

Мойнакская ГЭС

MOINAK HPS NAMED AFTER U.D. KANTAYEV JSC

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

31 December 2021

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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 2021, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- 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 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the financial statements.

Independent auditor's report (Continued)

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Our audit approach

Overview



- Overall Group materiality: Kazakhstani Tenge ("KZT") 384 millions, which represents 2.3% of earnings before interest, taxes, depreciation, and amortisation for the year ended 31 December 2021.
- Our audit scope addressed 100% of 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.



Independent auditor’s report (Continued)

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Overall Company materiality	Kazakhstani Tenge (“KZT”) 384 millions
How we determined it	2.3% of earnings before interest, taxes, depreciation and amortisation for the year ended 31 December 2021
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
<p><i>Impact of changes in the tariff setting policy legislation on the Company’s performance</i> Please refer to Note 3 to the financial statements.</p> <p>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.</p> <p>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.</p>	<p>As part of audit procedures, we obtained and examined the following documents:</p> <ol style="list-style-type: none"> Individual Investment Agreement for Commissioned Power Station signed on 16 October 2019 between the Company and Ministry of Energy of the Republic of Kazakhstan.

Independent auditor's report (Continued)

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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, the Ministry of Energy of the Republic of Kazakhstan approves the cap electricity tariff taking into account the profitability level pursuant to methodology determining fixed profit of the Company and other energy producers.

In accordance with the Law of the Republic of Kazakhstan "On Supporting the use of renewable energy sources", from 1 July 2021, a premium is applied to support the use of renewable energy sources based on the costs of supporting renewable energy sources and the volume of electricity supply to energy producers, which are conditional consumers. The approved cap electricity tariff includes operating and interest expenses.

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.

2.The Decrees of the Ministry of Energy of the Republic of Kazakhstan on approval of the cap electricity tariff other legal acts on tariff setting applicable to the Company.

3.Additional agreement No.2 dated 23 December 2021 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.

We examined the budget for 2022-2026 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 International Financial Reporting Standards, 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.



Independent auditor's report (Continued)

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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 [consolidated] financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.



Independent auditor's report (Continued)

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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, actions taken to eliminate threats or safeguards applied.

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.

The engagement partner on the audit resulting in this independent auditor's report is Dana Inkarbekova.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

21 February 2022

Almaty, Kazakhstan

Approved and signed by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry of
Finance of the Republic of Kazakhstan
#0000005 dated 21 October 1999)



Auditor in charge
(Qualified Auditor's Certificate
#0000492 dated 18 January 2000)

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

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	36,736,627	37,746,334
Intangible assets		9,295	4,540
Other investments	7	154,453	281,367
Income tax prepaid		-	72,715
Other non-current assets		22,998	38,414
Total non-current assets		36,923,373	38,143,370
Current assets			
Inventories		187,947	174,990
Trade and other receivables	8	2,966,214	3,088,586
Income tax prepaid		99,364	-
Short-term financial investments		3,699	13,404
Cash and cash equivalents	9	1,964,748	15,943
Total current assets		5,221,972	3,292,923
TOTAL ASSETS		42,145,345	41,436,293
EQUITY			
Share capital	10	4,602,000	4,602,000
Accumulated deficit		(15,158,108)	(24,690,395)
TOTAL EQUITY		(10,556,108)	(20,088,395)
LIABILITIES			
Non-current liabilities			
Borrowings	11	37,115,996	46,252,454
Non-current lease liabilities		76,705	61,985
Deferred tax liabilities	18	4,327,455	4,212,113
Total non-current liabilities		41,520,156	50,526,552
Current liabilities			
Borrowings	11	9,780,560	9,850,979
Trade and other payables	12	1,400,737	1,147,157
Total current liabilities		11,181,297	10,998,136
TOTAL LIABILITIES		52,701,453	61,524,688
TOTAL LIABILITIES AND EQUITY		42,145,345	41,436,293

Signed on behalf of the management on 21 February 2022.

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 42 are an integral part of these financial statements.

Moinak HPS named after U.D. Kantayev JSC
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2021	2020
Revenue from contracts with customers	13	19,003,456	20,520,419
Cost of sales	14	(4,331,087)	(4,127,180)
Gross profit		14,672,369	16,393,239
Other income	15	57,792	94,887
General and administrative expenses	16	(327,514)	(340,624)
Other expenses	15	(94,141)	(38,702)
Gains/(losses) from recovery/(impairment) of financial assets	7	790,884	-
Operating profit		15,099,390	16,108,800
Finance income	17	336,639	238,545
Finance costs	17	(5,690,999)	(7,292,075)
Profit before tax		9,745,030	9,055,270
Income tax expense	18	(212,743)	(131,886)
Profit for the year		9,532,287	8,923,384
Other comprehensive income for the year		-	-
Total comprehensive income for the year		9,532,287	8,923,384

Moinak HPS named after U.D. Kantayev JSC
Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Share capital	Accumulated deficit	Total
Balance at 31 December 2019	4,602,000	(33,613,779)	(29,011,779)
Profit for the year		8,923,384	8,923,384
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)
Profit for the year		9,532,287	9,532,287
Total comprehensive income for 2021		9,532,287	9,532,287
Balance at 31 December 2021	4,602,000	(15,158,108)	(10,556,108)

Moinak HPS named after U.D. Kantayev JSC
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2021	2020
Cash flows from operating activities			
Cash received from main activity		21,609,304	22,313,988
Other cash receipts		9,441	60,005
Cash paid to suppliers		(2,089,302)	(2,166,824)
Cash paid to employees		(668,245)	(612,336)
Cash paid to the budget		(2,649,462)	(2,345,533)
Income tax paid		(124,051)	-
Other cash payments		(213,242)	(309,553)
Cash flows from operating activities		15,874,443	16,939,747
Interest received		282,690	199,449
Interest paid	11	(5,454,988)	(6,558,472)
Net cash flows from/(used in) operating activities		10,702,145	10,580,724
Cash flows from investing activities			
Purchase of property, plant and equipment		(412,183)	(264,976)
Proceeds from the sale of financial instruments	7	832,612	-
Proceeds from the sale of property, plant and equipment		1,007	-
Proceeds from buyback of bonds		67,633	84,434
Placement of cash on deposit accounts		(2,000)	(2,012,236)
Withdrawal of cash from deposit accounts		12,236	2,000,001
Net cash flows (used in)/from investing activities		499,305	(192,777)
Cash flows from financing activities			
Repayment of borrowings	11	(9,234,617)	(11,564,148)
Proceeds from borrowings	11	-	900,000
Repayment of principal amount of lease		(16,289)	(24,959)
Net cash flows used in financing activities		(9,250,906)	(10,689,107)
Effect of exchange rate changes on cash and cash equivalents		(1,739)	91,312
Net increase /(decrease) in cash and cash equivalents		1,948,805	(209,848)
Cash and cash equivalents at the beginning of the period		15,943	225,791
Cash and cash equivalents at the end of the period		1,964,748	15,943

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 2021 for Moinak HPS named after U.D. Kantayev JSC.

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 a 49% ownership interest in the Company from AK Birlik JSC. The ultimate controlling party of Samruk-Energy JSC is the Government of the Republic of Kazakhstan through the National Welfare Fund Samruk-Kazyna JSC.

Principal activity

The Company's principal activity is the operation of the 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 had preferences related to exemption from corporate income tax. The effect of the preference extends to the corresponding year of acceptance of construction objects into operation by the State Acceptance Commission conducted on 13 December 2012. The preference for corporate income tax exemption lasted for 10 tax periods and expired on 13 December 2021.

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.

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

2 Basis of Preparation and Significant Accounting Policies (Continued)

(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.

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 2021 the principal rate of exchange used for translating foreign currency balances was US dollar 1 = Tenge 431,67 (31 December 2020: US dollar 1 = Tenge 420,91). 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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. 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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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:

	<u>Useful lives in years</u>
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.

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:

	<u>Useful lives in years</u>
Land	34 - 63
Buildings	5

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

The contract provides for payment per one kWh of regulated 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 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 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-monetary benefits are accrued and withheld no 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 and transfers them to the accumulation pension fund. 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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 electric 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 electric capacity for 2020. On 23 December 2021, the Company signed Addendum No. 2, that extended the contract term until 31 December 2026.

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. According to Decree of the Ministry of Energy No. 108 dated 31 March 2021, from 1 April 2021 to 30 June 2021, the Company was subject to a cap electricity tariff of Tenge 12.03 per 1 kWh covering operating expenses and interest on loans.

In accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of RES," from 1 July 2021, a premium is applied to support the use of RES based on the costs of supporting RES and the volume of electricity supply to energy producers, which are conditional consumers. According to the calculation and values of the premium to support the use of RES applied from 1 July 2021, the premium is 1.57 tenge per 1 kWh without VAT. From 1 January 2022, the premium is Tenge 1.58 per 1 kWh without VAT. Per Decree of the Ministry of Energy of the Republic of Kazakhstan No. 211 dated 24 June 2021, a cap tariff for electricity in the amount of Tenge 10.90 per 1 kWh was approved, valid from 1 July 2021 until 2025. The cap electricity tariff, taking into account the premium, from 1 July 2021 is Tenge 12.47 per 1 kWh. The approved cap electricity tariff includes operating and interest expenses.

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

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 the principal on existing loans.

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 2021 current liabilities of the Company exceeded its current assets by Tenge 6,058,689 thousand.

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 terms of loan and bond agreements.
- The Company signed an agreement with Samruk-Energy on opening a reverse credit line on 1 November 2018. At 31 December 2021, a credit line with a limit of Tenge 4 billion is available.
- The Company's current loan liabilities at 31 December 2021 included payables to the parent company Samruk-Energy in amount of Tenge 7,128,427 thousand (Note 11), which was 64% of total current liabilities.
- Due to the tariffs, the Company expects cash inflows from operating activities in 2022 of Tenge 16.5 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. Management notes that the future profitability of the Company is significantly dependent on the impact of changes in legislation governing the tariff policy.

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 2021, the carrying amount of property, plant and equipment was Tenge 36,629,499 thousand (2020: Tenge 37,656,435 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 146,197 thousand lower for the year ended 31 December 2021, respectively (2020: Tenge 161,805 thousand higher/Tenge 123,284 thousand lower, respectively).

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

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 2021, the deferred income tax liability was Tenge 4,327,455 thousand (31 December 2020: Tenge 4,212,113 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 increased/decreased by Tenge 31,099 thousand for the year ended 31 December 2021, respectively (2020: increased/decreased by Tenge 37,802 thousand).

4 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Company:

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).

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- ***Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:*** For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- ***End date for Phase 1 relief for non contractually specified risk components in hedging relationships:*** The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- ***Additional temporary exceptions from applying specific hedge accounting requirements:*** The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

4 Adoption of New or Revised Standards and Interpretations (Continued)

- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Effect of IBOR reform

Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023.

The table below discloses amounts of non-derivative financial liabilities at 31 December 2021 that would be transitioned to alternative interest rate benchmarks:

<i>In thousands of Kazakhstani Tenge</i>	USD LIBOR	Total
Non-derivative financial liabilities		
Borrowings	4,073,923	4,073,923
Total non-derivative financial liabilities	4,073,923	4,073,923

The Company is exposed to a risk of the potential arbitrage differences between LIBOR interest rates and the applicable alternative rates.

In the current year, the Company will work with the Development Bank of Kazakhstan JSC under an agreement dated 14 December 2005 to ensure a smooth transition from LIBOR to alternative benchmark interest rates. At 31 December 2021, the Company has not made any changes to its risk management policies and procedures in connection with the IBOR reform.

The standards that have been issued but not yet effective:

- 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, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below).
- 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).
- 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).
- 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).
- 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 IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

4 Adoption of New or Revised Standards and Interpretations (Continued)

- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

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 government 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 government 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.

The nature of relations with those related parties with which the Company entered into significant transactions or had significant balances outstanding at 31 December 2021 and 2020 is detailed below.

The outstanding balances with related parties were at 31 December 2021 as follows.

<i>In thousands of Kazakhstani Tenge</i>		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
	Note				
Gross amount of trade and other receivables	8	-	1,544,810	919,948	-
Trade and other payables	12	(2,632)	(6,802)	(105,639)	-
Borrowings	11	(33,117,018)	-	-	(13,779,538)

5 Balances and Transactions with Related Parties (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	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	965,755	-
Trade and other payables	12	-	(7,120)	(172,000)	-
Borrowings	11	(40,147,542)	-	-	(15,955,890)

The income and expenses items on transactions with related parties for the year ended 31 December 2021 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	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	-	4,590,865	9,285,440	-	-
Cost of sales		(89)	(38,157)	(1,498,224)	(28,243)	-
General and administrative expenses		-	(1,941)	(14,627)	(29,163)	-
Finance costs		(4,449,939)	-	(60,381)	-	(992,081)

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Notes to the Financial Statements – 31 December 2021

5 Balances and Transactions with Related Parties (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	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	-	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)

Parent company. Finance costs include interest on coupon bonds of Samruk-Energy JSC accrued during 2021 and 2020, respectively.

Entities under common control and joint ventures of Samruk-Energy JSC, except for Samruk-Energy JSC. During 2021 and 2020, the Company mainly purchased electricity to support RES, dispatch services and power balancing.

Other state-controlled companies /entities. Finance costs include interest on loans of Development Bank of Kazakhstan JSC accrued during 2021 and 2020, respectively.

Key management personnel compensation represents salaries, bonus for the year and other short-term employee benefits. Key management personnel at 31 December 2021 includes 4 persons (2020: 4 persons). The amount due to key management personnel at 31 December 2021 was nil, and at 31 December 2020 was Tenge 28,136 thousand.

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

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021 Entities under common control and joint ventures of Samruk- Energy JSC	31 December 2020 Entities under common control and joint ventures of Samruk- Energy JSC
Contractual commitments for electricity supply to AlmatyEnergosbyt LLP	3,219,840	8,564,875
Contractual commitments for power capacity regulation to AlmatyEnergosbyt LLP	361,181	143,326
Contractual commitments for services on maintaining the readiness of power capacity to Settlement and Financial Center for Support of Renewable Energy Sources LLP	9,167,684	9,167,684

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Notes to the Financial Statements – 31 December 2021

6 Property, Plant and Equipment

<i>In thousands of Kazakhstani Tenge</i>	Buildings and cons- tructions	Machinery and equipment	Vehicles	Right-of- use assets	Other	Constructio n in progress	Total
Cost at 1 January 2020	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 1 January 2020	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
Additions	-	276,616	-	33,157	19,211	119,510	448,494
Disposals	79,971	97,681	40,613	-	-	(218,265)	-
Transfers	-	(646)	(5,544)	-	(60)	-	(6,250)
Depreciation	(590,529)	(790,662)	(41,820)	(15,928)	(13,012)	-	(1,451,951)
Cost at 31 December 2021	32,377,817	15,516,812	451,200	178,289	116,765	605,523	49,246,406
Accumulated depreciation	(4,997,644)	(7,110,573)	(238,516)	(71,161)	(91,885)	-	(12,509,779)
Carrying amount at 31 December 2021	27,380,173	8,406,239	212,684	107,128	24,880	605,523	36,736,627

At 31 December 2021, property, plant and equipment and construction in progress were excluded from collateral on loans (31 December 2020: Tenge 6,036,147 thousand) received by the Company from the Development Bank of Kazakhstan JSC (the "Development Bank of Kazakhstan").

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Notes to the Financial Statements – 31 December 2021

6 Property, plant and equipment (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
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	198,203
Intodcuton of MFLSE (Multifunctional Frequency Load Shedding Equipment)	-	98,754
Total construction in progress	605,524	704,278

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

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Cost of sales	1,425,057	1,367,364
General and administrative expenses	26,379	15,839
Other expenses	515	22,980
Total depreciation of property, plant and equipment	1,451,951	1,406,183

7 Other Investments

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Bonds of Special Financial Company DSFK LLP	-	151,089
Bonds of First Heartland Jysan Bank JSC	157,711	143,286
Less credit loss allowance	(3,258)	(13,008)
Total other investments	154,453	281,367

The table below shows changes in credit loss allowance and gross amortized cost.

<i>In thousands of Kazakhstani Tenge</i>	Bonds of Special Financial Company DSFK LLP	Bonds of First Heartland Jysan Bank JSC	Total
At 31 December 2020	151,089	130,278	281,367
Newly originated or purchased	-	-	-
Derecognition during the period	(41,728)	-	(41,728)
Gains/(losses) from recovery/(impairment) of financial assets	790,884	-	790,884
Unwinding of discount	-	9,751	9,751
Changes in accrued interest	-	14,424	14,424
Derecognition during the period	(900,245)	-	(900,245)
At 31 December 2021	-	154,453	154,453

Bonds of Special Financial Company DSFK LLP were received as a result of restructuring of the Company's deposits in Bank RBK JSC in the amount of 1,861 million tenge in 2017. The bonds have a maturity of 15 years from the date of issue and a fixed interest rate of 0.01% per annum. The redemption of the bonds is partially secured by a guarantee of the "Kazakhmys" Corporation; parent company DSFK, issued for a period of 5 years. The bonds were initially recognised by the Company at fair value based on the guarantee and at discount rate of 13% per annum. The Company recognised a corresponding impairment loss on deposits of Tenge 1,582 million in 2017. During 2021, Special Financial Company DSFK LLP redeemed bonds in the amount of Tenge 67,633 thousand. On December 8, 2021, the Company sold bonds to an individual in the amount of Tenge 832,612 thousand and recognised the corresponding income from the recovery of financial assets.

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

7 Other investments (Continued)

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. These bonds were initially recognised at fair value using a market discount rate of 15% in the amount of Tenge 237,368 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 a loss on derecognition of a 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 Jysan Bank JSC.

Other investments are financial assets carried at amortised cost.

8 Total trade and other receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	2,464,757	2,984,347
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	236,020	2,399
Less credit loss allowance	(8,927)	(15,267)
Total financial assets within trades and other receivables	2,691,850	2,971,479
Advances to suppliers for goods and services	76,017	83,954
Other receivables	198,347	33,153
Total trade and other receivables	2,966,214	3,088,586

At 31 December 2021 and 31 December 2020, 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 the provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

<i>In % of gross value</i>	31 December 2021		Lifetime ECL	31 December 2020		Lifetime ECL
	Loss rate	Gross carrying amount		Loss rate	Gross carrying amount	
Trade receivables						
- current	0.018%	919,948	(166)	0.114%	964,482	(1,097)
- less than 30 days overdue	0.019%	521,365	(99)	0.307%	840,644	(2,578)
- *30 to 90 days overdue	0.688%	1,259,464	(8,663)	0.981%	1,181,620	(11,592)
Total		2,700,777	(8,927)		2,986,746	(15,267)

* Trade receivables of Tenge 1,110,000 thousand were fully settled by the related party AlmatyEnergosbyt LLP in January 2021.

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Notes to the Financial Statements – 31 December 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.

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Allowance for credit losses on trade receivables at 1 January	15,267	2,109
New originated or purchased	(6,340)	13,158
Financial assets derecognised during the period	-	-
Changes in estimates and assumptions	-	-
Write-offs	-	-
Total changes in credit loss allowance as part of profit and loss for the period	(6,340)	13,158
Allowance for credit losses on trade receivables at 31 December	8,927	15,267

9 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Cash at current bank accounts	1,964,919	15,946
Less credit loss allowance	(171)	(3)
Total cash and cash equivalents	1,964,748	15,943

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.

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Credit loss allowance at 1 January	3	167
New originated or purchased	2,205	1,147
Write-offs	(2,037)	(1,311)
Total changes in credit loss allowance within profit or loss for the period	168	164
Allowance for credit losses on cash and cash equivalents at 31 December	171	3

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

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Tenge	1,964,919	15,506
US Dollar	-	440
Total gross amount of cash and cash equivalents	1,964,919	15,946

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10 Share Capital

	31 December 2021	31 December 2020
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 ordinary shares are fully paid. As at 31 December 2021 and 2020 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

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
<i>Long-term portion</i>			
Development Bank of Kazakhstan	5	11,127,405	13,263,863
Samruk-Energy - bonds	5	25,988,591	32,988,591
Total borrowings – long-term portion		37,115,996	46,252,454
<i>Short-term portion</i>			
Development Bank of Kazakhstan	5	2,652,133	2,692,028
Samruk-Energy - bonds	5	7,128,427	7,158,951
Total borrowings – short-term portion		9,780,560	9,850,979
Total borrowings		46,896,556	56,103,433

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 Bank of China. The maturity of the bonds is 7 years. The bonds were issued unsecured at Astana International Exchange and purchased by Samruk-Energy. In 2021 the Company repurchased the bonds in amount of Tenge 7,000,000 thousand.

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 USD 25,000,000 and USD 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 USD 1,563,053 for 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%.

11 Borrowings (Continued)

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 2021, the amount of payments on loans from the Development Bank of Kazakhstan JSC was Tenge 3,301,927 thousand (2020: Tenge 3,508,415 thousand).

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the Republic of Kazakhstan in the amount of USD 25,000,000. Uncovered counter-guarantee for the guarantee of the Ministry of Finances of the Republic of Kazakhstan from Halyk Bank JSC in the amount of USD 2,260,559;
- 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;

Bank loans are denominated in the currencies as follows:

<i>In thousands of Kazakhstani Tenge</i>	Currency	31 December 2021	31 December 2020
Development Bank of Kazakhstan	US Dollar	4,073,923	4,860,113
Development Bank of Kazakhstan	Tenge	9,705,615	11,095,778
Samruk-Energy	Tenge	33,117,018	40,147,542
Total borrowings		46,896,556	56,103,433

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

<i>In thousands of Kazakhstani Tenge</i>	Carrying amount		Fair value	
	2021	2020	2021	2020
Development Bank of Kazakhstan	13,779,538	15,955,891	12,893,385	14,314,298
Samruk-Energy	33,117,018	40,147,542	33,129,628	40,157,438
Total borrowings	46,896,556	56,103,433	46,023,013	54,471,736

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:

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11 Borrowings (Continued)

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Liabilities from financing activities at 1 January	56,103,433	66,261,602
Proceeds from borrowings	-	900,000
Repayment of borrowings	(9,234,617)	(11,564,148)
Interest accrual	5,364,276	6,469,336
Interest payment	(5,454,988)	(6,558,472)
Other non-cash movements	10,973	16,740
Foreign exchange adjustments	107,479	578,375
Liabilities from financing activities at 31 December	46,896,556	56,103,433

12 Trade and Other Payables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2021	31 December 2020
Trade payables to related parties	212,464	118,257
Trade payables to third parties	115,073	179,120
Other payables	28,479	26,603
Total financial trade payables	356,016	323,980
<i>Other payables</i>		
Tax liabilities	441,859	552,042
Advances received	350,363	28
Current estimated liabilities	182,308	189,650
Other payables	64,486	74,230
Accrued vacation liabilities	5,705	7,227
Total trade and other payables	1,400,737	1,147,157

Financial trade payables of the Company are recorded in Tenge. At 31 December 2021 the Company accrued a provision of Tenge 182,308 thousand (31 December 2020: Tenge 189,650 thousand) within current estimated liabilities under the claim of Alko-A LLP.

13 Revenue from Contracts with Customers

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	13,876,305	17,776,921
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	5,127,151	2,743,498
Total revenue from contracts with customers	19,003,456	20,520,419

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13 Revenue from Contracts with Customers (Continued)

Analysis of revenue by sales category:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Revenue from electricity sales	9,572,127	11,347,002
Revenue from services on maintaining the readiness of power capacity	8,968,999	8,786,515
Revenue from power capacity regulation services	462,330	386,902
Total revenue from contracts with customers	19,003,456	20,520,419

All revenue is recognized over time. In accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of RES", from 1 July 2021, a premium is applied to support the use of RES for conditional consumers in the amount of Tenge 1.57 per 1 kWh without VAT. According to Decree of the Ministry of Energy of the Republic of Kazakhstan No. 211 dated 24 June 2021, a cap electricity tariff of Tenge 10.90 per 1 kWh without VAT was approved, effective from 1 July 2021 until 2025. The cap electricity tariff, taking into account the premium, from 07/01/2021 is Tenge 12.47 per kWh, without VAT. The tariff for the service of maintaining the readiness of electric capacity is set in the Individual Investment Agreement dated 16 October 2019 signed between the Company and the 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 (excluding VAT) thousand /MW per month for the year 2026.

14 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Depreciation of property, plant and equipment	1,425,057	1,367,364
Purchased electricity from RES	1,198,233	958,207
Salary expense, including provisions for vacations and other employee benefits	500,427	495,880
Taxes (property tax)	318,204	427,247
Technical dispatching services for supply of electricity	303,575	406,841
Security services	100,211	87,237
Licenses, permits, duties, payments, etc.	73,811	85,365
Repair and maintenance	57,187	31,067
Fuel	25,168	26,659
Insurance	21,350	16,811
Amortisation of intangible assets	1,472	3,059
Maintenance	1,134	1,863
Other expenses	305,259	219,580
Total cost of sales	4,331,087	4,127,180

15 Other Income and Expenses

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Foreign exchange gains less losses	-	91,149
Other income	57,792	3,738
Total other income	57,792	94,887
Loss on impairment	(2,668)	(2,429)
Foreign exchange losses less gains	(1,739)	-
Other expenses	(89,734)	(36,273)
Total other expenses	(94,141)	(38,702)

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16 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Salary expense, including provisions for vacations and other employee benefits	156,983	157,293
Consulting and other professional services	90,965	69,601
Depreciation of property, plant and equipment	26,379	15,839
Short-term lease expenses – office premises and vehicles	9,669	22,317
Business trips	6,049	13,026
Materials	7,204	4,653
Amortisation of intangible assets	686	772
Other	29,579	57,123
Total general and administrative expenses	327,514	340,624

17 Finance Income and Costs

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Interest income	336,639	238,545
Foreign exchange gains less losses from borrowings	-	-
Total finance income	336,639	238,545

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Foreign exchange losses less gains from borrowings	107,479	578,375
Interest expenses	5,364,276	6,469,336
Other finance costs	219,244	244,364
Total finance costs	5,690,999	7,292,075

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 138,126 thousand (2020: Tenge 157,330 thousand).

18 Taxes

At 31 December 2021, the Company has a corporate income tax liability of Tenge 328,085 thousand.

Income tax expense

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Current income tax expense	97,401	-
Deferred income tax (credit)/expense	115,342	131,886
Income tax expense for the year	212,743	131,886

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18 Taxes (Continued)

A reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani Tenge</i>	2021	2020
Profit before tax	9,745,029	9,055,271
Theoretical tax charge at statutory rate of 20% (2020: 0%)	1,949,006	-
Exempt income tax under investment contract	(1,777,461)	-
Other non-deductible differences	41,198	131,886
Total income tax expense	212,743	131,886

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.

Under investment agreement No. 0622-12-2005 dated 31 December 2005, the Company had preferences associated with exemption from corporate income tax. The effect of the preference extends to the corresponding year of commissioning of construction objects by the State Acceptance Commission conducted on 13 December 2012. The preference with exemption from corporate income tax lasted for 10 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 end of the investment contract. The Company recognizes the deferred tax liability related to such temporary differences.

<i>In thousands of Kazakhstani Tenge</i>	1 January 2020	Charged to profit or loss	31 December 2020	Charged to profit or loss	31 December 2021
Tax effect of deductible temporary differences					
Tax losses	9,434,613	(1,689,408)	7,745,255	(1,682,645)	6,062,610
Other investments	399,224	(80,269)	318,955	(318,955)	-
Unrecognised deferred income tax asset	(9,833,887)	1,769,677	(8,064,210)	2,001,600	(6,062,610)
Recognised deferred income tax asset	-	-	-	-	-
Tax effect of deductible temporary differences					
Property, plant and equipment	4,080,227	131,886	4,212,113	115,342	4,327,455
Gross deferred income tax liability	4,080,227	131,886	4,212,113	115,342	4,327,455
Less offsetting against deferred income tax asset	-	-	-	-	-
Recognised deferred income tax liability	4,080,227	131,886	4,212,113	115,342	4,327,455

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. 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 implementing a 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 428.32 per USD 1 compared to Tenge 431.67 per USD 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.

In September 2021, the international rating agency S&P Global Ratings affirmed the sovereign rating of Kazakhstan at BBB-. The outlook for the change in the credit rating is "stable". The stable forecast is confirmed by the presence of positive balance sheet indicators generated by additional revenues to the National Fund of the Republic of Kazakhstan, low public debt, the total volume of which will not exceed the external liquid assets of the state within two years, as well as measures implemented by the Government of the Republic of Kazakhstan aimed at curbing negative manifestations of the pandemic on the economy.

Low oil prices, production cuts due to the OPEC agreement, and the impact of COVID-19 containment measures adversely affected the economy of Kazakhstan in 2020. However, a recovery in the oil sector amid easing of production restrictions by OPEC+ and expansion of production at the Tengiz field, stable dynamics in the manufacturing sector, increased investment activity, easing of restrictions related to the pandemic, and a recovery in foreign trade will support economic growth in 2022. According to analysts, the economic growth rate will be about 3.6 percent on average in 2021-2024.

The economic environment has a significant impact on the Company's operations and financial position. The management takes all necessary measures to ensure the sustainable business of the Company. However, the future impact of the current economic environment is difficult to predict and management's current expectations and estimates may differ from actual results.

Additionally, the power and utilities sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the 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. In response to the pandemic Kazakhstan authorities take numerous actions aimed at the containment of COVID-19 spread and impact, such as bans and restrictions on travelling, quarantine, self-isolation and restrictions on commercial activities, including business closures. The Company's activities for the period of quarantine were not suspended, the work of office employees was organized remotely.

19 Contingencies and Commitments (Continued)

The COVID-19 epidemic is spreading globally, having a harsh negative effect on the entire global economy. 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;
- a decrease in demand for oil due to possible restrictions due to the pandemic, and, accordingly, oil prices, as well as further agreements between OPEC members and other major oil-producing countries to stabilize oil prices by reducing production levels, may have a negative effect on the economy of Kazakhstan, and indirectly on the Company;
- further depreciation of the Tenge against the US dollar will have an adverse impact on the Company's financial performance, given the fact that 8.7% 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.

In the opinion of the Company's management, this virus outbreak event does not have a material impact on the valuation of assets and liabilities in the financial statements at 31 December 2021.

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's management, no material losses will be incurred in respect of existing and potential tax claims in excess of provisions that have been made in these financial statements.

Environmental matters

The Company believes that it currently complies with all environmental laws and regulations in force in the Republic of Kazakhstan. However, Kazakh laws and regulations may change in the future. The Company cannot predict the timing or extent of possible changes in environmental laws and regulations. In the event of such changes, the Company may be required to upgrade its technical facilities in order to comply with more stringent standards.

19 Contingencies and Commitments (Continued)

Legal proceedings

On 4 November 2011, the Company filed a lawsuit against the contractor in the Specialized Interdistrict Economic Court ("SIEC") of Almaty city to recover from SO Energy LLP the advance paid in the amount of Tenge 19,481 thousand and the fine of Tenge 25,122 thousand under the contract for the procurement of works dated 08 November 2019. However, on 6 December 2021, SO Energy LLP also filed a counterclaim to recover the amount of a debt of Tenge 220,572 thousand and a penalty of Tenge 22,057 thousand. The SIEC of Almaty issued a ruling on the consolidation of civil cases into one proceeding.

The Company's management does not agree with the counterclaim and is ready to challenge the claims of SO Energy LLP in court. At the same time, the Company's management believes that the probability of adverse consequences for the Company of the consideration of the dispute with SO Energy LLP in court is unlikely.

Capital expenditure commitments

At 31 December 2021, the Company had contractual commitments to acquire property, plant and equipment and capital nature services for the total of Tenge 177,314 thousand (31 December 2020: Tenge 193,871 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.

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 2021, the Company sold electricity, services to maintain the readiness of electric capacity, and power capacity regulation services to the following major customers: AlmatyEnergosbyt LLP, Settlement and Financial Center for Support of Renewable Energy Sources LLP, Samga Development LLP and AB Energo 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.

20 Financial Risk Management (Continued)

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, the Company obtains new customers very rarely. 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 is 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 an 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.

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.

20 Financial Risk Management (Continued)

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.

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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.

<i>In thousands of Kazakhstani Tenge</i>	Note	Rating (S&P)	31 December 2021	31 December 2020
Financial receivables	8	N/A	2,691,851	2,971,479
<i>Short-term financial investments</i>				
First Heartland Jysan Bank JSC		B - (positive)	1,699	1,170
ATF Bank JSC		BB+ (stable)	-	12,234
ATF Bank JSC		BB (positive)	2,000	-
Total short-term financial investments			3,699	13,405
<i>Other investments</i>				
Special financial company DSFK LLP	7	N/A	-	151,090
First Heartland Jysan Bank JSC		B - (positive)	154,453	130,277
Total other investments			154,453	281,367
<i>Cash and cash equivalents</i>				
VTB Bank JSC	9	BB+ (stable)	1,011,634	8,359
Halyk Bank JSC		BB+ (stable)	953,112	7,579
ATF Bank JSC		B- (stable)	-	4
Center Credit Bank JSC		B (stable)	1	1
Alfa-Bank JSC		BB (positive)	1	-
Total cash at current bank accounts			1,964,748	15,943
Total maximum exposure to credit risk			4,814,751	3,282,193

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

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2021	31 December 2020
AlmatyEnergoSbyt LLP*	5	1,544,810	2,018,592
Settlement and Financial Center for Support of Renewable Energy Sources LLP	5	919,948	965,755
Other		236,020	2,399
Total receivables from buyers of electricity		2,700,777	2,986,746

*Trade receivables in the amount of Tenge 1,110,000 thousand were fully repaid by a related party AlmatyEnergoSbyt LLP in January 2021.

20 Financial Risk Management (Continued)

Calculation of impairment losses on trade receivables

The Company applies a provision matrix to calculate expected credit losses. To measure expected credit losses, trade receivables were classified based on the general features of credit risk and past due days.

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

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 Dollar 136,403 thousand). Additionally, on 28 November 2019 the Company signed the addendum on 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.

<i>In thousands of Kazakhstani Tenge</i>	US Dollars
<i>At 31 December 2021</i>	
Monetary financial assets	-
Monetary financial liabilities	(4,073,923)
Net balance sheet position	(4,073,923)
<i>At 31 December 2020</i>	
Monetary financial assets	440
Monetary financial liabilities	(4,860,113)
Net balance sheet position	(4,859,673)

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 and corporate income tax and equity 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):

<i>In thousands of Kazakhstani Tenge</i>	At 31 December 2021	At 31 December 2020
US Dollar strengthening by 10% (2020: strengthening by 10%)	(407,392)/407,392	(485,967)/485,967
US Dollar weakening by 10% (2020: weakening by 10%)	407,392/(407,392)	485,967/(485,967)

20 Financial Risk Management (Continued)

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 profit and cash flows. The Company has formal policies and procedures for management of interest rate risk. As of the date of issue of the financial statements, management finds it difficult to determine an alternative interest rate that would be used on borrowings after the transition from LIBOR and believes that the use of an alternative rate would not significantly affect the fair value of the loan (Note 3).

If interest rates had been 40 basis points higher at 31 December 2021 (2020: 40 basis points), with all other variables held constant, equity and profit for the year would have been Tenge 11,354 thousand lower/higher, respectively (2020: equity/loss for the year would have been Tenge 39 thousand less/higher, 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.

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 2021 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.

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20 Financial Risk Management (Continued)

<i>In thousands of Kazakhstani Tenge</i>	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
<i>At 31 December 2021</i>					
Borrowings	68,086	930,085	12,196,230	45,048,660	1,427,331
Financial payables	-	327,537	-	-	-
Lease liabilities	-	7,642	22,927	108,808	188,088
Total financial liabilities	68,086	1,265,264	12,219,157	45,157,468	1,615,419
<i>At 31 December 2020</i>					
Borrowings	705,863	955,436	13,045,121	57,236,263	2,981,917
Financial payables	-	297,377	-	-	-
Lease liabilities	-	8,044	24,133	101,700	192,203
Total financial liabilities	705,863	1,260,857	13,069,254	57,337,963	3,174,120

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. The Company considers that the total capital under management is equal to the capital recognized in the statement of financial position.

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 2019, 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 equity to debt ratio 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 Instruments (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 of the 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 their fair value. Fair value of loans and borrowings is disclosed in Note 11.

23 Events after the Reporting Period

On 2 January 2022, rallies of the population began in the Mangistau region caused by an increase in prices for automobile gas, which then spread to other regions of Kazakhstan. During the rallies, a number of socio-economic and political demands were put forward. Despite the fact that the Government took a number of specific measures in response to the demands of the population, including to reduce gas prices, later the rallies turned into mass riots with the seizure of buildings of administrations and law enforcement agencies. The main events unfolded in Almaty city and the southern regions of the country.

As a consequence, on 5 January 2022, a state of emergency was introduced in the country until 19 January 2022, restrictions were introduced on communication media, as well as the movement of citizens and transport, including rail and air travel.

To date, the situation has stabilized in all regions of the country, the state of emergency has been lifted. The work of communal facilities and life support systems has been restored, restrictions on communication media, as well as the movement of citizens and transport, have been lifted.

These events did not have a significant impact on the Company's activities; however, tensions persist in the country and further developments of events and their impact on the Company's activities cannot be predicted.

On 2 February 2022, the SIEC of Almaty city decided to dismiss in full the claim of the Moinak Hydroelectric Power Plant named after U.D. Kantayev Joint-Stock Company in the amount of an advance of Tenge 19,481 thousand and a fine in the amount of Tenge 25,122 thousand, and to dismiss in full the counterclaim of SO Energy Limited Liability Partnership in the amount of Tenge 220,572 thousand and the forfeit of Tenge 22,057 thousand (Note 19).