the assessment of the fair value of the kindergarten is equal to the carrying amount since neither the Group nor its Sole Shareholder derive any economic benefit from this transaction, and it was made exclusively at the request of the ultimate shareholder, the Government of the Republic of Kazakhstan. Involvement in social projects is a common practice among shareholder groups. In addition, the Group did not participate in the planning and construction of the kindergarten, but only allocated the necessary funds for its construction, and the transfer of the asset at a carrying amount below fair value does not negatively affect the interests of any other shareholders because there is only one Shareholder in the Group. In 2019, the Group transferred a part of the Asset, a kindergarten building with technical equipment and boiler equipment for the total amount of Tenge 820,524 thousand to the State Institution, Department of Asset Management and Public Procurement of Nur-Sultan city. The transfer of the remaining part of the Asset, a transformer substation and engineering networks to Akimat of Nur-Sultan for a total amount of Tenge 363,571 thousand is planned in the first half of 2020.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****15 Cash and Cash Equivalents**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Cash at current bank accounts	8,798,404	9,529,030
Term deposits	3,193,726	4,075,646
Cash on hand	14,907	19,489
Total cash and cash equivalents	12,007,037	13,624,165

Term deposits and current deposits have contractual maturity terms less than three months or are available on demand.

Cash and cash equivalents balances are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Kazakhstani Tenge	6,460,452	12,023,786
Euro	4,193,576	106,492
US Dollar	1,353,004	1,493,875
Other currencies	5	12
Total cash and cash equivalents	12,007,037	13,624,165

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2)

16 Equity*Authorised capital*

As at 31 December 2019, 5,601,687 of issued ordinary shares were fully paid in the amount of Tenge 373,314,888 thousand (31 December 2018: 5,601,687 shares). Each ordinary share equals to one vote. The Company has no preferred shares. There are 8,602,187 authorised shares. As at 31 December 2019 SWF Samruk-Kazyna is a 100% shareholder of the Company (2018: 100%).

On 23 April 2019, the Group announced the payment of dividends to the Sole Shareholder in the amount of Tenge 2,041,000 thousand - Tenge 364,35 tenge per share (31 December 2018: Tenge 2,041,000 thousand). Dividends were fully paid on 20 June 2019.

Other reserves

<i>In thousands of Kazakhstani Tenge</i>	Merger reserve	Result of transactions with shareholder	Other comprehensiv e income/(loss)	Total
Balance at 1 January 2019	37,282,287	90,607,549	(476,927)	127,412,909
Other comprehensive loss	-	-	(55,895)	(55,895)
Balance at 31 December 2019	37,282,287	90,607,549	(532,822)	127,357,014

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****17 Provision for Ash Dump Liquidation**

Movements in provision for ash dump restoration are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Provision at 1 January	2,891,877	2,404,270
Change in accounting estimates	(600,116)	359,519
Provision for the year	46,495	33,125
Increase by discount amount	171,413	174,398
Utilization of provision	(178,078)	(79,435)
Provision at 31 December	2,331,591	2,891,877

18 Borrowings

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Non-current portion		
Bank term loans	124,330,194	164,318,418
Loans from Samruk-Kazyna	62,284,631	59,693,110
Bonds issued	24,788,748	41,648,019
Loans from customers	1,180,503	1,299,563
Total non-current borrowings	212,584,076	266,959,110
Current portion		
Bank term loans	54,040,175	38,961,930
Loans from Samruk-Kazyna	2,592,353	2,600,608
Bonds issued	362,792	1,134,078
Loans from customers	360,287	707,043
Total current borrowings	57,355,607	43,403,659
Total borrowings	269,939,683	310,362,769

Presented below are carrying amounts and fair value of borrowings:

<i>In thousands of Kazakhstani Tenge</i>	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Bank term loans	178,370,369	203,280,348	171,230,211	205,557,359
Loans from Samruk-Kazyna	64,876,984	62,293,718	50,200,232	80,088,686
Bonds	25,151,540	42,782,097	21,640,442	46,566,694
Loans from customers	1,540,790	2,006,606	1,644,000	2,078,798
Total borrowings	269,939,683	310,362,769	244,714,885	334,291,537
Borrowings due:				
– within 1 year	57,355,607		43,403,659	
– from 2 to 5 years	113,940,774		206,582,824	
– over 5 years	98,643,302		60,376,286	
Total borrowings	269,939,683		310,362,769	

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****18 Borrowings (Continued)**

Borrowings of the Group are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018
Borrowings denominated in:		
– Tenge	264,270,641	244,801,814
– US Dollars	5,669,042	65,560,955
Total borrowings	269,939,683	310,362,769

An analysis of the amount of net debt and movements in the Group's liabilities arising from financial activities for each of the periods presented are provided in the table below. Items of these liabilities are reported in the consolidated statement of cash flows as part of financial activities.

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Borrowings at 1 January	310,362,769	358,487,044
Proceeds from borrowings and bonds issued	167,982,854	88,332,055
Borrowings repaid	(212,412,072)	(149,727,522)
Interest accrued	23,806,355	25,980,802
Capitalised interest (Note 7)	1,648,093	2,511,193
Interest repaid	(24,129,352)	(26,658,066)
Capitalised interest repaid	(1,648,093)	(2,511,193)
Foreign exchange adjustments	(434,951)	9,081,960
Unwinding of present value discount	5,681,871	5,163,793
Discount accrual	(955,702)	-
Other payments	37,911	(297,297)
Borrowings at 31 December	269,939,683	310,362,769

The carrying amount of borrowings in the context of the Group companies is as follows:

Samruk-Energy

<i>In thousands of Kazakhstani Tenge</i>	Interest rate, %	31 December 2019	31 December 2018
<i>Samruk-Energy</i>			
Samruk-Kazyna	1%, 1.20%, 2.00%	64,876,984	62,293,718
Asian Development Bank	3.75%-4.5%+ ADB	46,379,037	-
Bonds	11.2%-13.00%	25,160,444	42,782,097
European Bank for Reconstruction and Development ("EBRD")	4%+All in cost	21,281,118	31,608,886
Sberbank JSC SB	9.8%	4,005,444	2,250,655
Halyk Bank JSC	10.3%	1,932,845	-
Total Samruk-Energy borrowings		163,635,872	138,935,356

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019
18 Borrowings (Continued)
AZhK

<i>In thousands of Kazakhstani Tenge</i>	Interest rate, %	31 December 2019	31 December 2018
Halyk Bank JSC	12-12,5%	9,321,043	15,927,688
Borrowings from customers	0%	1,551,256	2,006,606
Total borrowings of AZhK		10,872,299	17,934,294

PVES

<i>In thousands of Kazakhstani Tenge</i>	Interest rate, %	31 December 2019	31 December 2018
Eurasian Development Bank	12,5%	-	9,166,843
Total borrowings of PVES		-	9,166,843

<i>In thousands of Kazakhstani Tenge</i>	Interest rate,%	31 December 2019	31 December 2018
ALES			
Halyk Bank of Kazakhstan JSC	11,5%-13%	20,559,299	30,865,441
Total borrowings of ALES		20,559,299	30,865,441

Moinak Hydro Power Station JSC

	1,15%*USD 6MLIBOR +1,15% (2,87%) 8%,7,55%,12% USD 6MLIBOR +1,2% (2,98%) 6M LIBOR+1.2%		
Development Bank of Kazakhstan JSC		17,669,074	19,848,705
State Development Bank of China		-	54,305,480
Total borrowings of Moinak HPS		17,669,074	74,154,185

AlmatyEnergoSbyt

Halyk Bank of Kazakhstan JSC	11%	2,439,719	2,491,393
Total borrowings of AlmatyEnergoSbyt LLP		2,439,719	2,491,393

Shardara HPS JSC

European Bank of Reconstruction and Development	3.9%+All in cost	23,888,308	13,763,824
Total borrowings of Shardara HPS		23,888,308	13,763,824

EGRES-1

Sberbank JSC SB	11.5%	17,282,362	23,051,433
Halyk Bank of Kazakhstan JSC	10.3-11.25%	13,592,750	-
Total borrowings of EGRES-1		30,875,112	23,051,433
Total borrowings		269,939,683	310,362,769

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019
18 Borrowings (Continued)

The carrying amounts of borrowings by Group companies are as follows:

Samruk-Energy
Samruk-Kazyna

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 48,200,000 thousand for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Company signed a loan agreement with Samruk-Kazyna for amount of Tenge 7,000,000 thousand for the purpose of financing construction of substation of Alatau Zharyk Company JSC. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Company signed a loan agreement with Samruk-Kazyna for amount of Tenge 200,000,000 thousand for the purpose of acquisition of remaining share in EGRES-1. The principal amount is payable on 1 December 2028 and interest at 7.8% is payable by semi-annual payments.

On 3 October 2014 the loan agreement was substantially modified pursuant to the addendum No.1 to the loan agreement in the following way:

- Principal amount Tenge 100,000,000 thousand was extinguished as a contribution to share capital.
- Interest rate on the remaining principal amount was increased to 9%.

On 25 December 2015 the loan agreement was significantly amended in accordance with the addendum No.2 to credit agreement No.369-I, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant modification in the loan terms. Management believes that such change in the conditions of the loan should be considered as a settlement of the original loan and recognition of a new loan at a fair value. At the loan origination date, the market rate was 12.8% per annum. The Company recognised a gain on initial recognition of the loan of Tenge 72,581,903 thousand as part of other reserves. Management believes that by providing a loan at the below-market rate, Samruk-Kazyna acted as the Company shareholder. Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date, calculated using the discounted cash flow method at the effective rate of 12.8% per annum.

Bonds

In August and September 2017, the Company issued and placed bonds for a total of Tenge 20,000,000 thousand and Tenge 28,000,000 thousand, respectively, with a nominal value of Tenge 1000 per bond with a five-year term. The coupon rate was 13% per annum and 12.5% per annum, respectively, and is payable twice a year and on a quarterly basis, respectively. On 18 February 2019, the Company performed a buyback of the bonds of the second tranche in the amount of Tenge 28,000,000 thousand. In April 2019, the Company performed a buyback of 16,872,498 bonds of the first tranche at a market price of tenge 17,655,846 thousand. As of 31 December 2019, the balance of the main debt for the first tranche is Tenge 3,127,502 thousand.

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

European Bank for Reconstruction and Development

In December 2016 the Company opened a non-revolving line of credit for EUR 100 million to refinance Eurobonds. In September 2019 the Company received two tranches of Tenge 39,114,450 thousand within this credit facility All-in-cost, which is calculated based on inflation, plus margin of 3.5% and 4.5% per annum. Changes in the independent indicative interest rate are recorded on a quarterly basis. The principal is payable twice a year and at maturity. In 2019, the Company made an early repayment of the second tranche of a loan from the EBRD of Tenge 10,354,871 thousand.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

18 Borrowings (Continued)

Samruk-Energy (Continued)

Halyk Bank JSC

In August 2017 the Company opened a non-revolving credit facility for Tenge 40,000,000 thousand to refinance Eurobonds and for other corporate purposes. The principal is payable twice a year. During 2019, the Company received borrowings total of Tenge 21,900,000 thousand, of which Tenge 20,000,000 thousand were repaid. The borrowings balance as of 31 December 2019 is Tenge 1,900,000 thousand, and the interest rate is 10.3% per annum.

Asian Development Bank

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

Sberbank JSC SB

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

PVES

Eurasian Development Bank

Under non-revolving credit facility agreement No.107 dated 29 April 2013, PVES LLP (“PVES”) raised a long-term loan for construction of a wind power electric plant in Akmola region. The interest rate for tranches issued from the date of entry of the credit facility agreement to 28 April 2015 is 10.5% per annum, for tranches starting from 29 April 2015 - 12.5% per annum. During 2019, the Company early and fully repaid loans at the Eurasian Development Bank.

AZhK

Loans from consumers

In accordance with the Resolution of Government of the Republic of Kazakhstan dated 21 February 2007, the Company received loans from consumers for additional power capacities through construction of power transmission lines and infrastructure of electricity grid connection or reconstruction of the existing power transmission lines and infrastructure until 1 January 2009. These loans are interest-free and not secured by any collateral. The loans from consumers are repayable by equal payments within 20 years, beginning from the 4th year from the Company’s receipt of the loans.

The loans from customers were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate; and subsequently carried at amortised cost. Loans from consumers for the connection of additional power capacity as of 31 December 2019 constitute Tenge 1,686,026 thousand (31 December 2018: Tenge 2,006,604 thousand). The difference between the nominal value of funds received and their fair value at initial recognition was recorded as deferred income.

Halyk Bank of Kazakhstan

In 2015, the Company entered into a credit facility agreement with Halyk Bank of Kazakhstan JSC ("Halyk Bank") (the "Agreement"). In accordance with the Agreement, the total amount of the credit facility is Tenge 27,514,358 thousand, of which:

- Tenge 1,745,211 thousand with an interest rate of 12% per annum in Tenge for 5 years until 1 July 2022 ("Limit 1"). Purpose of Limit 1 - construction and installation work on reconstruction and construction of a new HV line - 0,4 kW according to REN-5 with transfer to a self-supporting insulated wire, reconstruction of inappropriate TS-6-10 / 0,4 kW operational requirements and construction of TS-6-10 / 0.4 kW;
- Tenge 6,458,480 thousand with an interest rate of 12% per annum for 5 years until 24 November 2020 (“Limit 3”). The purpose of Limit 3 is work related to the transfer of part of the loads from the existing substation No. 4 to the newly built substation 110/10-10 kW Alatau;

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

18 Borrowings (Continued)

AZhK (Continued)

Halyk Bank of Kazakhstan (Continued)

- Tenge 6,347,181 thousand with an interest rate of 12% per annum for the period until 1 July 2022 ("Limit 4"). The purpose of Limit 4 is to transfer existing 6 kW to 10 kW networks from PDS-41, transfer existing 6 kW to 10 kV networks across REN-1 in the area of substation-1A, transfer part of the loads from existing substation-5A, substation-17A and substation-132A to the newly built substation 110/10 Otrar;
- Tenge 7,500,000 thousand with an interest rate of 12,5% per annum until 1 July 2022 ("Limit 6"). Purpose of Limit 6 is the repayment of debt on issued bonds (refinancing);
- Tenge 800,000 thousand tenge with an interest rate of 12,0% per annum until 1 March 2020 ("Limit "). Purpose of Limit 9 is the payment under contracts;
- Tenge 4,463,486 thousand with an interest rate of 12,5% per annum until 31 August 2023 ("Limit 10"). Purpose of Limit 10 is the repayment of debt on issued bonds (refinancing).

On 25 September 2019, the Board of Directors of the Company made a decision on the disposal of 2,804,746 shares for the benefit of Samruk-Energy JSC, at a placement price of Tenge 520 per share for the amount of Tenge 1,458,468 thousand. On 29 October 2019, the proceeds from the sale of shares were used to repay the loan of Tenge 1,458,468 thousand raised from Halyk Bank of Kazakhstan JSC.

In accordance with the addendum, starting from 3 May 2019, fixed rates of interest were changed by 12% for Limits - 1, 3, 4 and 9, and Limit - 6, 10 - 12,5%.

As security for the obligations of under the Agreement, the Halyk Bank is provided (will be provided) as a pledge:

- movable assets - current account money in Halyk Bank (Note 12);
- movable and immovable assets, which will be acquired/built/ reconstructed using borrowed funds. As at 31 December 2019, the construction/reconstruction of such assets was not completed.

Within the framework of the credit Limit - 4 tranches were received for the total amount of Tenge 3,232,822 thousand, the remaining Limits were spent in full, with the exception of Limit - 3. The loan amount shall be repaid monthly, in equal installments, starting from the date of the loan. Repayment is regulated by repayment schedules in accordance with loan agreements.

ALES

Halyk Bank of Kazakhstan JSC

26 November 2014 the Company signed a credit facility agreement with Halyk Bank of Kazakhstan JSC with the disbursement limit of Tenge 4,000,000 thousand for 36 months (“Agreement”). The loan was provided for replenishment of the working capital. The interest rate was 9,0% per annum. Principal was repaid upon maturity of each loan; the tranche was payable within 6 months. Interests were paid on a monthly basis. The loan was collateralised by future cash flows from the contract with Almatyenergosbyt LLP.

On 27 July 2017 the Company signed the addendum to this Agreement, whereby loans are granted as follows: with the disbursement limit of Tenge 4,000,000 thousand for a period of 6 months till 2 December 2020 under the revolving line (Limit-1), with the disbursement limit of Tenge 5,000,000 thousand for a period of five years till 17 September 2021 (Limit-2), and with the disbursement limit of Tenge 13,000,000 thousand for a period of 7 years till 1 March 2024 (Limit-3) under the non-revolving credit lines. The purpose of Limit-2 is to recover previously incurred investment costs related to the Company’s project “Almaty CHP-2 Reconstruction and Expansion. III Phase. Boiler Unit No.8” till 2024” and to reimburse costs on the Company’s borrowing from Samruk-Energy. The interest rate was 14.0% per annum. The purpose of Limit-3 is to refinance payables on the index-linked bonds in issue. The interest rate was 13.5% per annum. The loans were collateralised by future cash flows from the contract with Almatyenergosbyt LLP and Alatau Zharyk Company JSC.

On 1 October 2018 the Company signed the addendum to this Agreement, whereby loans are granted as follows: with the disbursement limit of Tenge 2,000,000 thousand for a period of 6 months till 1 December 2020 under the revolving line (Limit-4), with the disbursement limit of Tenge, 9,327,142 thousand for a period until 1 March 2024 under the non-revolving credit line (Limit-5). The purpose of Limit-4 is to replenish the working capital. Limit-5 is provided for refinancing the debt to bank CenterCredit JSC. The interest rate was 12.0% per annum and 12.5% per annum under Limit-4 and Limit-5, respectively. The terms and conditions of Limits 1-3 remained unchanged. The Agreement is secured by future cash flows from the contract with Almatyenergosbyt LLP, Alatau Zharyk Company JSC and Almaty Heating Networks LLP.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

18 Borrowings (Continued)

ALES (Continued)

Halyk Bank of Kazakhstan JSC (Continued)

On 12 December 2018 the Company signed the addendum to this Agreement to change the interest rates beginning from 15 November 2019: for Limit-1 and Limit -4 from 12.0% per annum down to 11.5% per annum, for Limit-2 from 14.0% per annum down to 12.5% per annum, for Limit-3 from 13.5% per annum down to 13.0% per annum. As a result, the Company recognized income from changes in terms of loans and borrowings of Tenge 167,117 thousand.

On 2 May 2019, the Company signed an addendum to the present Agreement, pursuant to which interest rates have changed since 2 May 2019: for Limit-1 and Limit-4 from 11,5% per annum to 11,0% per annum, for Limit-2 from 12,5% per annum % per annum, for Limit-3 from 13,0% per annum to 12,5% per annum. As a result, the Company recognized income from changes in terms and conditions of loans and borrowings of Tenge 119,436 thousand. On 11 December 2019, the Company signed an addendum to the present Agreement, according to which interest rates have changed since 11 December 2019: for Limit-3 and Limit-5 from 12,5% per annum to 12,0% per annum. As a result, the Company recognized income from changes in terms and conditions of loans and borrowings of Tenge 143,287 thousand.

During the year ended 31 December 2019, the Company repaid the loans of Tenge 21,785,125 thousand (2018: Tenge 9,073,942 thousand) and raised new loans of Tenge 11,744,232 thousand (2018: Tenge 18,222,701 thousand).

Moinak Hydro Power Station JSC

Development Bank of Kazakhstan JSC

On 14 December 2005 and 16 January 2008, the Company received a loan in two tranches from the Development Bank of Kazakhstan JSC, a related party, in the amount of USD 25,000,000 and USD 26,058,000 at an interest rate of 1,15*6MLIBOR + 1,5% and 8% per annum, accordingly. Loans were granted for 20 years. On 6 December 2012, the Company signed an addendum to amend the interest rate of the second tranche from 8% to 7,55%, relating to the amount of USD 1,563,053 for further borrowings.

On 17 June 2011 the Company signed a contract with the Development Bank of Kazakhstan JSC for the third tranche of Tenge 12,285,000 thousand at an interest rate of 12% per annum. The loan has been provided for 17 years. On 6 December 2012, the Company signed an addendum on amending the interest rate of the third tranche from 12% to 7,55%, relating to borrowings after this date in the amount of Tenge 8,924,392 thousand. During 2015, the Company received Tenge 1,867,551 thousand under the third tranche in accordance with addendums No. 22 and No. 23 dated 24 August 2015 and 8 September 2015, accordingly. On 28 November 2019, the Company signed an addendum on amending the loan currency from the US Dollar to Tenge and amending the interest rate by 10,72%. During 2019, the amount of loan payments constituted Tenge 3,449,546 thousand (2018: Tenge 3,349,502 thousand).

The loans are secured as follows:

- Government guarantee of the Ministry of Finance of the Republic of Kazakhstan of USD 25,000,000. Uncovered counter-guarantee for the guarantee of the Ministry of Finance of the Republic of Kazakhstan Halyk Savings Bank of Kazakhstan JSC for USD 2,785,184;
- Guarantee of Samruk-Energy JSC for Tenge 1,079,213 thousand dated 13 December 2012;
- Guarantee of Samruk-Kazyna National Welfare Fund JSC for Tenge 12,285,000 thousand dated 1 July 2011;
- Guarantee of Samruk-Energy JSC for Tenge 4,545,554 thousand dated 28 November 2019;
- Property, plant and equipment with a carrying amount of Tenge 6,172,543 thousand (2018: Tenge 5,556,204 thousand)

State Development Bank of China

On 14 June 2006, the Company received a credit line from the State Development Bank of China in the amount of USD 200,000,000 at the interest rate of 6MLIBOR + 1,2%. The loan was provided for 20 years. The Company used a loan amount of USD 196,337,143 for the construction of a hydroelectric power plant between 2006 and 31 December 2013 (Note 22). On 20 June 2019, the Company repaid the principal amount and interest on the loan with the funds from the issuance of bonds purchased by the parent company of Samruk-Energy.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

18 Borrowings (Continued)

Shardara HPS JSC

European Bank of Reconstruction and Development

On 24 August 2012 the Shardara HPS JSC (“SHPS”) entered into loan agreement with the European Bank of Reconstruction and Development (“EBRD”) on loan in the amount of Tenge 9,150,000 thousand. On 28 February 2014 the amount of the agreement increased to Tenge 14,350,000 thousand (tranche No.1). The funds under tranche No. 1 were received in full during 2015-2017. On 18 April 2019, addendum No. 7 was signed on the provision of tranche No. 2, for an amount of up to Tenge 11,520,000 thousand, the Company received funds in full in May 2019. The principal amount on tranche No. 1 is repayable in 40 equal quarterly instalments. The first payment date is the 3rd quarter of 2018, the last payment date is the 2nd quarter of 2028. The principal amount under tranche No. 2 is repayable in 33 equal quarterly instalments. The first payment date is the 2nd quarter of 2020. the last payment date is the 2nd quarter of 2028. Interest is payable quarterly, other commissions are payable upon receipt of the invoice. In 2019, the Company paid a commission for arranging financing for tranche No. 2, which was 1% of the tranche amount. Fees are payable quarterly, other commissions should be paid once as per invoice received.

Ekibastuz GRES-1

Sberbank JSC SB

In August 2017, the Company opened two non-revolving credit facilities in Sberbank of Russia JSC SB under which the following loans were received:

- Tenge 7,000,000 thousand for 5 years, until 29 August 2022. Collateral is cash that will be received in the future (without pledge) of Tenge 5,670,000 thousand.
- Tenge 21,000,000 thousand for 3 years, until 29 August 2020, with the possibility of extension until 29 August 2022. Collateral is cash that will be received in the future (without pledge) of Tenge 17,010,000 thousand.

The interest rate is 11,5% per annum. The Company contributed cash as collateral of Tenge 100 thousand for each credit facility.

Halyk Bank of Kazakhstan JSC

In April 2015, the Company entered into a loan agreement with Halyk Bank of Kazakhstan JSC. The total limit was Tenge 43,000,000 thousand, including:

- Limit 1 - Tenge 35,000,000 thousand on a non-renewable basis for 5 years (until 7 April 2021 - tranche terms until the end of financing);
- Limit 2 - Tenge 8,000,000 thousand on a renewable basis (3 years - tranche terms up to 12 months inclusive).

On 17 May 2019, an addendum No. 10 to bank loan agreements was signed. The purpose of the addendum is to reduce the interest rate up to 6 months (inclusive) - 10,3%, up to 9 months (inclusive) - 10,5%, up to 12 months (inclusive) -10,75% and up to 36 months (inclusive) - 11,25% per annum.

On 3 June 2019, an addendum No. 11 to bank loan agreements was signed. The purpose of the addendum is to increase the renewable part of the credit facility to Tenge 28,000,000 thousand with a validity period of up to 31 December 2024.

During 2019, the Company repaid its loan arrears in advance in the amount of Tenge 20,525,000 thousand (2018: the Company fully repaid the loans in advance). As of 31 December 2019, loans from Halyk Bank of Kazakhstan JSC are loans received under Limit 2 with a maturity of 1 year.

AlmatyEnergoSbyt

Halyk Bank of Kazakhstan JSC

AlmatyEnergoSbyt LLP has opened a short-term credit facility at Halyk Bank of Kazakhstan JSC to replenish working capital since 22 April 2015. Under this credit facility, the Company received loans for Tenge 7,300,000 thousand in 2019. During 2019 interest rate in Tenge was reduced from 11,5% to 11,0% per annum.

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****19 Other Non-current Liabilities**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated)
Trade payables	1,216,356	2,805,502
Historical costs associated with obtaining subsoil use rights	1,914,756	1,900,119
Total financial non-current liabilities	3,131,112	4,705,621
Deferred income	995,311	1,300,278
Other	204,953	737,757
Total other non-current liabilities	4,331,376	6,743,656

Trade payables of Tenge 1,216,356 thousand represent the Company's non-current payables to contractors for modernisation of Shardara HPS JSC (2018: Tenge 2,805,502 thousand). These payables are fully denominated in Euro at 31 December 2019 and 31 December 2018.

Deferred income represents the difference between the nominal value of loans from AZhK customers for construction and reconstruction of new and existing power transmission lines and infrastructure to connect to electricity transmission lines and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognised in profit or loss over the useful lives of property, plant and equipment.

Presented below is movement of deferred income:

<i>In thousands of Kazakhstani Tenge</i>	AZhK
Carrying amount at 1 January 2018	1,849,314
Change in the carrying amount of loans from customers adjusted against deferred income	(240,817)
Revenue recognition	(308,219)
Carrying amount at 31 December 2018	1,300,278
Change in the carrying amount of loans from customers adjusted against deferred income	(44,912)
Revenue recognition	(260,055)
Carrying amount at 31 December 2019	995,311

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****20 Trade and Other Payables**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019	31 December 2018 (restated*)
Trade payables	23,683,433	14,048,376
Payables to Almaty Akimat (Note 4)	5,841,514	5,841,514
Dividends payable	892,243	834,849
Other financial payables	1,034,239	1,122,723
Payables to Samsung C&T for BTPP (Note 4)	-	69,156,000
Total financial trade payables	31,451,429	91,003,462
Accrued provisions for unused vacations	2,109,686	1,867,581
Advances received from customers	2,068,623	1,941,232
Salaries payable	1,477,862	1,667,526
Other payables	1,266,895	2,327,905
Other distributions to shareholder	363,571	1,184,095
Total trade and other payables	38,738,066	99,991,801

* - comparatives have been restated to reflect the transfer of assets and liabilities from a disposal group held for sale (Note 2).

21 Revenue

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Sale of electricity	201,025,893	223,722,768
Sale of heating energy	16,782,196	21,675,428
Income from services on maintaining power capacity	11,623,590	-
Income from lease of renewable energy power plants	4,749,788	4,600,580
Income from lease of investment property	3,925,227	3,539,557
Electricity transmission and distribution	3,733,505	4,837,033
Sale of chemically purified water	1,514,631	1,824,019
Other	367,566	200,515
Total revenue	243,722,396	260,399,900

22 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Depreciation of property, plant and equipment and amortisation of intangible assets	54,226,988	52,363,515
Fuel	52,339,746	56,768,378
Payroll and related expenses	26,775,072	25,230,812
Cost of purchased electricity	13,673,289	10,178,369
Electricity transmission and other services	10,331,297	10,018,563
Maintaining electric power capacity	7,692,198	-
Taxes other than on income	8,924,108	8,912,310
Repair and maintenance	6,878,757	6,344,424
Third party services	5,383,091	8,219,452
Water supply	3,961,883	4,663,549
Materials	1,843,531	1,773,501
Electricity losses on transmission	193,123	193,170
Security services	1,087,619	1,018,971
Accrual/(reversal) of provision on obsolete and slow-moving inventories	64,754	(31,951)
Rent services	38,815	212,890
Other	2,476,508	2,490,170
Total cost of sales	195,890,779	188,356,123

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****23 Selling Expenses**

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Electricity transmission	2,180,471	8,158,425
Dispatch and control of electricity	5,763,378	6,164,531
Payroll and related expenses	53,740	16,786
Other	1,041	451
Total selling expense	7,998,630	14,340,193

Decrease in selling expenses is related to the termination of electricity export to Russia in 2019.

24 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Payroll and related expenses	6,917,457	5,969,062
Depreciation of property, plant and equipment and amortisation of intangible assets	1,140,145	781,470
Consulting and other professional services	1,023,215	2,195,365
Security services	414,604	338,370
Taxes other than on income	342,549	495,012
Business trips and representative expenses	303,350	266,656
Materials	194,350	200,345
Repair and maintenance	150,354	139,943
Government fees	122,488	53,423
Communication	110,525	118,336
Insurance	103,726	105,179
Rent expense	91,145	685,241
Bank fees	75,856	92,955
Transport expenses	32,362	22,960
Other	1,687,575	1,820,899
Total general and administrative expenses	12,709,701	13,285,216

25 Other Income, Net

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Income from gratuitously received assets and services	1,157,465	641,361
Income from sale of inventory	450,012	927,260
Income from fines and penalties	354,724	-
Income from connection of additional capacities	260,055	308,219
Other operating income	999,003	875,386
Income from loan write-off	-	450,358
Foreign exchange gains less losses	-	473,931
Income from liability write-off	-	13,967
Total other income	3,221,259	3,690,482
Loss on impairment and disposal of property, plant and equipment less profit	(546,098)	(2,410,447)
Other operating expenses	(1,052,680)	(2,348,925)
Total other expense	(1,598,778)	(4,759,372)
Total other income/(expense)	1,622,481	(1,068,890)

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****26 Finance Income**

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Interest income on bank deposits	1,042,361	1,125,347
Income from unwinding of discount on non-current receivables	750,333	817,642
Foreign exchange gain	434,951	-
Income from unwinding of discount on bonds	363,801	205,395
Other	220,540	185,447
Total finance income	2,811,986	2,333,831

27 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated*)
Interest expense on loans and bonds	24,314,855	25,980,802
Dividends on preference shares of subsidiaries	141,107	141,107
Unwinding of the present value of discount:		
- loans and financial aids from the Shareholder	4,972,630	4,723,240
- bonds purchased	404,038	809,426
- loans from customers	176,105	245,410
- ash dump restoration provision	171,413	174,398
- employee benefit	108,821	120,373
- bonds issued	24,635	195,143
Foreign exchange losses less gains	-	9,081,960
Other	2,005,648	1,064,406
Total finance costs recognized in profit or loss	32,319,252	42,536,265

28 Taxes

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Current income tax expense	6,959,643	7,004,139
Deferred income tax expense	(2,242,488)	713,801
Total income tax expense	4,717,155	7,717,940

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

<i>In thousands of Kazakhstani Tenge</i>	2019	2018
Profit before tax under IFRS	11,828,504	11,142,563
Theoretical tax (benefit)/expense at statutory rate of 20% (2018: 20%)	2,365,701	2,228,513
Adjustments for:		
Share in profit of joint ventures and associates not subject to income tax	(2,238,288)	(1,950,374)
Other non-deductible expenses	(104,678)	868,095
Adjustment of prior-year income tax	-	613,508
Withholding tax	248,008	105,074
Temporary differences to be recognised upon termination of investment contract	227,054	272,307
(Profit)/loss of Moinak HPS exempted from income tax	(82,606)	1,004,661
Changes in unrecognised deferred income tax asset	(14,907,287)	4,576,156
Non-deductible expense related the acquisition of shares and write-off of investments in BTPP (Note 4)	19,209,251	-
Total income tax expense	4,717,155	7,717,940

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****28 Taxes (Continued)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences are detailed below and are recorded at the rate applicable to the period of reversal of temporary differences.

<i>In thousands of Kazakhstani Tenge</i>	1 January 2019	Charged/ (credited) to profit or loss	31 December 2019
Tax effect of deductible temporary differences			
Tax losses carried forward	27,995,254	(11,680,698)	16,314,556
Employee benefit obligation	185,225	41,663	226,888
Bonds	809,437	834,120	1,643,557
Ash dump restoration provision	563,115	73,474	636,589
Inventories	177,951	(92,393)	85,558
Trade and other receivables	745,715	(176,503)	569,212
Taxes other than income tax	76,938	15,158	92,096
Provision for unused vacation	226,865	231,649	458,514
Provision for impairment of investment	5,514,105	(5,514,105)	-
Other	335,436	(39,680)	295,756
Gross deferred income tax assets	36,630,041	(16,307,315)	20,322,726
Unrecognised gross deferred income tax assets	(15,096,186)	14,907,287	(188,899)
Less offsetting with deferred income tax liabilities	(21,533,855)	1,400,028	(20,133,827)
Recognised deferred income tax assets	-	-	-
Tax effect of taxable temporary differences			
Property, plant and equipment	(89,041,834)	2,715,466	(86,326,368)
Borrowings	(15,263,936)	927,049	(14,336,887)
Gross deferred income tax liabilities	(104,305,770)	3,642,515	(100,663,255)
Less offsetting with deferred income tax assets	(21,533,855)	1,400,027	(20,133,828)
Recognised deferred income tax liabilities	(82,771,915)	2,242,488	(80,529,427)
<i>In thousands of Kazakhstani Tenge</i>	1 January 2018	Charged/ (credited) to profit or loss	31 December 2018
Tax effect of deductible temporary differences			
Tax losses carried forward	22,980,082	5,015,172	27,995,254
Employee benefit obligation	169,267	15,958	185,225
Bonds	776,098	33,339	809,437
Ash dump restoration provision	446,703	116,412	563,115
Inventories	182,507	(4,556)	177,951
Trade and other receivables	713,676	32,039	745,715
Taxes other than income tax	89,870	(12,932)	76,938
Provision for unused vacation	322,188	(95,323)	226,865
Provision for impairment of investment	5,514,105	-	5,514,105
Other	461,242	(125,806)	335,436
Gross deferred income tax assets	31,655,738	4,974,303	36,630,041
Unrecognised gross deferred income tax assets	(10,520,031)	(4,576,155)	(15,096,186)
Less offsetting with deferred income tax liabilities	(21,135,707)	(398,148)	(21,533,855)
Recognised deferred income tax assets	-	-	-
Tax effect of taxable temporary differences			
Property, plant and equipment	(87,336,824)	(1,705,010)	(89,041,834)
Borrowings	(15,856,997)	593,061	(15,263,936)
Gross deferred income tax liabilities	(103,193,821)	(1,111,949)	(104,305,770)
Less offsetting with deferred income tax assets	(21,135,707)	(398,148)	(21,533,855)
Recognised deferred income tax liabilities	(82,058,114)	(713,801)	(82,771,915)
Continuing operations	(82,058,114)	(713,801)	(82,771,915)

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****28 Taxes (Continued)**

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be charged even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they are related to the same taxable company.

The Group has potential deferred tax assets in respect of unused tax losses carry forwards. The above tax losses carry forwards expire in 2027.

Management believes that deferred tax assets will be recovered within less than 12 months after the reporting date.

29 Contingencies, Commitments and Operating Risks**Political and economic situation in the Republic of Kazakhstan**

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

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate.

However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 377,19 per USD 1, compared to Tenge 381,18 per USD 1 at 31 December 2019 (31 December 2018: Tenge 384,20 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In September 2019 Standard & Poor's, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan – "BBB-" and short-term foreign and local currency sovereign credit ratings – "A-3", and the Kazakhstan national scale – "kzAAA". The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results.

Additionally, the power and utilities sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from the current expectations of management.

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Company's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of power and utilities sector supplying power and heating energy to the population and industrial entities. Management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the power sector is a strategically important part of the national economy.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

29 Contingencies, Commitments and Operating Risks (Continued)

Political and economic situation in the Republic of Kazakhstan (Continued)

For the purpose of measurement of expected credit losses (“ECL”) the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 32 provides more information of how the Company incorporated forward-looking information in the ECL models.

Tax legislation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In some cases, in order to determine the taxable base, the tax law refers to the provisions of IFRS, and the interpretation of the relevant provisions of IFRS by Kazakhstani tax authorities may differ from the accounting policies, judgments and estimates applied by management in the preparation of these financial statements, which may lead to additional tax liabilities of the Group. Fiscal periods remain open to review by the authorities in respect of taxes for five years after the end of the fiscal year.

The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Legal proceedings

Legal proceedings between EGRES-1 and Maikuben-West Holding JSC

Since 2016, EGRES-1 has been involved in legal proceedings with Maikuben-West Holding (Member of Maikuben-West LLP). The entity filed a lawsuit in the specialized inter-district economic court (“SIEC”) of Pavlodar region for collection of debt of Tenge 333 million tenge from Maikuben-West LLP, as well as a state fee of Tenge 10 million. By the decision of the SIEC of Pavlodar region dated 10 June 2016 the claim has been successful.

Part of debt in the amount of Tenge 28 million was recovered from Maikuben-West LLP. As to the remaining debt of Maikuben-West LLP of Tenge 315 million, the following measures were taken: seizure of funds and property of Maikuben-West LLP, recommendations were sent to the SIEC of Pavlodar region to suspend licenses and permits issued by Maikuben LLP -West.

In the period from 15 July 2019 to 22 February 2020, in connection with the lawsuit filed by Maikuben-West LLP on the application of the rehabilitation procedure, enforcement proceedings were suspended.

In 2019, the Company filed a lawsuit against the debt collection with Maikuben-West LLP of Tenge 1,632,148 thousand, lost profit Tenge 161,286 thousand, forfeit (penalty) Tenge 99,302 thousand and government fee Tenge 47,538 thousand.

On 11 June 2019, the SIEC of Pavlodar region made a decision to approve the entity's claim in full. On 3 December 2019, enforcement proceedings were initiated to collect debts from Maikuben-West LLP of Tenge 1,6 billion.

Due to ongoing legal proceedings between the parties, the receivables of Maikuben-West LLP as of 31 December 2019 were fully impaired (31 December 2018: fully impaired).

ALES JSC's review by the Prosecutor's Office

In July 2018 the Prosecutor's Office of Almaty initiated a review of the entity activities in terms of compliance with the laws on natural monopolies, protection of competition, electric power industry, Procurement Rules for goods, works and services for the period of 2015-2017 and 6 months of 2018. On 24 September 2019 the Prosecutor of Almaty filed a claim with the Bostandykskiy District Court for invalidation of: the sale-purchase agreement of the Corporate Training Centre dated 9 January 2017 between the entity and Superior KZ LLP in the amount of Tenge 230,000 thousand, subsequent sale and purchase agreements between Superior KZ LLP and Mrs. G. Sh.Baygazinova, the decision of the entity's Tender Committee; and cancellation of the state registration of these contracts. Under the decision of the Bostandyk District Court of Almaty dated 1 February 2019, which became effective, the claims of the Prosecutor of Almaty were partially satisfied. The court proposed to cancel the decision of the Tender Committee on the results of tenders, the purchase and sale agreement between the entity and Superior KZ LLP and the subsequent sale and purchase agreement between Superior KZ LLP and Mrs. G. Baigazinova.

Thereafter, the entity has begun implementing activities on the enforcement of the court decision. Due to the lack of cancellation of the resolution of the Akimat of Almaty city dated 11 June 2018 on changing the purpose of land plots from “for locating of the training centre” to “health centres, resorts, guest houses”, according to the position of the branch of the State Corporation Government for Citizens in Almaty, it is not possible to execute a court decision. On 5 December 2019, the entity filed a lawsuit in the Bostandyk District Court against the Akimat of Almaty, the municipal state institution Land Relations of Almaty and G. Baigazinova on invalidation of resolutions of the Akimat of Almaty city dated 11 June 2018. As of the date of approval of these financial statements, the proceeding is pending.

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29 Contingencies, Commitments and Operating Risks (Continued)

Insurance

The insurance market in the Republic of Kazakhstan is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

Provision for liquidation of ash dump

In accordance with the environmental regulations the Group has a legal obligation to liquidate ash dumps that are disposal polygons of waste of operations of the Group. At 31 December 2019 the carrying amount of ash dump liquidation provision was Tenge 2,331,591 thousand (31 December 2018: Tenge 2,891,877 thousand). Ash dump liquidation provision is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

The Group analyzed its exposure to seasonal and other emerging business risks, but did not identify any risks that could affect the Group's financial performance or position as at 31 December 2019. The Group possesses the necessary funds and sources of financing to fulfill capital commitments and to provide working capital.

As at 31 December 2019 the Group had long term contractual commitments to purchase the property, plant and equipment for Tenge 160,605,255 thousand (31 December 2018: Tenge 163,374,052 thousand).

Capital commitments of joint ventures and associates

As at 31 December 2019 the Group's share in long term capital expenditure commitments of Forum Muider and EGRES-2 was Tenge 16,748,835 thousand and Tenge 23,937,977 thousand, respectively (31 December 2018: Tenge 23,657,036 thousand and Tenge 23,996,285 thousand).

Compliance with covenants

The Group has certain covenants on loans and bonds. Failure to comply with these covenants may result in negative consequences for the Group, including the growth of borrowing costs and the announcement of a default. Based on the 2019-year results, the Group complied with the regulatory values of the loan covenants and received waivers for lowering thresholds, in cases where the violation events were predicted.

SAMRUK-ENERGY JSC

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30 Non-controlling Interest

The following table provides information about each subsidiary that has non-controlling interest.

<i>In thousands of Kazakhstani Tenge</i>	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-control-ling interest's voting rights held	Profit or loss attributable to non-control-ling interest	Accumulated non-control-ling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2019						
Bukhtarminskaya HPS	Kazakhstan	10%	10%	278,112	1,138,042	200,476
Shulbinskaya HPS	Kazakhstan	7,86%	7,86%	(1,053)	26,805	-
Ust-Kamenogorskaya HPS	Kazakhstan	10,01%	10,01%	(585)	3,219	-
Total				276,474	1,168,066	200,476
Year ended 31 December 2018						
Bukhtarminskaya HPS	Kazakhstan	10%	10%	185,371	859,930	224,584
Shulbinskaya HPS	Kazakhstan	7,86%	7,86%	(990)	27,858	-
Ust-Kamenogorskaya HPS	Kazakhstan	10,01%	10,01%	(429)	3,804	-
Total				183,952	891,592	224,584

<i>In thousands of Kazakhstani Tenge</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income	Cash flows
Year ended 31 December 2019								
Bukhtarminskaya HPS	2,401,229	1,219,194	477,779	147,426	3,924,337	2,781,116	2,922,223	789,124
Shulbinskaya HPS	-	-	558,735	9,184	-	(13,403)	(13,403)	-
Ust-Kamenogorskaya HPS	150	-	111,982	8,972	-	(5,833)	(5,833)	-
Total	2,401,379	1,219,194	1,148,496	165,582	3,924,337	2,761,880	2,902,987	789,124
Year ended 31 December 2018								
Bukhtarminskaya HPS	1,690,182	1,194,857	416,758	154,916	3,540,975	2,511,669	2,637,620	(885,480)
Shulbinskaya HPS	150	-	547,154	7,512	-	(12,599)	(12,599)	-
Ust-Kamenogorskaya HPS	150	-	107,933	7,338	-	(4,285)	(4,285)	-
Total	1,690,482	1,194,857	1,071,845	169,766	3,540,975	2,494,785	2,620,736	(885,480)

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Notes to the Consolidated Financial Statements – 31 December 2019

31 Principal Subsidiaries, Associates and Joint Venture

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
Alatau Zharyk Company JSC	Electricity transmission and distribution in Almaty and the Almaty region	100%	100%	Kazakhstan
Almaty Power Stations JSC	Production of electrical, heating energy and hot water in Almaty and the Almaty region	100%	100%	Kazakhstan
AlmatyEnergoSbyt LLP	Sale of electricity in Almaty and the Almaty region	100%	100%	Kazakhstan
Shardara HPS JSC	Power generation at in Almaty and the Almaty region in the Southern Kazakhstan	100%	100%	Kazakhstan
Moinak HPS JSC	Power generation at in Almaty and the Almaty region in the Almaty region	100%	100%	Kazakhstan
Ekibastuz GRES-1 named after Bulat Nurzhanov	Production of electrical and heating energy on the basis of coal	100%	100%	Kazakhstan
Bukhtarminskaya HPS	Owner of Bukhtarminskaya hydropower station transferred under lease arrangement	90%	90%	Kazakhstan
Ust-Kamenogorskaya HPS	Since hydropower station is under lease, this entity is dormant	89.99%	89.99%	Kazakhstan
Shulbinskaya HPS	Since hydropower station is under lease, this entity is dormant	92.14%	92.14%	Kazakhstan
Samruk Green Energy LLP	Development of renewable electricity	100%	100%	Kazakhstan
First Wind Turbine LLP	Power generation at the wind-power station	100%	100%	Kazakhstan
KazGidroTekhEnergo LLP	Implementation of projects on renewable energy sources	100%	100%	Kazakhstan
TeploEnergoMash LLP	Implementation of projects on renewable energy sources	95%	95%	Kazakhstan
Energy Solutions LLP	Transportation and other services	100%	100%	Kazakhstan
Tegis Munay LLP and Mangyshlak Munay LLP	Development of a gas field	100%	100%	Kazakhstan
Balkhash TPP JSC	Construction of Balkhash TPP, the entity is dormant	100%	100%	Kazakhstan
Associates:				
Energiya Semirechiya LLP	Power generation at the solar plant near Almaty city	25%	25%	Kazakhstan
Joint ventures:				
SEGRES-2 JSC	Production of electrical and heating energy on the basis of coal	50%	50%	Kazakhstan
Forum Muider BV	Entity holding 100% charter in Bogatyr Komir (involved in production of thermal coal) and a range of entities incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations	50%	50%	Netherlands

32 Financial Risk Management

Financial risk factors

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

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), which provides principles for risk management, covering specific areas, such as credit risk, liquidity risk, and market risk.

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Notes to the Consolidated Financial Statements – 31 December 2019

32 Financial Risk Management (Continued)

(a) Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets.

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

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

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

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

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

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

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

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the commitment amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

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Notes to the Consolidated Financial Statements – 31 December 2019

32 Financial Risk Management (Continued)

(a) Credit risk (Continued)

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikelihood-to-pay criteria listed below:
 - suspending accrual of interest/reduction in the interest rate on a financial asset;
 - writing-off the principal amount;
 - sales of a financial asset at a significant discount to its nominal value;
 - restructuring that will result in reduction in/write-off of the loan/debt release;
 - increase in the maturity of a financial asset;
 - granting of indulgence on the principal/interests;
 - filing a bankruptcy claim against the counterparty in line with the legislation of the Republic of Kazakhstan;
 - bankruptcy claim filed by the counterparty;
 - liabilities covered by the guarantee agreement or payment under the guarantee agreement are past due more than 90 days.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1).

If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

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

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

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****32 Financial Risk Management (Continued)****(a) Credit risk (Continued)**

The table below classifies financial assets, such as other long-term receivables and bonds and loans given carried at amortised cost, by separate stage of impairment models. ECL provisions of other financial assets is insignificant as at 31 December 2019.

	ECL allowance			Total	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
Other long-term receivables								
At 1 January 2019	(226,785)	-	(716,319)	(943,104)	12,021,724	-	2,934,450	14,956,174
New originated or purchased	(21,551)	-	(7,146)	(28,697)	-	-	-	-
Derecognised during the period	148,443	-	585,559	734,002	(2,085,454)	-	(1,895,725)	(3,981,179)
Unwinding of discount	-	-	-	-	750,333	-	-	750,333
Other movements	-	-	-	-	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	126,892	-	578,413	705,305	(1,335,121)	-	(1,895,725)	(3,230,846)
FX and other movements	-	-	-	-	-	-	-	-
At 31 December 2019	(99,893)	-	(137,906)	(237,799)	10,686,603	-	1,038,725	11,725,328
	ECL allowance			Total	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
Bonds and loans given								
At 1 January 2019	(62,166)	-	(26)	(62,192)	2,572,606	-	-	2,572,606
New originated or purchased	(51,733)	-	-	(51,733)	-	-	-	-
Derecognised during the period	15,845	-	-	15,845	(75,552)	-	-	(75,552)
Unwinding of discount, net	(142,954)	-	-	(142,954)	148,291	-	-	148,291
Changes in accrued interest	-	-	-	-	10,592	-	-	10,592
Total movements with impact on credit loss allowance charge for the period	(178,842)	-	-	(178,842)	83,331	-	-	83,331
Modification of contractual cash flows	-	-	-	-	(315,207)	-	-	(315,207)
At 31 December 2019	(241,008)	-	(26)	(241,034)	2,340,730	-	-	2,340,730

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****32 Financial Risk Management (Continued)****(a) Credit risk (Continued)**

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The table below summarises external (if any) and internal credit ratings at the end of the relevant reporting period:

31 December 2019

<i>In thousands of Kazakhstani Tenge</i>	Cash	Restricted cash	Term deposits	Bonds and loans
BBB+	-	-	-	-
BBB- (negative)	-	-	-	-
BB+	7,267,762	1,153	133,434	-
BB (negative)	-	-	-	-
BB-	459,399	-	673,000	-
B+ (stable)	3,862,920	-	-	1,217,263
B (negative)	-	-	1	-
B- (negative)	392,473	-	1,125,956	527,539
CCC (negative)	-	-	-	-
D (negative)	-	-	-	-
N/a	24,483	371,654	408,984	352,973
Total financial assets	12,007,037	372,807	2,341,375	2,097,775

1 January 2019

<i>In thousands of Kazakhstani Tenge</i>	Cash	Restricted cash	Term deposits	Bonds and loans
BBB+	-	-	-	-
BBB- (negative)	-	-	-	-
BB+	65,181	6,514,628	-	-
BB (negative)	8,777,050	6,968,605	558,308	-
BB-	2,710,872	46,716	-	-
B+ (stable)	-	-	-	-
B (negative)	2,030,797	-	1,659,568	1,199,356
B- (negative)	1,772	-	68,855	600,397
CCC (negative)	-	-	-	-
D (negative)	-	323,729	-	710,695
N/a	18,663	-	-	104,229
Total financial assets	13,604,335	13,853,678	2,286,731	2,614,677

The Group applies the provision matrix for calculation of ECL on trade receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the overdue days.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019
32 Financial Risk Management (Continued)
(a) Credit risk (Continued)

The levels of default and calculation of loss allowance at the end of the relevant reporting period were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Trade receivables from legal entities					
	Total	Current	1-30 days	31-60 days	61-90 days	>90 days
Trade receivables at 31 December 2019	20,406,780	12,639,943	1,849,943	1,778,570	852,402	3,285,922
Level of default		0.046%	0.26%	1%	1.34%	32%
ECL	(861,453)	(5,865)	(4,757)	(14,135)	(11,460)	(825,236)
Total	19,545,327	12,634,078	1,845,186	1,764,435	840,942	2,460,686

<i>In thousands of Kazakhstani Tenge</i>	Trade receivables from legal entities					
	Total	Current	1-30 days	31-60 days	61-90 days	>90 days
Trade receivables at 31 December 2018	20,487,270	13,527,396	3,869,849	457,623	119,823	2,512,579
Level of default		0.10%	0.44%	1.35%	3.44%	34.61%
ECL	(912,171)	(12,646)	(19,485)	(6,194)	(4,120)	(869,726)
Total	19,575,099	13,514,750	3,850,364	451,429	115,703	1,642,853

<i>In thousands of Kazakhstani Tenge</i>	Trade receivables from residences					
	Total	Current	1-30 days	31-60 days	61-90 days	>90 days
Trade receivables at 31 December 2019	9,226,718	5,753,759	2,929,548	359,346	175,507	8,558
Level of default	-	0.59%	4.14%	10.73%	22.32%	100%
ECL	(241,517)	(33,945)	(121,283)	(38,558)	(39,173)	(8,558)
Total	8,985,201	5,719,814	2,808,265	320,788	136,334	-

<i>In thousands of Kazakhstani Tenge</i>	Trade receivables from residences					
	Total	Current	1-30 days	31-60 days	61-90 days	>90 days
Trade receivables at 31 December 2018	4,051,379	3,605,437	158,144	61,900	34,402	191,496
Level of default	-	0.57%	5.15%	21.98%	70.58%	100.00%
ECL	(258,143)	(20,616)	(8,147)	(13,604)	(24,280)	(191,496)
Total	3,793,236	3,584,821	149,997	48,296	10,122	-

Analysis by group of customers of trade and other receivables is as follows (Neither past due nor impaired):

<i>31 December 2019</i>		
<i>In thousands of Kazakhstani Tenge</i>	Trade receivables	Other financial receivables
Large entities	169,013	84
Small and medium-sized entities	12,431,120	398,647
Residences	5,753,759	62,239
Total	18,353,892	460,970

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019
32 Financial Risk Management (Continued)
(a) Credit risk (Continued)

<i>31 December 2018</i>		
<i>In thousands of Kazakhstani Tenge</i>	Trade receivables	Other financial receivables
Large entities	1,271,868	129
Small and medium-sized entities	11,809,586	557,510
Residences	4,051,379	-
Total	17,132,833	557,639

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs: GDP, inflation, exchange rate, oil price, and short-term economic indicator used for description of the economic development trend based on changes in the performance of primary sectors.

The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next ten years. In planning cash flows, the Group also accounts for income from temporary excess cash using the bank deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including future payment of interest and principal.

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years
<i>At 31 December 2019</i>					
Borrowings	11,443,698	11,844,291	61,898,462	171,939,185	187,901,994
Other non-current financial liabilities	-	89	892,243	-	-
Trade and other payables	26,406,470	5,184,463	524,026	1,216,356	-
Finance lease	240,149	491,845	484,603	1,672,351	266,051
Derivative financial instruments	-	-	-	29,622,719	-
Total future payments, including future principal and interest payments	38,090,317	17,520,688	63,799,334	204,450,611	188,168,045
<i>At 31 December 2018</i>					
Borrowings	4,579,924	19,396,427	38,065,239	203,251,394	209,148,504
Other non-current financial liabilities	-	-	-	2,805,502	-
Trade and other payables	18,940,638	1,475,241	70,587,583	-	-
Finance lease	18,053	1,833	124,851	525,927	-
Total future payments, including future principal and interest payments	23,538,615	20,873,501	108,777,673	206,582,823	209,148,504

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

32 Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements.

Currency risk. The Group's certain borrowings (Note 20) and trade payables (Note 21) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently the benefits from implementing such instruments do not outweigh the costs. Nevertheless, the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

<i>In thousands of Kazakhstani Tenge</i>	USD	Euro	Other currencies	Total
<i>At 31 December 2019</i>				
Assets	2,361,220	4,193,606	6	6,554,832
Liabilities	(5,786,731)	(3,760,897)	(214)	(9,547,842)
Net position	(3,425,511)	432,709	(208)	(2,993,010)
<i>At 31 December 2018</i>				
Assets	8,469,942	7,121,553	13	15,591,508
Liabilities	(65,831,215)	(2,847,605)	-	(68,678,820)
Net position	(57,361,273)	4,273,948	13	(53,087,312)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant.

<i>In thousands of Kazakhstani Tenge</i>	At 31 December 2019	At 31 December 2018
	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by [12]% (2018: strengthening by [10]%)	(328,849)	(4,588,902)
US Dollar weakening by [9]% (2018: weakening by [10]%)	246,637	4,588,902
Euro strengthening by [12]% (2018: strengthening by [13,5]%)	41,540	341,916
Euro weakening by [9]% (2018: weakening by [9,5]%)	(31,155)	(512,874)
Rouble strengthening by [12]% (2018: strengthening by [19]%)	(171,633)	2
Rouble weakening by [12]% (2018: weakening by [19]%)	445,820	(2)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk arises from long-term and short-term borrowings. The Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange and All-in-Cost (total bank costs, taking into account the inflation rate in the Republic of Kazakhstan and other bank charges). Increase in LIBOR and All-in-Cost would have an adverse effect on the Group's cash flows. The Group carefully monitors changes in floating interest rates. The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

32 Financial Risk Management (Continued)

(c) Market risk (Continued)

If at 31 December 2019 interest rates had been 20 basis points higher, with all other variables held constant, profit for the year would have been Tenge 387,190 thousand higher/less, mainly as a result of higher/lower interest expense on floating interest rate liabilities (31 December 2018: Tenge 634,465 thousand).

Management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. Management considers the current gearing ratio as acceptable for the risk profit of the Group.

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2019	31 December 2018
Total borrowings	18	269,939,683	310,362,769
<i>Less:</i>			
Cash and cash equivalents	15	(12,007,037)	(13,624,165)
Net borrowings		257,932,646	296,738,604
Total equity		485,016,370	480,011,945
Total capital		742,949,016	776,750,549
Gearing ratio		35%	38%

33 Fair Value Disclosures

Fair value measurement

To be indicative of the reliability of the data used in determining fair value, the Group classifies its financial instruments at three levels established in accordance with IFRS. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly (that is, as prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****33 Fair Value Disclosures (Continued)**

<i>In thousands of Kazakhstani Tenge</i>	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
ASSETS								
Cash and cash equivalents	-	12,007,037	-	12,007,037	-	13,624,165	-	13,624,165
Restricted cash	-	372,807	-	372,807	-	13,529,949	-	13,529,949
Term deposit	-	2,289,339	-	2,289,339	-	2,255,927	-	2,255,927
Financial receivables	-	28,530,528	-	28,530,528	-	23,368,335	-	23,368,335
Other financial receivables	-	10,765,295	-	10,765,295	-	73,015,816	-	73,459,585
Long-term receivables	-	532,490	-	722,234	-	9,255,653	-	9,709,486
Dividends receivable	-	-	405	405	-	-	421	421
Borrowings	-	-	-	-	-	-	104,228	104,228
Bonds	1,143,649	-	860,517	2,097,775	1,136,872	-	1,311,150	2,510,448
Total financial assets	1,143,649	54,497,496	860,922	56,785,420	1,136,872	135,049,845	1,415,799	138,562,544
Liabilities								
Borrowings	-	244,714,885	-	269,939,683	-	334,848,802	-	310,362,769
Financial payables	-	31,978,264	-	31,978,264	-	91,147,706	-	91,147,706
Non-current trade payables	-	-	1,216,356	1,216,356	-	-	2,805,502	2,805,502
Total financial liabilities	- 276,693,149	1,216,356	303,134,303		- 425,996,508	2,805,502	404,315,977	

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Fair value of investment property

Investment property include the lease agreement of Bukhtarminskaya HPS evaluated based on the present value of future lease payments. Fair value of the investment property is Tenge 7,060,789 thousand (2018: 9,080,197 thousand).

34 Events after the Reporting Period

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

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

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

For the period from 1 January 2020 to 21 February 2020, under the credit facility with Halyk Bank of Kazakhstan JSC No.KS 01-17-19 dated 9 August 2017, the Company repaid Tenge 1,937,738 thousand in advance, including the principal amount of Tenge 1,900,000 thousand, interest of Tenge 37,738 thousand.

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

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

SAMRUK-ENERGY JSC**Notes to the Consolidated Financial Statements – 31 December 2019****34 Events after the Reporting Period (Continued)**

On 8 January 2020, EGRES-1 LLP drawn down credit funds of Halyk Bank of Kazakhstan JSC of Tenge 1,500,000 thousand.

On 24 January 2020, EGRES-1 LLP drawn down credit funds of Halyk Bank of Kazakhstan JSC of Tenge 1,000,000 thousand.

During February 2020, EGRES-1 LLP made early repayment of the principal debt to Halyk Bank of Kazakhstan JSC of Tenge 3,000,000 thousand.

In the period from 1 January 2020 to 21 February 2020, Moinak HPS JSC made scheduled repayment of the principal and interest to Development Bank of Kazakhstan JSC of Tenge 1,200,000 thousand.

In the period from 1 January 2020 to 21 February 2020, ALES JSC raised funds in the amount of Tenge 5,730,200 thousand, within the framework of revolving credit facilities under the Agreement on the provision of a credit facility No. KS 02-14-39 dated 26 November 2014, entered into with Halyk Bank of Kazakhstan JSC for payment of intra-group loans and purchase of fuel. During this period, loans under revolving and non-revolving credit facilities at Halyk Bank of Kazakhstan JSC for a total of Tenge 1,714,000 thousand had been repaid in advance.

On 4 February 2020, AZhK JSC raised a loan from Halyk Bank of Kazakhstan JSC of Tenge 1,243,400 thousand within the framework of Limit -4 Transfer of part of the loads from existing substation-5A, substation-17A and substation-132A to the newly built substation 110/10 Otrar to pay for the services of Crystal-MMS LLP contractor.

In the period from 1 January 2020 to 21 February 2020, AES LLP raised borrowed funds of Tenge 1,300,000 thousand for settlement of payables to suppliers.

35 Accounting Policies before 1 January 2019

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

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

36 Earnings/(Loss) per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated)
Profit for the year attributable to the Group's owners (in thousands of Kazakhstani Tenge)	6,834,875	3,240,671
Weighted average number of ordinary shares in issue	5,601,687	5,601,687
Profit for the year attributable to the Group's owners (rounded to Tenge)	1,220	578

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2019

36 Earnings/(Loss) per Share (Continued)

Carrying amount of one share

Pursuant to the resolution of the Exchange Council of Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010, financial statements must contain data on the carrying amount of one share (ordinary and preferred) at the reporting date calculated in accordance with the rules approved by KASE. At 31 December 2019, this indicator calculated by the management of the Company based on the financial statements constituted to Tenge 85,873 tenge (31 December 2018: Tenge 84,839). The table for calculating the carrying amount of one share is as follows:

<i>In thousands of Kazakhstani Tenge</i>	2019	2018 (restated)
Total assets	889,217,254	989,757,053
Less: intangible assets	(3,691,945)	(4,767,633)
Less: total liabilities	(404,200,884)	(509,745,108)
Net assets for ordinary shares	481,324,425	475,244,312
Number of ordinary shares at 31 December	5,601,687	5,601,687
Carrying amount of one share, Tenge	85.925	84.839

CONTACT INFORMATION

По любым интересующим Вас вопросам относительно Отчета или его содержания, Please contact any of the following persons if you have any questions regarding the Report or its content:

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