Мойнакская ГЭС

MOINAK HPS named after U.D. KANTAYEV JSC

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

31 December 2020

(translated from the Russian original)

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the shareholder and management of Moinak HPS named after U.D. Kantayev JSC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Moinak HPS named after U.D. Kantayev JSC (the "Company") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of 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 Financial Statements* section of our report.

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

Independence

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

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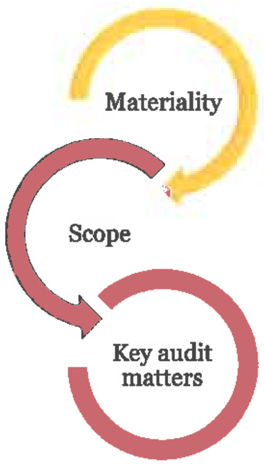
Our audit approach

Overview



Overall materiality: Tenge 395 million, which represents 2.3% of Earnings before interest, taxes, depreciation and amortisation for the year ended 31 December 2020.

Our audit scope addressed 100% of the Company's revenues, 100% of the Company's profit, and 100% of the Company's total assets.

Impact of changes in the tariff setting policy legislation on the Company's performance

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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.

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

Materiality

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

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

Overall Company materiality	Tenge 395 million
How we determined it	2.3% of Earnings before interest, taxes, depreciation and amortisation for the year ended 31 December 2020
Rationale for the materiality benchmark applied	We chose earnings before interest, taxes, depreciation and amortisation as the benchmark because, in our view, this benchmark is more stable measurement of operating effectiveness and it is the benchmark, along with profit before tax, against which the performance of the Company is most commonly measured by users. This benchmark does not depend on finance cost related to debt restructuring and forex gain or losses on borrowings. We chose 2.3% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impact of changes in the tariff setting policy legislation on the Company's performance	
Please refer to Note 3 to the financial statements. The Company's activities and operating results significantly depend on changes in the Law of the Republic of Kazakhstan On Electric Power Industry and related legal acts regulating tariff setting policy. Since 1 January 2019, due to the introduction of power capacity market, revenue from sales of the Company's electricity is divided into two components – sales of electricity and provision of services on maintaining the readiness of power capacity.	As part of audit procedures, we obtained and examined the following documents: 1. Individual Investment Agreement for Commissioned Power Station signed on 16 October 2019 between the Company and Ministry of Energy of the Republic of Kazakhstan. 2. The Decrees of the Ministry of Energy of the Republic of Kazakhstan No.313 dated 23 September 2019 and No.243 dated 29 June 2020 on approval of the cap electricity tariff in the amount of Tenge 12.02 per 1 kWh and other legal acts on tariff setting applicable to the Company. 3. Additional agreement No.1 dated 11 December 2020 to a contract with Settlement and Financial Center for Support of Renewable Energy Sources LLP dated 18 November 2019. 4. Borrowings and bonds agreements and supporting documents for payments made.

On 16 October 2019, the Individual Investment Agreement was signed between the Company and the Ministry of Energy of the Republic of Kazakhstan. In accordance therewith, the individual tariff for service on maintaining the readiness of power capacity for 2020-2026 was set in the amount that would ensure required cash flows for repayment of the outstanding borrowings on time.

Additionally, based on the Decrees of the Ministry of Energy of the Republic of Kazakhstan No.313 dated 23 September 2019 and No.243 dated 29 June 2020, the cap electricity tariff was approved in the amount of Tenge 12.02 per 1 kWh, effective from 1 October 2019 for the period up to 2025. The cap electricity tariff included operating expense and interest expense.

The Decree of the Ministry of Energy of the Republic of Kazakhstan No.205 dated May 22, 2020, approved a Methodology for determining the fixed profit that should be taken into account when approving the cap electricity tariff. The Methodology introduced such changes as an exclusion of interest expense from the cap electricity tariff and the definition of income on the regulated assets base. Management does not expect significant changes in the cap electricity tariff.

We paid special attention to this matter since the cap electricity tariff and tariff for service on maintaining the readiness of power capacity impact significantly profit of the Company and, as a result, the recoverability of the carrying amount of property, plant and equipment and ability of the Company to pay borrowings on time.

We examined the budget for 2021-2025 approved by the Company management.

We also paid attention to the sufficiency of the disclosures made in Note 3 to the financial statements.

As a result of examination of the budget, legal acts and other documents, and discussions held with management, we agreed with the conclusions made by the management about absence of the indicators that the recoverable amount of the property, plant and equipment is below their carrying amount, and that the Company will generate sufficient cash flows to pay outstanding borrowings on time.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

11 February 2021
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the RK Ministry of Finance No.0000005 dated 21 October 1999)

Signed by:

Kumarbek Berdikulov
Engagement leader on the audit resulting in this independent auditor's report, and the Auditor in charge
(Auditor's qualification certificate #0000188 dated 6 August 2014)

Moinak HPS named after U.D. Kantayev JSC
Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	37,746,334	38,838,325
Intangible assets		4,540	6,566
Other investments	7	281,367	352,968
Income tax prepaid		72,715	41,945
Other non-current assets		38,414	45,748
Total non-current assets		**38,143,370**	**39,285,552**
Current assets			
Inventories		174,990	112,935
Trade and other receivables	8	3,088,586	2,442,259
Short-term financial investments		13,404	639
Cash and cash equivalents	9	15,943	225,791
Total current assets		**3,292,923**	**2,781,624**
TOTAL ASSETS		**41,436,293**	**42,067,176**
EQUITY			
Share capital	10	4,602,000	4,602,000
Accumulated deficit		(24,690,395)	(33,613,779)
TOTAL EQUITY		**(20,088,395)**	**(29,011,779)**
LIABILITIES			
Non-current liabilities			
Borrowings	11	46,252,454	55,019,998
Non-current lease liabilities		61,985	78,511
Deferred tax liabilities	18	4,212,113	4,080,227
Total non-current liabilities		**50,526,552**	**59,178,736**
Current liabilities			
Borrowings	11	9,850,979	11,241,604
Trade and other payables	12	1,147,157	658,615
Total current liabilities		**10,998,136**	**11,900,219**
TOTAL LIABILITIES		**61,524,688**	**71,078,955**
TOTAL LIABILITIES AND EQUITY		**41,436,293**	**42,067,176**

Signed on behalf of the management on 11 February 2021.

A.N. Assylov
Chairman of the Board

A. Karymsak
Deputy Chairman of the Economy and Finance Board

M.N. Tautai
Chief Accountant

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Note	2020	2019
Revenue from contracts with customers	13	20,520,419	9,883,404
Cost of sales	14	(4,127,180)	(3,646,272)
Gross profit		**16,393,239**	**6,237,132**
Other income	15	94,887	27,975
General and administrative expenses	16	(340,624)	(336,033)
Other expenses	15	(38,702)	(507,534)
Operating profit		**16,108,800**	**5,421,540**
Finance income	17	238,545	514,653
Finance costs	17	(7,292,075)	(5,394,550)
Loss on derecognition of financial assets carried at amortised cost		-	(128,613)
Profit before tax		**9,055,270**	**413,030**
Income tax expense	18	(131,886)	(227,054)
Profit for the year		**8,923,384**	**185,976**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**8,923,384**	**185,976**

The accompanying notes on pages 5 to 36 are an integral part of these financial statements.

In thousands of Kazakhstani Tenge	Share capital	Accumulated deficit	Total
Balance at 31 December 2018	4,602,000	(33,799,755)	(29,197,755)
Profit for the year	-	185,976	185,976
Other comprehensive income	-	-	-
Total comprehensive income for 2019	-	**185,976**	**185,976**
Balance at 31 December 2019	**4,602,000**	**(33,613,779)**	**(29,011,779)**
Profit for the year	-	8,923,384	8,923,384
Other comprehensive income	-	-	-
Total comprehensive income for 2020	-	**8,923,384**	**8,923,384**
Balance at 31 December 2020	**4,602,000**	**(24,690,395)**	**(20,088,395)**

In thousands of Kazakhstani Tenge	Note	2020	2019
Cash flows from operating activities			
Cash received from main activity		22,313,988	8,844,686
Other cash receipts		60,005	11,545
Cash paid to suppliers		(2,166,824)	(1,590,817)
Cash paid to employees		(612,336)	(515,522)
Cash paid to the budget		(2,345,533)	(1,573,573)
Other cash payments		(309,553)	(242,723)
Cash flows from operating activities before income tax and borrowing interest		**16,939,747**	**4,933,596**
Interest received		199,449	33,768
Interest paid	11	(6,558,472)	(5,074,904)
Net cash flows from/(used in) operating activities		**10,580,724**	**(107,540)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(264,976)	(278,393)
Placement of cash on pledged accounts		-	(4,089,915)
Withdrawal of cash from pledged accounts		-	10,595,042
Proceeds from buyback of bonds		84,434	-
Placement of cash on deposit accounts		(2,012,236)	-
Withdrawal of cash from deposit accounts		2,000,001	376,845
Net cash flows (used in)/from investing activities		**(192,777)**	**6,603,579**
Cash flows from financing activities			
Repayment of borrowings		(11,564,148)	(55,923,902)
Proceeds from borrowings		900,000	48,400,000
Repayment of principal amount of lease		(24,959)	(33,075)
Net cash flows used in financing activities		**(10,689,107)**	**(7,556,977)**
Effect of exchange rate changes on cash and cash equivalents		91,312	(375,557)
Net decrease in cash and cash equivalents		**(209,848)**	**(1,436,495)**
Cash and cash equivalents at the beginning of the period		225,791	1,662,286
Cash and cash equivalents at the end of the period		**15,943**	**225,791**

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 for Moinak HPS named after U.D. Kantayev JSC (the "Company").

Corporate background

Moinak HPS named after U.D. Kantayev JSC (the "Company") is the Joint Stock Company, as defined in the Civil Code of the Republic of Kazakhstan. The Company was created on 25 May 2005. The Company's shareholders were the Samruk-Energy JSC (51%) and AK Birlik JSC (49%). In June 2014 Samruk-Energy JSC acquired 100% of the Company stake. The ultimate controlling party of Samruk-Energy JSC is the Government of the Republic of Kazakhstan through the National Welfare Fund Samruk-Kazyna JSC.

Princlapl activity

The Company's principal activity is the operation of hydropower station ("HPS") on the Charyn river. In December 2012 Moinak HPS was put into operation. Since then the Company's principal activity is production of electricity for supply to the power system of the Southern Region of the Republic of Kazakhstan.

The Moinak HPS's capacity is 300 MW – 2 hydro units with the capacity of 150 MW each. Since 2019, due to the introduction of power capacity market, the Company's revenue from sales of electricity was divided into two components – sales of electricity and provision of services on maintaining the readiness of power capacity.

In accordance with the Investment Agreement No. 0622-12-2005 dated 31 December 2005 the Company has preferences related to exemption from corporate income tax for 10 years. The application of the preferences started after the construction facilities were put into use by the State Acceptance Committee on 13 December 2012 and the will be active for 10 calendar years from that date.

Registered address and place of business

The Company's legal address: Moinak village, building 81, Zhylysay village, Kegen region, Almaty oblast, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Tenge.

(ii) Transactions and balances in foreign currency

Monetary assets and liabilities denominated in foreign currency at the date of the statement of financial position are translated into Tenge using the exchange rate prevailing at that date. Foreign currency transactions are recorded at the exchange rate at the date of transactions. Gains and losses resulting at the date of settlements on these transactions and as a result of translation of monetary assets and liabilities denominated in foreign currency are recorded in the statement of profit or loss and other comprehensive income.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'Other income and expense'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2020 the principal rate of exchange used for translating foreign currency balances was US Dollar 1 per Tenge 420,91 (31 December 2019: US Dollar 1 per Tenge 381,18). 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 – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the 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.

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).

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 amounts 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 gross 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.

Financial instruments – initial recognition

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

2 Basis of Preparation and Significant Accounting Policies (Continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to buy or deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio and past experience on how the cash flows for the respective assets were collected.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

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 Company did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

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

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

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

2 Basis of Preparation and Significant Accounting Policies (Continued)

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

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

Financial assets – modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

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

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

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 Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, and change in loan covenants 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.

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 amounts is attributed to a capital transaction with owners.

Offsetting financial instruments

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.

Property, plant and equipment

Recognition and subsequent measurement

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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.

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 profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed (if needed) 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.

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

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	2 – 50
Other	3 – 20

The residual value of an asset is the estimated amount that the Company would currently obtain from the 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets

The Company's intangible assets have definite useful lives and primarily include capitalised software and licenses. Acquired software and licenses are capitalised on the basis of the costs incurred to acquire and bring them to use.

All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 5 years.

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

2 Basis of Preparation and Significant Accounting Policies (Continued)

Right-of-use assets

The Company leases various offices and land plots. Contracts may contain both lease and non-lease components. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

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 Company 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

Impairment of non-financial assets

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 are reviewed for possible reversal at each reporting date.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. 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 statement of cash flows. 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is recognised in the statement of financial position on a net basis.

Borrowings

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

Capitalisation of borrowing costs

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, if the commencement date for capitalisation is on or after 1 January 2009.

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

The Company 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 Company'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.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

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,

Extension and termination options are included in a number of building leases of the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company 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 Company, the Company's incremental borrowing rate is used, being the rate that the Company 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

To determine the incremental borrowing rate, the Company:

- 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,
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Company 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.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company 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 recognised net of value added taxes.

Sales of electricity

Revenue from sales of electricity is recognised when control of the electricity has transferred, i.e. when electricity is transmitted to the buyer at the delivery point, which is the place where the Company's power station is connected to the electricity transmission grids or other power sources from which the Company supplies power to the buyer through the equivalent circuit.

Revenue is determined based on actual volumes of electricity sold. Revenue amount is determined according to the tariffs approved by the Ministry of Energy of the Republic of Kazakhstan.

No element of financing is deemed present as the sales are made with a credit term of 5 to 45 days, which is consistent with market practice.

Trade receivables are recognized when electricity is sold at the point of connection of the Company's power station to the electricity transmission grids of KEGOC JSC (the "system operator") or Alatau Zharyk Kompaniyasy JSC, 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. The actual volume of electricity transmitted for a billing period is supported by the electric power supply certificate executed based on the system operator's data. Customers are invoiced on a monthly basis and consideration is payable after invoices are issued.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Sales of power capacity regulation services

The Company provides power capacity regulation services. Revenue from providing the services is recognised in the accounting period in which the services are rendered. Revenue is determined based on actual volumes of services received by the buyer based on monthly reports on power capacity regulation services from the system operator of the unified electric grid.

The contract provides for payment per one kWh of regulated power capacity per month, and revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis based on the report signed for the reporting month.

Sales of services on maintaining the readiness of power capacity

The Company also provides services on maintaining the readiness of power capacity. Revenue from providing the services on maintaining the readiness of power capacity is recognised in the accounting period in which the services are rendered. Revenue is determined based on actual volumes of power capacity maintained based on monthly reports on readiness of power capacity from the Single buyer, according to the available power capacity Market Rules.

The contract provides for payment per one kWh of maintained available power capacity per month, and revenue is recognised in the amount to which the Company has a right to invoice. The Single buyer is invoiced on a monthly basis based on the report signed for the reporting month.

Interest income and expense

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Employee benefits

Labour costs, pension deductions, social insurance fund deductions, annual paid vacations and sick leaves, premiums and non-monitory benefits are accrued as relevant works are performed by the Company employees. According to the requirements of the legislation of the Republic of Kazakhstan, on behalf of its employees the Company withholds such pension and termination benefits. Upon retirement, the financial obligations of the Company cease and all payments are made by the accumulation pension fund.

Income tax

Income taxes have been provided for in these financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) 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 budget in respect of taxable profits or losses for the year and which is calculated based on tax rates effective or substantively effective at the reporting date and all adjustments of the amount of liabilities to pay income tax for prior years. Payables on current tax also include any tax liability resulting from declaration of dividends. Taxable profits or losses are calculated in line with accounting estimates, if financial statements are approved prior to filing the 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 initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. The carrying amount of deferred tax is calculated using tax rates effective or substantively effective at the end of the reporting period and which are expected to apply to the period of recover of temporary differences or use of a tax loss carry forward.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Impact of changes in the tariff setting policy legislation on the Company's performance and application of the going concern principle

Since 1 January 2019, due to the introduction of power capacity market, revenue from sales of the Company's electricity is divided into two main components – sales of electricity and provision of services on maintaining the readiness of power capacity.

In 2019 the Company raised issues before the Ministry of Energy of the Republic of Kazakhstan regarding the need in legislative amendments in order to obtain an individual tariff that would allow repayment of the borrowings attracted for construction of the hydro-power station in full and on time and ensure that the carrying amount of property, plant and equipment is recoverable.

On 16 October 2019, the Individual Investment Agreement for Commissioned Power Station was signed between the Company and Ministry of Energy of the Republic of Kazakhstan. In accordance therewith, the individual tariff for service for maintenance of the readiness of power capacity was set in the amount that would ensure appropriate cash flows for repayment of principal amounts of the outstanding borrowings, specifically: for 2020-2025 – Tenge 2,563.67 thousand/MW per month, for 2026 – Tenge 1,887.82 thousand/MW per month. Furthermore, on 18 November 2019 the Company entered into the purchase agreement with the Settlement and Financial Center for Support of Renewable Energy Sources LLP for the service for maintenance of the readiness of power capacity for 2020. On 11 December 2020, the Company signed an Addendum No. 1, that extended the contract term until 31 December 2021.

Additionally, based on Decrees of the Ministry of Energy of the Republic of Kazakhstan No.313 dated 23 September 2019 and No.243 dated 29 June 2020, the cap electricity tariff was approved in the amount of Tenge 12.02 per 1 kWh, effective from 1 October 2019 up to 2025. The approved cap electricity tariff included operating expense and interest expense.

The Management expects that the Company will generate sufficient cash flows from electricity sales to cover costs, including interest expense. As mentioned above, an individual tariff for the service on maintaining the readiness of power capacity will provide the necessary cash flows to pay off the principal debt on existing loans.

The Decree of the Ministry of Energy of the Republic of Kazakhstan No.205 dated May 22, 2020, approved a Methodology for determining the fixed profit that should be taken into account when approving the cap electricity tariff. The Methodology introduced such changes as an exclusion of interest expense from the cap electricity tariff and the definition of income on the regulated assets base.

In August 2020, the Company management sent an adjusted calculation according to the new Methodology to the Ministry of Energy and expects an approval of it in 2021. The Company management does not expect significant changes in the cap electricity tariff.

As at the date of issue of the financial statements, the Company sells electricity using the previously approved cap electricity traffif of Tenge 12.02 per 1 kWh.

Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Company.

At 31 December 2020 current liabilities of the Company exceeded its current assets by Tenge 7,705,213 thousand.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

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

- The Company is a strategic entity in the electricity power generation in Almaty city and Almaty region.
- The Southern Kazakhstan is an energy-deficit region and Moinak HPS plays an important role of the main source of power capacity regulation.
- The Company is in compliance with the borrowings covenants.
- On 25 November 2020 the Company entered into an Agreement with Samruk-Energy for the provision of financial aid with a limit of Tenge 3,500 million.
- The Company's current loan liabilities at 31 December 2020 included payables to the parent company Samruk-Energy in amount of Tenge 7,158,951 thousand (Note 11), which was 65% of total current liabilities.
- Due to the tariffs, the Company expects cash inflows from operating activities in 2021 of Tenge 17 billion, which will be sufficient to settle its current liabilities.
- Management has neither the intention nor the necessity to liquidate or significantly reduce the Company's operations.

Given the above, management has concluded that the Company will generate sufficient cash flows to ensure recoverability of the carrying amount of its property, plant and equipment and full settlement of its borrowing liabilities in a timely manner.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement 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 Company. 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.

At 31 December 2020, the carrying amount of property, plant and equipment was Tenge 37,656,435 thousand (2019: Tenge 38,721,991 thousand).

If the estimated useful lives of assets had been 10% less/more than management's estimates, depreciation charge for the year would have been Tenge 161,805 thousand higher/Tenge 123,284 thousand lower for the year ended 31 December 2020, respectively (2019: Tenge 149,117 thousand higher/Tenge 143,631 thousand lower, respectively).

Deferred income tax

In accordance with paragraph 2-1 of Article 120 of the Code of the Republic of Kazakhstan "Concerning Taxes and other Mandatory Payments to Budget" (the "Tax Code"), the Company shall apply in its tax accounting the depreciation limits for determining depreciation deductions on fixed assets commissioned within the investment project under contracts with the provision of exemption from corporate income tax. The applied depreciation norms in accounting differ from tax accounting norms. Thus, temporary differences arise, the recovery of which will occur after the investment contract termination. The Company recognised the deferred tax liability related to such temporary differences. At 31 December 2020 the deferred income tax liability was Tenge 4,212,113 thousand (31 December 2019: Tenge 4,080,227 thousand) (Note 18).

The tax losses accrued by the Company during the validity period of investment tax preferences are not recoverable after expiration of these preferences. Therefore, for losses carried forward from previous tax periods, deferred tax assets were not recognized.

If the estimated useful lives of assets had been 10% less/more than management's estimates, income tax expense for the year would have decreased by Tenge 19,216 thousand/increased by Tenge 37,802 thousand for the year ended 31 December 2020, respectively (2019: decreased by Tenge 34,610 thousand/increased by Tenge 23,940 thousand, respectively).

4 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Company has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). The Company is currently assessing the impact of the amendments on its financial statements.
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The Company is currently assessing the impact of the amendments on its financial statements.
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

5 Balances and Transactions with Related Parties

Related parties are defined in IAS 24 Related Party Disclosures. Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party 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.

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

The Company purchases from and sells services 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 18.

Balances and transactions with the Development Bank of Kazakhstan JSC are disclosed within state-controlled entities.

5 Balances and Transactions with Related Parties (Continued)

The nature of relations with those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 31 December 2020 and 2019 is detailed below.

The outstanding balances with related parties were at 31 December 2020 as follows.

In thousands of Kazakhstani Tenge	Note	Immediate Parent company	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Kazyna JSC, except Samruk-Energy JSC	Other state-controlled companies /entities
Gross amount of trade and other receivables	8	-	2,018,592	926,951	-
Trade and other payables	12	-	(7,120)	(172,000)	-
Borrowings	11	(40,147,542)	-	-	(15,955,890)

The outstanding balances with related parties were at 31 December 2019 as follows.

In thousands of Kazakhstani Tenge	Note	Immediate Parent company	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Kazyna JSC, except Samruk-Energy JSC	Other state-controlled companies /entities
Gross amount of trade and other receivables	8	-	2,121,443	196,918	-
Trade and other payables	12	-	(10,055)	(75,754)	-
Borrowings	11	(48,578,120)	-	-	(17,683,482)

The income and expenses items on transactions with related parties for the year ended 31 December 2020 were as follows:

In thousands of Kazakhstani Tenge	Note	Imme-diate Parent company	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Kazyna JSC, except Samruk-Energy JSC	Key management personnel	Other state-controlled companies /entities
Revenue from contracts with customers	13	-	8,830,190	8,946,731	-	-
Cost of sales		-	(37,723)	(1,364,368)	(46,460)	(427,247)
General and administrative expenses		-	(26,677)	(13,065)	(16,424)	-
Finance costs		(5,369,247)	-	(68,650)	-	(1,188,770)

5 Balances and Transactions with Related Parties (Continued)

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

In thousands of Kazakhstani Tenge	Note	Immediate Parent company	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Kazyna JSC, except Samruk-Energy JSC	Key management personnel	Other state-controlled companies /entities
Revenue from contracts with customers	13	-	6,903,542	2,147,774	-	-
Cost of sales		-	(18,690)	(755,880)	(31,366)	(437,574)
General and administrative expenses		-	(1,022)	(16,575)	(18,763)	-
Finance costs		(2,887,365)	-	(76,918)	-	(1,247,427)

Key management personnel compensation represents salaries, bonus for the year and other short-term employee benefits. Key management personnel at 31 December 2020 includes 4 persons (2019: 5 persons). The amount due to key management personnel at 31 December 2020 was Tenge 28,136 thousand, and at 31 December 2019 was Tenge 28,583 thousand.

Other rights and obligations on transactions with related parties were as follows:

	31 December 2020	31 December 2019
In thousands of Kazakhstani Tenge	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Energy JSC
Contractual commitments for electricity supply to AlmatyEnergosbyt LLP	8,564,875	8,564,875
Contractual commitments for power capacity regulation to AlmatyEnergosbyt LLP	143,326	312,000

	31 December 2020	31 December 2019
In thousands of Kazakhstani Tenge	Entities under common control and joint ventures of Samruk-Kazyan JSC, except for Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Kazyan JSC, except for Samruk-Energy JSC
Contractual commitments for services on maintaining the readiness of power capcity to Settlement and Financial Center for Support of Renewable Energy Sources LLP	9,167,684	9,167,684

6 Property, Plant and Equipment

In thousands of Kazakhstani Tenge	Buildings and cons-tructions	Machinery and equipment	Vehicles	Right-of-use assets	Other	Construc-tion in progress	Total
Cost at 1 January 2019	32,241,426	14,844,969	366,552	141,084	97,015	632,592	48,323,638
Accumulated depreciation	(3,245,310)	(4,729,550)	(118,977)	-	(67,700)	-	(8,161,537)
Carrying amount at 1 January 2019	**28,996,116**	**10,115,419**	**247,575**	**141,084**	**29,315**	**632,592**	**40,162,101**
Additions	-	158,599	8,652	4,048	14,123	13,638	199,060
Disposals	(307)	-	(3,238)	-	(14,004)	(15,179)	(32,728)
Transfers	49,782	-	-	-	(6,351)	(43,431)	-
Depreciation	(585,366)	(836,512)	(37,765)	(28,798)	(1,667)	-	(1,490,108)
Cost at 31 December 2019	32,290,901	15,003,568	371,966	145,132	90,783	587,620	48,489,970
Accumulated depreciation	(3,830,676)	(5,566,062)	(156,742)	(28,798)	(69,367)	-	(9,651,645)
Carrying amount at 31 December 2019	**28,460,225**	**9,437,506**	**215,224**	**116,334**	**21,416**	**587,620**	**38,838,325**
Additions	-	124,053	44,165	-	7,777	139,319	315,314
Disposals	-	(176)	-	-	(946)	-	(1,122)
Transfers	6,945	15,716	-	-	-	(22,661)	-
Depreciation	(576,439)	(753,849)	(39,954)	(26,435)	(9,506)	-	(1,406,183)
Cost at 31 December 2020	32,297,846	15,143,161	416,131	145,132	97,614	704,278	48,804,162
Accumulated depreciation	(4,407,115)	(6,319,911)	(196,696)	(55,233)	(78,873)	-	(11,057,828)
Carrying amount at 31 December 2020	**27,890,731**	**8,823,250**	**219,435**	**89,899**	**18,741**	**704,278**	**37,746,334**

As at 31 December 2020 property, plant and equipment and construction in progress with total amount of Tenge 6,036,147 thousand (31 December 2019: Tenge 6,172,543 thousand) were pledged as collateral on loans received by the Company from the Development Bank of Kazakhstan JSC (the "Development Bank of Kazakhstan").

Construction in progress consists mainly of the following construction services and property, plant and equipment:

In thousands of Kazakhstani Tenge	2020	2019
Main constructions and auxiliary facilities	407,321	407,321
Feasibility study, additional works on filtration elimination (reduction) of the left and right banks of the Bestyubinsk Reservoir dam	198,203	180,299
Intodcution of MFLSE (Multifunctional Frequency Load Shedding Equipment)	98,754	-
Total construction in progress	**704,278**	**587,620**

6 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is included in the following cost items:

In thousands of Kazakhstani Tenge	2020	2019
Cost of sales	1,367,364	1,435,487
General and administrative expenses	15,839	45,667
Other expenses	22,980	8,954
Total depreciation of property, plant and equipment	**1,406,183**	**1,490,108**

7 Other Investments

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Bonds of Special Financial Company DSFK LLP	151,089	235,523
Bonds of first Heartland Jysan Bank JSC	143,286	129,172
Less credit loss allowance	(13,008)	(11,727)
Total other investments	**281,367**	**352,968**

Bonds of Special Financial Company DSFK LLP ("DSFK") were received as the result of restructuring Company deposits in Bank RBK JSC in amount of 1,861 million in 2017. Bonds' maturity is 15 years from the date of the issue, and the fixed interest rate is 0.01% per annum. The redemption of bonds is partially secured by the guarantee of Kazakhmys Corporation, DSFK parent company, issued for a period of 5 years. The bonds were initially recognized by the Company at fair value, based on the guarantee amount and the discount rate of 13% per annum. The Company recognized a corresponding impairment loss on deposits in amount of Tenge 1,582 million in 2017. During 2020, Special Financial Company DSFK LLP bought back bonds in the amount of Tenge 84,434 thousand.

In September 2018, a Framework Agreement between the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan, National Welfare Fund "Samruk-Kazyna" JSC, National Management Holding Baiterek JSC, National Management Holding "KazAgro" JSC, Fund of Problem Loans JSC, the National Bank of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC, Tsesnabank JSC, Financial Holding "Tsesna" JSC and Mr. D.A. Zhaksybek was signed. In line with the Framework Agreement, the Company was included in the list of legal entities that agreed to restructure current deposits to bonds. Following the transaction, the Company received bonds of Tenge 531,799 thousand. On 29 January 2019, according to the Minutes of the General Meeting of the Bank's Bondholders, the coupon's initial rate was reduced from 4% to 0.1% and the bond maturity was increased from 10 years up to 15 years and 3 months. As a result of this change, the Company recognised loss on derecognition of financial asset as a difference between the carrying amount of the financial asset and fair value of a new asset in amount of Tenge 128,613 thousand. On 29 April 2019 the shareholders of the bank decided to rename Tsesnabank JSC to First Heartland Jýsan Bank JSC.

Other investments are financial assets carried at amortised cost.

8 Trade and Other Receivables

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	2,984,347	2,318,361
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	2,399	97
Less credit loss allowance	(15,267)	(2,109)
Total financial assets within trades and other receivables	**2,971,479**	**2,316,349**
Advances to suppliers for goods and services	83,954	28,653
Other receivables	33,153	97,257
Total trade and other receivables	**3,088,586**	**2,442,259**

At 31 December 2020 and 31 December 2019 all receivables are denominated in Tenge. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month till the reporting date and the corresponding historical credit losses experienced within this period. The Company does not adjust the model of expected credit losses for forward-looking information, as it believes that long-term macroeconomic development does not play a major role in forming the risk profile in this segment due to the short-term nature of trade receivables. Therefore, a forward-looking adjustment based on a macroeconomic function is not applied to trade and other receivables.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

	31 December 2020			31 December 2019		
In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trades receivables						
- current	0.114%	964,482	(1,097)	0.088%	1,119,025	985
- less than 30 days overdue	0.307%	840,644	(2,578)	0.09%	13,723	12
- *30 to 90 days overdue	0.981%	1,181,620	(11,592)	0.094%	1,185,710	1,112
Total		**2,986,746**	**(15,267)**		**2,318,458**	**2,109**

*Trade receivables of Tenge 1,331,521 thousand was fully settled by the related party AlmatyEnergosbyt LLP in January 2021.

8 Trade and Other Receivables (Continued)

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period.

In thousands of Kazakhstani Tenge	2020	2019
Allowance for credit losses on trade receivables at 1 January	2,109	82
New originated or purchased	13,158	2,047
Financial assets derecognised during the period	-	-
Changes in estimates and assumptions	-	-
Total changes in credit loss allowance as part of profit and loss for the period	**13,158**	**2,047**
Write-offs	-	(20)
Allowance for credit losses on trade receivables at 31 December	**15,267**	**2,109**

9 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Cash at current bank accounts	15,946	225,958
Less credit loss allowance	(3)	(167)
Total cash and cash equivalents	**15,943**	**225,791**

The following table explains the changes in the credit loss allowance for cash and cash equivalents under simplified ECL model between the beginning and the end of the annual period.

In thousands of Kazakhstani Tenge	2020	2019
Credit loss allowance at 1 January	167	210
New originated or purchased	1,147	245
Total changes in credit loss allowance within profit or loss for the period	1,147	245
Write-offs	(1,311)	(288)
Allowance for credit losses on cash and cash equivalents at 31 December	**3**	**167**

Gross amount of cash and cash equivalents of the Company is denominated in the following currencies:

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Tenge	15,506	225,744
US Dollar	440	214
Total gross amount of cash and cash equivalents	**15,946**	**225,958**

10 Share Capital

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Number of authorised and issued shares	460,200	460,200
Value of 1 share, in Tenge	10,000	10,000
Total share capital, in thousands of Tenge	**4,602,000**	**4,602,000**

All issued orfinary shares are fully paid. As at 31 December 2020 and 2019 the Company did not declare the dividend distribution to its shareholder. The Company has a range of restrictions in terms of dividend distribution according to the loan agreements.

11 Borrowings

In thousands of Kazakhstani Tenge	Note	31 December 2020	31 December 2019
Long-term portion			
Development Bank of Kazakhstan	5	13,263,863	15,031,407
Samruk-Energy - bonds	5	32,988,591	39,988,591
Total borrowings – long-term portion		**46,252,454**	**55,019,998**
Short-term portion			
Development Bank of Kazakhstan	5	2,692,028	2,652,075
Samruk-Energy - bonds	5	7,158,951	7,183,696
Samruk-Energy - borrowings	5	-	1,405,833
Total borrowings – short-term portion		**9,850,979**	**11,241,604**
Total borrowings		**56,103,433**	**66,261,602**

Samruk-Energy JSC

Bonds

Within the first bond programme, on 18 June 2019 the Company issued and placed 47,000,000 coupon bonds at the nominal amount of Tenge 1,000 and interest rate of 11% p.a. The bonds were issued for refinancing of the loan from the State Development Bank of China. The maturity of bonds is 7 years. The bonds were issued unsecured at Astana International Exchange and purchased by Samruk-Energy. In 2020 the Company repaid bonds in amount of Tenge 7,000,000 thousand.

Short-term loan

On 19 December 2019 the Company obtained a loan of Tenge 1,400,000 thousand at the interest rate of 12.5% p.a. for 1 year. The loan was designated for coverage of expenses related to payment of bond coupons and was repaid in 2020.

On 25 November 2020, the Company entered into an agreement with Samruk-Energy to receive repayable financial assistance for a period of 12 months in the amount of not more than Tenge 3,500,000 thousand to refinance existing current debt liabilities and working capital. As of 31 December 2020, under the repayable financial assistance, the Company received and repaid Tenge 900,000 thousand.

11 Borrowings (Continued)

Development Bank of Kazakhstan JSC

On 14 December 2005 and 16 January 2008, the Company received a loan in the form of two tranches from Development Bank of Kazakhstan JSC, a related party, in the amount of US Dollars 25,000,000 and US Dollars 26,058,000 at the interest rate of 1.15*6MLIBOR+1.15% and 8% per annum, respectively. The loans were granted for the period of 20 years. On 6 December 2012 the Company signed the Supplementary Agreement for changing the second tranche interest rate from 8% to 7.55%, relating to the amount of US Dollars 1,563,053 of subsequent loans.

On 28 November 2019, the Company entered into an addendum to change the currency of the second tranche of the loan from US Dollars to Tenge and change the interest rate to 10.72%.

On 17 June 2011 the Company signed the contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of Tenge 12,285,000 thousand at the interest rate of 12% per annum. The loan is granted for the period of 17 years. On 6 December 2012 the Company signed the Supplementary Agreement for changing the third tranche interest rate from 12% to 7.55%, relating to the amount of Tenge 8,924,392 thousand of loans after that date.

During 2015 the Company received cash on the third tranche in the amount of Tenge 1,867,551 thousand pursuant to additional agreements No.22 and No.23 dated 24 August 2015 and 8 September 2015, respectively.

During 2020, the amount of payments on loans was Tenge 3,508,415 thousand (2019: Tenge 3,449,546 thousand).

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the Republic of Kazakhstan in the amount of US Dollars 25,000,000. Uncovered counter-guarantee for the guarantee of the Ministry of Finances of the Republic of Kazakhstan of a Halyk Bank JSC in the amount of US Dollars 2,304,331;
- Guarantee from Samruk-Energy JSC in the amount of Tenge 1,079,213 thousand dated 13 December 2012;
- Guarantee of National Welfare Fund Samruk-Kazyna JSC in the amount of Tenge 12,285,000 thousand dated 1 July 2011;
- Guarantee from Samruk-Energy JSC in the amount of Tenge 4,545,554 thousand dated 28 November 2019;
- Property, plant and equipment and construction in progress with carrying amount of Tenge 6,036,147 thousand (2019: Tenge 6,172,543 thousand) (Note 6).

Bank loans are denominated in the currencies as follows:

In thousands of Kazakhstani Tenge	Currency	31 December 2020	31 December 2019
Development Bank of Kazakhstan	US Dollars	4,860,113	5,348,429
Development Bank of Kazakhstan	Tenge	11,095,778	12,335,053
Samruk-Energy	Tenge	40,147,542	48,578,120
Total borrowings		**56,103,433**	**66,261,602**

The carrying amounts and fair values of borrowings are presented below:

	Carrying amount		Fair value	
In thousands of Kazakhstani Tenge	2020	2019	2020	2019
Development Bank of Kazakhstan	15,955,891	17,683,482	14,314,298	15,938,448
Samruk-Energy	40,147,542	48,578,120	40,157,438	49,392,631
Totral borrowings	**56,103,433**	**66,261,602**	**54,471,736**	**65,331,079**

11 Borrowings (Continued)

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activity in the statement of cash flows, except for interest payment, which is reported as operating activity:

In thousands of Kazakhstani Tenge	2020	2019
Liabilities from financing activities at 1 January	66,261,602	74,154,185
Proceeds from borrowings	900,000	48,400,000
Repayment of borrowings	(11,564,148)	(55,923,902)
Interest accrual	6,469,336	5,072,155
Interest payment	(6,558,472)	(5,074,904)
Other non-cash movements	16,740	69,019
Foreign exchange adjustments	578,375	(434,951)
Liabilities from financing activities at 31 December	**56,103,433**	**66,261,602**

12 Trade and Other Payables

In thousands of Kazakhstani Tenge	31 December 2020	31 December 2019
Trade payables to related parties	179,120	85,809
Trade payables to third parties	118,257	123,868
Current estimated liabilities	189,650	127,901
Short-term finance lease	26,603	33,546
Total financial trade payables	**513,630**	**371,124**
Other payables		
Tax liabilities	552,042	215,801
Accrued vacation liabilities	7,227	12,583
Deferred revenue	-	1,100
Other payables	74,258	58,007
Total trade and other payables	**1,147,157**	**658,615**

Financial trade payables of the Company are recorded in Tenge. At 31 December 2020 the Company accrued a provision of Tenge 189,650 thousand (31 December 2019: Tenge 127,901 thousand) within current estimated liabilities under the claim of Alko-A LLP.

13 Revenue from Contracts with Customers

In thousands of Kazakhstani Tenge	2020	2019
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	17,776,921	9,051,316
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	2,743,498	832,088
Total revenue from contracts with customers	**20,520,419**	**9,883,404**

13 Revenue from Contracts with Customers (Continued)

Analysis of revenue by sales category:

In thousands of Kazakhstani Tenge	2020	2019
Revenue from electricity sales	11,347,002	7,551,733
Revenue from services on maintaining the readiness of power capacity	8,786,515	1,988,595
Revenue from power capacity regulation services	386,902	343,076
Total revenue from contracts with customers	**20,520,419**	**9,883,404**

According to the Decrees of the RoK Ministry of Energy No.313 dated 23 September 2019 and No.243 dated 29 June 2020, the cap electricity tariff for the Company is Tenge 12.02 per 1 kWh, for the period from 1 October 2019 to 2025. The tariff for service on maintaining the readiness of power capacity is set in the Individual Investment Agreement dated 16 October 2019 between the Company and Ministry of Energy of the Republic of Kazakhstan in the amount of Tenge 2,563.67 thousand/MW per month for 2020 - 2025 and Tenge 1,887.82 thousand/MW per month for 2026.

14 Cost of Sales

In thousands of Kazakhstani Tenge	2020	2019
Depreciation of property, plant and equipment	1,367,364	1,435,487
Purchased electricity from RES	958,207	412,394
Salary expense, including provisions for vacations and other employee benefits	495,880	472,225
Taxes (property tax)	427,247	437,574
Technical dispatching services for supply of electricity	406,841	436,529
Security services	87,237	94,536
Licenses, permits, duties, payments, etc.	85,365	83,474
Repair and maintenance	31,067	127,278
Fuel	26,659	21,806
Insurance	16,811	29,025
Amortisation of intangible assets	3,059	3,279
Maintenance	1,863	2,604
Other expenses	219,580	90,061
Total cost of sales	**4,127,180**	**3,646,272**

15 Other Income and Expenses

In thousands of Kazakhstani Tenge	2020	2019
Foreign exchange gains less losses	91,149	-
Other income	3,738	27,975
Total other income	**94,887**	**27,975**
Loss on impairment	(2,429)	(20,294)
Foreign exchange losses less gains	-	(420,237)
Other expenses	(36,273)	(67,003)
Total other expenses	**(38,702)**	**(507,534)**

16 General and Administrative Expenses

In thousands of Kazakhstani Tenge	2020	2019
Salary expense, including provisions for vacations and other employee benefits	157,293	131,445
Consulting and other professional services	69,601	85,047
Short-term lease expenses – office premises and vehicles	22,317	30,692
Depreciation of property, plant and equipment	15,839	45,667
Business trips	13,026	12,887
Materials	4,653	7,070
Amortisation of intangible assets	772	10,879
Other	57,123	12,346
Total general and administrative expenses	**340,624**	**336,033**

17 Finance Income and Costs

In thousands of Kazakhstani Tenge	2020	2019
Interest income	238,545	79,702
Foreign exchange gains less losses from borrowings	-	434,951
Total finance income	**238,545**	**514,653**

In thousands of Kazakhstani Tenge	2020	2019
Foreign exchange losses less gains from borrowings	578,375	-
Interest expenses	6,469,336	5,072,155
Loss on loan disposal	-	69,019
Other finance costs	244,364	253,376
Total finance costs	**7,292,075**	**5,394,550**

Other finance costs include a commission for provision of a guarantee on the loan from the Development Bank of Kazakhstan, from National Welfare Fund Samruk-Kazyna JSC and Samruk-Energy JSC in the amount of Tenge 157,330 thousand (2019: Tenge 173,352 thousand).

18 Taxes

In accordance with Investment Agreement No0622-12-2005 dated 31 December 2005 the Company has preferences related to exemption from corporate income tax for ten years, land tax for five years and property tax for five years. The preferences started to apply after the construction facilities were commissioned by the State Acceptance Committee in December 2012.

In thousands of Kazakhstani Tenge	2020	2019
Current income tax	-	-
Deferred income tax	131,886	227,054
Total income tax expense	**131,886**	**227,054**

18 Taxes (Continued)

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

In thousands of Kazakhstani Tenge	2020	2019
IFRS profit before income tax	9,055,271	413,030
Theoretical income tax benefit at statutory rate of 0% (2019: 0%)	-	-
Adjustments for:		
Temporary differences to be reversed upon expiry of the Investment Agreement	131,886	227,054
Total income tax expense	**131,886**	**227,054**

Differences between IFRS and tax legislation of the Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities in accounting and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at tax rates, the application of which is expected in the period of temporary differences recovery.

Tax losses accrued by the Company in the period of exemption from the payment of corporate income tax (during 10 years) are not subject to recovery after the expiry of this term. Accordingly, tax assets have not been recognised for losses carried forward from previous tax periods.

In accordance with paragraph 2-1 of Article 120 of the Code of the Republic of Kazakhstan "Concerning Taxes and other Mandatory Payments to Budget" (the "Tax Code"), the Company shall apply in its tax accounting the ceiling depreciation rates for determining depreciation deductions on fixed assets commissioned within the investment project under contracts with the provision of exemption from corporate income tax, signed before 1 January 2009 pursuant to the investment legislation of the Republic of Kazakhstan. The applied depreciation norms in accounting differ from tax accounting norms. Thus, temporary differences arise, the recovery of which will occur after the investment contract termination. The Company recognizes deferred tax liability related to such temporary differences.

In thousands of Kazakhstani Tenge	1 January 2019	Charged to profit or loss	31 December 2019	Charged to profit or loss	31 December 2020
Tax effect of deductible temporary differences					
Tax losses	9,342,470	92,193	9,434,663	(1,689,408)	7,745,255
Other investments	376,914	22,310	399,224	(80,269)	318,955
Unrecognised deferred income tax asset	(9,719,384)	(114,503)	(9,833,887)	1,769,677	(8,064,210)
Recognised deferred income tax asset	-	-	-	-	-
Tax effect of deductible temporary differences					
Property, plant and equipment	3,853,173	227,054	4,080,227	131,886	4,212,113
Gross deferred income tax liability	**3,853,173**	**227,054**	**4,080,227**	**131,886**	**4,212,113**
Less offsetting against deferred income tax asset	-	-	-	-	-
Recognised deferred income tax liability	**3,853,173**	**227,054**	**4,080,227**	**131,886**	**4,212,113**

19 Contingencies and Commitments

Operating environment

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.

19 Contingencies and Commitments (Continued)

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 and 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 these financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 417.84 per US Dollar 1 compared to Tenge 420.71 per US Dollar 1 as at 31 December 2020. Therefore, uncertainty remains in relation to the exchange rate of Tenge and future actions 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.

On 21 August 2020 Fitch Ratings affirmed the long-term foreign currency issuer default rating ("IDR") of Kazakhstan – "BBB" with a stable outlook. Kazakhstan's 'BBB' IDRs balance large fiscal and external buffers, underpinned by accumulated oil-related fiscal revenues and a strong sovereign net foreign asset position, against high commodity dependence, a weak banking sector relative to peers, and lower governance scores than 'BBB' medians. Public debt remains low and external and fiscal buffers robust despite the oil price and coronavirus shocks.

According to the official estimates, real GDP during the nine months of 2020 contracted by 3.1%. In August 2020 Fitch forecasted that real GDP would contract by 2.0% in 2020 (2019: +4.5%) as coronavirus containment measures hit domestic demand, and OPEC+ oil production cuts affect net exports.

Additionally, 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 Company's control.

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.

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organization announced an outbreak of a new type of coronavirus, COVID19, as a pandemic. According to the decree of the President of the Republic of Kazakhstan dated 15 March 2020 No. 285 "On the introduction of a state of emergency in the Republic of Kazakhstan," a state of emergency was introduced in the country for the period from 16 March 2020 until 11 May 2020.

Most of the cities of Kazakhstan fell under the quarantine regime, and in the period from 30 March to 11 May this year, the operations of most industrial enterprises were suspended. The Company's activities for the period of quarantine were not suspended, the work of office employees was organized remotely.

In response to the pandemic Kazakhstan authorities take numerous actions aimed at the containment of COVID-19 spread and impact, such as bans on travelling, quarantine, business activities restrictions, etc. These actions, amongst others, significantly restrict economic activity in Kazakhstan, as well as they have and may continue to have a negative impact on businesses, market participants and Company's clients, as well as Kazakhstan and world economy for an uncertain time period.

At the same time, on 9 March 2020, oil quotes collapsed amid the disagreements of the OPEC members, the price of Brent crude oil in March this year fell below USD 25 per barrel. The Tenge depreciated against the US dollar since the beginning of 2020 by approximately 10%.

19 Contingencies and Commitments (Continued)

As of the date of the issuance of these financial statements, the situation is still developing, and to date there has not been any significant effect on the Company's revenues and deliveries; however, the future effect is difficult to predict. Management will continue to monitor the potential effect of the above events and will take all necessary actions to prevent negative consequences for the business, however:

- the consequences of downtime/quarantine due to the COVID-19 pandemic will lead to a slowdown in business activity in general, which may affect the Company's financial performance in the future;
- as part of new agreements between OPEC members and other oil-producing countries, Kazakhstan and Russia have committed to cut production levels, which may lead to a decrease in oil transportation;
- further depreciation of the Tenge against the US dollar will have an adverse impact on the Company's financial performance, given the fact that 8% of the Company's financial liabilities are denominated in hard currencies.

Management is unable to predict the extent or duration of changes in the Kazakhstani economy or evaluate their possible impact on the financial position of the Company in the future. Management believes that it is taking all necessary actions to maintain the sustainability and growth of the Company in current circumstances.

Tax contingencies

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. In particular, existing subsurface use contracts do not have tax stability from 1 January 2009 and tax liabilities are computed under common regime. This could result in unfavourable changes to subsurface users' tax positions, including those of the Company. Non-compliance with Kazakhstani law and regulations as interpreted by the Company and the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In some cases, to identify tax base tax legislation refers to IFRS, however interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Company. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

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

Legal commitments

The Company believes that at present it observes all the laws and regulations relating to protection of environment effective in the Republic of Kazakhstan. However, Kazakhstani laws and regulations can change in the future. The Company cannot predict timing or scope of possible changes in laws and regulations relating to protection of environment. In case of such changes, the Company may be needed to upgrade its technical facilities to meet more stringent norms.

Capital expenditure commitments

As at 31 December 2020, the Company had contractual commitments to acquire property, plant and equipment and capital nature services for the total of Tenge 193,871 thousand (31 December 2019: Tenge 258,984 thousand).

To cover such commitments, the Company intends to use its own funds and borrowings.

20 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

20 Financial Risk Management (Continued)

Credit risk

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

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

In 2020, the Company sold electricity, services for meaintennace of the readiness of power capacity, and power capacity regulation services to the following major customers: AlmatyEnergoSbyt LLP, Settlement and Financial Center for Support of Renewable Energy Sources LLP, Temirzholenergo LLP, and SilkwayEnergy LLP.

Credit risk management

Management 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 Company applies risk grades measured by external international rating agencies (Standard & Poor's, Fitch, Moody's), when available. These ratings are publicly available. Such ratings and the corresponding ranges of probability of default are used for the following financial instruments: cash and cash equivalents, current bank deposits, restricted cash and other Investments.

For financial instruments without a credit rating (receivables), credit risk is assessed based on the number of delayed payment days for each customer. Due to the specifics of the Company's activities, new customers appear very rarely at the Company. Potential new customers undergo a careful analysis of their financial position before establishing business relations with the Company.

Expected credit loss (ECL) measurement

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

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities.

Probability of default (PD) – PD an estimate of the likelihood of default to occur over a given time period. *Loss given default (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.

20 Financial Risk Management (Continued)

For short-term trade receivables without a significant financing component, the Company applies a simplified approach stipulated by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables. The company uses a provision matrix in which the loss allowance is calculated based on trade receivables falling into different ageing or overdue periods. To measure expected credit losses, trades receivables are grouped based on shared credit risk characteristics i.e. receivables from individual customers and receivables from corporate customers. The non-recoverability analysis is conducted for the past 36 months in order to determine the general default ratio. Default rates are calculated for each interval of 30 days between 30 and 360 days. To determine the default rate for a certain debt interval, the Company applies the "migration matrix". The method assumes analysis of each invoice balance and calculates the percentage rate of receivables passing to the next ageing or overdue payment interval. Based on mathematical operations default rates are determined at the date of origination of the receivable and for each successive overdue payment interval.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition.

This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying amount and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

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

Receivables are classified either within stage 2 or stage 3:

- Stage 2 includes receivables, for which a simplified approach was applied to measure expected credit losses during the loan period, except for certain trade receivables classified in Stage 3,
- Stage 3 includes receivables overdue by more than 90 days or individually determined to be impaired.

Financial assets are written off in full or partially when the Company has practically applied all debt recovery measures and concluded that there are no reasonable grounds to expect a return of the debt. This is usually the case when the asset is overdue for more than 360 days.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") provide the best estimate of the expected macro-economic development over the next years. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

For receivables, a forward-looking adjustment based on a macroeconomic function is not applied. The Company does not adjust the model of expected credit losses with forward-looking information, as it believes that long-term macroeconomic development does not play a major role in forming the risk profile in this segment.

20 Financial Risk Management (Continued)

The table below shows credit ratings (if available) at the end of the relevant reporting period for the counterparties with available risk ratings. Financial receivables relate to debtors without a credit rating.

In thousands of Kazakhstani Tenge	Note	Rating (S&P)	31 December 2020	31 December 2019
Financial receivables	8	N/A	2,971,479	2,316,349
Short-term financial investments				
First Heartland Jysan Bank JSC		B - (positive)	1,170	639
ATF Bank JSC		BB+ (stable)	12,234	-
Other investments	7			
Special financial company DSFK LLP		N/A	151,090	235,523
First Heartland Jysan Bank JSC		B - (positive)	130,277	117,445
Total other investments			**281,367**	**352,968**
Cash and cash equivalents	9			
VTB Bank JSC		BB+ (stable)	8,359	-
Halyk Bank JSC		BB+ (stable)	7,579	25,936
ATF Bank JSC		B- (stable)	4	99,927
Center Credit Bank JSC		B (stable)	1	-
Forte Bank JSC		B - (positive)	-	99,928
Total cash at current bank accounts			**15,943**	**225,791**
Total maximum exposure to credit risk			**3,282,193**	**2,895,747**

The table below represents outstanding balances from major customers at the end of corresponding reporting period:

In thousands of Kazakhstani Tenge	Note	31 December 2020	31 December 2019
AlmatyEnergoSbyt LLP	5	2,018,592	2,121,443
Settlement and Financial Center for Support of Renewable Energy Sources LLP	5	965,755	196,918
Other		2,399	97
Total receivables from buyers of electricity		**2,986,746**	**2,318,458**

Trade receivables from AlmatyEnergoSbyt LLP include current receivables of Tenge 1,331,521 thousand, which was fully settled in January 2021.

Calculation of impairment losses on trade receivables

The Company applies a provision matrix to calculate expected credit loss (Note 2). To measure expected credit losses, trade receivables were classified based on the general features of credit risk and past due days. As of 1 January 2018, there were no receivables defined as impaired in accordance with IAS 39.

The probability of recovery of receivables is estimated in line with historical data, since the balance comprises a group of dispersed items, which are grouped based on the similarity of credit risk and past customer behaviour.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest assets and liabilities, all of which are exposed to general and specific market movements. Sensitivity to market risk presented below is based on a change in one factor, while all other variable characteristics remain unchanged. On a practical level, this is hardly possible and changes in several factors may correlate, for example, changes in interest rates and exchange rates

20 Financial Risk Management (Continued)

Currency risk

On 20 June 2019 the Company repaid the US Dollar denominated loan due to the State Development Bank of China of Tenge 54,305,480 thousand (US Dollars 136,403 thousand). Additionally, on 28 November 2019 the Company signed the addendum to the second tranche of the loan from Development Bank of Kazakhstan JSC for change in the loan currency from US Dollars to Tenge and change in the interest rate for 10.72%. These efforts have significantly reduced the currency risk of the Company (Note 11).

At 31 December 2020, the Company has loans in foreign currency, and thus exposed to currency risk. The table below shows the total of assets and liabilities in foreign currency exposed to currency risk.

In thousands of Kazakhstani Tenge	**US Dollars**
At 31 December 2020	
Monetary financial assets	440
Monetary financial liabilities	(4,860,113)
Net balance sheet position	**4,859,673**
At 31 December 2019	
Monetary financial assets	214
Monetary financial liabilities	(5,348,429)
Net balance sheet position	**(5,348,215)**

Currency risk sensitivity analysis

In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored on periodic basis. The following table presents sensitivities of profit or loss to reasonably possible changes in the US dollar exchange rate at the reporting date relative to the functional currency of the Company, with all other variables held constant (the impact of changes in other currencies is insignificant and impact on equity is equal to impact on profit or loss):

In thousands of Kazakhstani Tenge	**At 31 December 2020**	**At 31 December 2019**
US Dollar strengthening by 10% (2019: strengthening by 10%)	(485,967)	(534,822)
US Dollar weakening by 10% (2019: weakening by 10%)	485,967	534,822

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Company is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Company's cash flows. The Company has formal policies and procedures for management of interest rate risk. Management believes that this risk is insignificant for the Company's operations.

If interest rates had been 40 basis points higher at 31 December 2020 (2019: 40 basis points), with all other variables held constant, equity and profit for the year would have been Tenge 39 thousand lower (2019: equity/loss would have been Tenge 21,393 thousand less/more, respectively) as a result of higher interest expense on floating interest rate liabilities.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources for settlements on financial instruments, settlements on which are made in cash. The Company seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables.

20 Financial Risk Management (Continued)

The Board of Directors has overall responsibility for liquidity risk management. It controls short-term, medium- and long-term financing, as well as the requirements for managing the Company's liquidity. The Company manages liquidity risk by maintaining sufficient reserves, bank funds and external borrowings, constantly monitoring projected and actual cash flows, and agreeing on the maturity of financial assets and liabilities.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period. Since the effect of discounting is immaterial, the amounts of outstanding debt that are due within 12 months are equal to their carrying amount.

In thousands of Kazakhstani Tenge	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years
At 31 December 2020					
Borrowings	705,863	955,436	13,045,121	57,236,263	2,981,917
Financial payables	-	297,377	189,650	-	-
Lease liabilities	-	8,044	24,133	101,700	192,203
Total financial liabilities	**705,863**	**1,260,857**	**13,258,904**	**57,337,963**	**3,174,120**
At 31 December 2019					
Borrowings	738,764	837,351	15,552,969	53,180,154	21,333,700
Financial payables	-	209,677	127,901	-	-
Lease liabilities	-	8,044	25,502	133,879	181,390
Total financial liabilities	**738,764**	**1,055,072**	**15,706,372**	**53,314,033**	**21,515,090**

21 Capital Management

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

For construction of the Moinak HPP, the Company attracted external borrowings, most of which were denominated in foreign currency. As a result of the devaluation in 2015, the Company suffered significant losses due to an increase in debt denominated in foreign currency, which led to a significant increase in the share of borrowed capital. In 2020, the Company took several actions to minimize the risk of foreign exchange losses by issuing bonds and changing the financing currency. As a result of such actions, the Company's management ensured the unity of the liability currency and the currency in which the Company generates revenue under contracts with customers.

The management of the Company believes that the current value of borrowed capital does not pose a risk to the activities of the Company. The company plans to use future revenue from electricity sales to repay loans (Note 3) and gradually equalize the ratio of equity to borrowed capital to a level comparable to other companies in the industry.

22 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the 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.

22 Fair Value of Financial Instuments (Continued)

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

All financial instruments of the Company are carried at amortised cost. Their fair value at level 3 fair value hierarchy was estimated using the discounted cash flows valuation technique.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. Fair values of held-to-maturity investments were determined based on quoted bid prices.

Liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The discount rates used ranged from 6% p.a. to 15% p.a. depending on the length and currency of the liability. Due to the short-term maturity, the carrying amount of short-term financial payables approximates its fair value. Fair value of loans and borrowings is disclosed in Note 11.

23 Subsequent events after report date

On 4 February 2021 Development Bank of Kazakhstan JSC provided a letter No.679 confirming that as of the date of the letter provision property, plant and equipment and construction in progress in the amount of Tenge 3,600,371 thousand are no longer considered as pledged by Development Bank of Kazakhstan JSC.