

Мойнакская ГЭС

MOINAK HPS NAMED AFTER U.D. KANTAYEV JSC

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

31 December 2022

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholder and Management of Moinak HPS named after U.D. Kantayev JSC:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Moinak HPS named after U.D. Kantayev JSC (the "Company") as at 31 December 2022, 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 2022;
- 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

Materiality	Overall Company's materiality: 437,000 thousands of Kazakhstani Tenge, which represents 2.3% of earnings before interest, taxes, depreciation, and amortisation for the year ended 31 December 2022.
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Key audit matters	Impact of changes in the tariff setting policy legislation on the Company's performance and public relations in the field of interaction between man and nature (environmental relations) arising in connection with the implementation by individuals and legal entities of activities that have or can have an impact on the environment.
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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.

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	437,000 thousands of Kazakhstani Tenge
How we determined it	2.3% of earnings before interest, taxes, depreciation, and amortisation for the year ended 31 December 2022.
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
<i>Impact of changes in the tariff setting policy legislation on the Company's performance Please refer to Note 3 to the financial statements.</i>	
<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">1. Individual Investment Agreement for Commissioned Power Station signed on 16 October 2019 between the Company and Ministry of Energy of the Republic of Kazakhstan.



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 by energy producers, which are conditional consumers and energy producers using renewable energy sources. 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 2023-2027 approved by the Company management.

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

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 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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)

3 March 2023


Almaty, Kazakhstan

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

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	35,374,624	36,736,627
Intangible assets		1,197	9,295
Other investments	7	170,069	154,453
Other non-current assets		22,998	22,998
Total non-current assets		35,568,888	36,923,373
Current assets			
Inventories		232,252	187,947
Trade and other receivables	8	3,713,737	2,966,214
Income tax prepaid		19,524	99,364
Loans issued	9	1,445,893	3,699
Cash and cash equivalents	10	1,197,118	1,964,748
Total current assets		6,608,524	5,221,972
TOTAL ASSETS		42,177,412	42,145,345
EQUITY			
Share capital	11	4,602,000	4,602,000
Other reserves		(277,348)	-
Accumulated deficit		(5,176,778)	(15,158,108)
TOTAL EQUITY		(852,126)	(10,556,108)
LIABILITIES			
Non-current liabilities			
Borrowings	12	27,039,713	37,115,996
Non-current lease liabilities		61,218	76,705
Deferred tax liabilities	19	4,365,253	4,327,455
Provision for asset retirement obligations		19,072	-
Total non-current liabilities		31,485,256	41,520,156
Current liabilities			
Borrowings	12	9,787,693	9,780,560
Trade and other payables	13	1,756,589	1,400,737
Total current liabilities		11,544,282	11,181,297
TOTAL LIABILITIES		43,029,538	52,701,453
TOTAL LIABILITIES AND EQUITY		42,177,412	42,145,345

Signed on behalf of the management on 3 March 2023.




 A. Karymsak
 Deputy Chairman of the Economy and
 Finance Board


 M.N. Tautai
 Chief Accountant

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	2022	2021
Revenue from contracts with customers	14	22,804,280	19,003,456
Cost of sales	15	(5,257,530)	(4,331,087)
Gross profit		17,546,750	14,672,369
Other income	16	46,447	57,792
General and administrative expenses	17	(777,287)	(327,514)
Other expenses	16	(27,636)	(94,141)
Gains from recovery of financial assets	7	-	790,884
Operating profit		16,788,274	15,099,390
Finance income	18	606,157	336,639
Finance costs	18	(4,799,392)	(5,690,999)
Profit before tax		12,595,039	9,745,030
Income tax expense	19	(2,613,709)	(212,743)
Profit for the year		9,981,330	9,532,287
Other comprehensive income		-	-
Total comprehensive income for the year		9,981,330	9,532,287

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

<i>In thousands of Kazakhstani Tenge</i>	Note	Share capital	Accumulated deficit	Other reserves	Total
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)
Profit for the year		-	9,981,330	-	9,981,330
Total comprehensive income for 2022		-	9,981,330	-	9,981,330
Transactions with shareholders	9	-	-	(277,348)	(277,348)
Balance at 31 December 2022		4,602,000	(5,176,778)	(277,348)	(852,126)

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

<i>In thousands of Kazakhstani Tenge</i>	Note	2022	2021
Cash flows from operating activities			
Cash received from main activity		24,817,061	21,609,304
Other cash receipts		116,559	9,441
Cash paid to suppliers		(2,895,693)	(2,089,302)
Cash paid to employees		(849,747)	(668,245)
Cash paid to the budget		(3,133,894)	(2,649,462)
Income tax paid		(2,471,293)	(124,051)
Other cash payments		(290,331)	(213,242)
Cash flows from operating activities		15,292,662	15,874,443
Interest received		394,599	282,690
Interest paid	12	(4,255,649)	(5,454,988)
Net cash flows from/(used in) operating activities		11,431,612	10,702,145
Cash flows from investing activities			
Purchase of property, plant and equipment		(220,977)	(412,183)
Proceeds from the sale of debt securities	7	-	832,612
Proceeds from the sale of property, plant and equipment		-	1,007
Proceeds from the repayment of debt securities	7	-	67,633
Placement of cash on deposit accounts		(118,219)	(2,000)
Withdrawal of cash from deposit accounts		124,866	12,236
Repayment of loans issued	9	400,000	-
Loans issued	9	(2,000,000)	-
Net cash flows (used in)/from investing activities		(1,814,330)	499,305
Cash flows from financing activities			
Repayment of borrowings	12	(10,371,519)	(9,234,617)
Repayment of principal amount of lease		(24,239)	(16,289)
Net cash flows used in financing activities		(10,395,758)	(9,250,906)
Effect of exchange rate changes on cash and cash equivalents		10,794	(1,739)
Net change in cash and cash equivalents		(767,630)	1,948,805
Cash and cash equivalents at the beginning of the period		1,964,748	15,943
Cash and cash equivalents at the end of the period		1,197,118	1,964,748

The accompanying notes on pages 5 to 44 are an integral part of these financial statements.

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 2022 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. On 15 September 2022, the Board of Directors of Samruk-Energy JSC (Minutes No. 11/22) decided to establish a company within the jurisdiction of the Astana International Financial Center (hereinafter referred to as the AIFC) – Qazaq Green Power PLC in the legal form of a “Public Company”. In November 2022, a decision was made to alienate 100% of the ownership of JSC Samruk Energy by the Company in favor of Qazaq Green Power PLC (hereinafter referred to as the Parent Company).

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

(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 2022, the principal rate of exchange used for translating foreign currency balances was US dollar 1 = Tenge 462.65 (31 December 2021: US dollar 1 = Tenge 431.67). 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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

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

Financial instruments – initial recognition

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

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – business model.

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

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

Financial assets – classification and subsequent measurement – cash flow characteristics.

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

The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification.

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

Financial assets impairment – credit loss allowance for ECL.

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Financial liabilities – measurement categories.

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

Financial liabilities – derecognition.

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

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

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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

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

Depreciation

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

	<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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

The Company classifies right-of-use assets in the appropriate classes of property, plant and equipment. These assets are 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

Impairment of non-financial assets

Property, plant and equipment and intangible 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. Tax prepayments are recognized at the amounts actually paid less any allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Value added tax

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

Borrowings

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

Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

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

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

Trade and other payables

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

Lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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, social insurance fund deductions, annual paid vacations and sick leaves, premiums and non-monitory 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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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 comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the budget in respect of taxable profits or losses for the year and which is calculated based on tax rates effective or substantively effective at the reporting date and all adjustments of the amount of liabilities to pay income tax for prior years. Payables on current tax also include any tax liability resulting from declaration of dividends. Taxable profits or losses are calculated in line with accounting estimates, if financial statements are approved prior to filing the relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. The carrying amount of deferred tax is calculated using tax rates effective or substantively effective at the end of the reporting period and which are expected to apply to the period of recover of temporary differences or use of a tax loss carry forward.

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

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.

During 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.

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

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 was changed by the Order of the Ministry of Energy of RK No. 226 dated 30 June 2022 in the amount of Tenge 11.71 per 1 kWh. The approved cap electricity tariff includes operating and interest expenses. The selling electricity tariff, taking into account the premium, from 30 June 2022 is Tenge 13.29 per 1 kWh.

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 2022, current liabilities of the Company exceeded its current assets by Tenge 4,935,758 thousand.

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

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

- The Company is a strategic entity in the electricity power generation in Almaty city and Almaty region.
- The Southern Kazakhstan is an energy-deficit region and Moinak HPS plays an important role of the main source of power capacity regulation.
- The Company is in compliance with the terms of loan and bond agreements.
- The Company signed an agreement with Samruk-Energy on opening a reverse credit line on 1 November 2018 with the interest rate of 8% per annum.
- On 26 September, the Company signed an agreement on opening a reverse line of financial assistance with a limit of Tenge 4 billion.
- Current loan liabilities at 31 December 2022 included payables to the parent company Samruk-Energy in amount of Tenge 7,082,121 thousand (Note 11), which was 62% of total current liabilities.
- Due to the tariffs, the Company expects cash inflows from operating activities in 2023 of Tenge 14.6 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 2022, the carrying amount of property, plant and equipment was Tenge 35,374,624 thousand (2021: Tenge 36,736,627 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 146,983 thousand higher/Tenge 145,796 thousand lower (2021: Tenge 146,197 thousand higher/Tenge 178,685 thousand lower).

Provisions for asset retirement obligations

Elimination of the consequences of the operation of other facilities that have a negative environmental impact

The management of the Company also conducted an analysis regarding the existence and necessity of recognising obligations for decommissioning, dismantling and rehabilitation of the territory of the Company's production complex.

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

In particular, the Company's management analyzed the requirements of the Environmental Code of the Republic of Kazakhstan that, after the cessation of operation of facilities that have a negative environmental impact, facility operators are required to ensure the elimination of the consequences of the operation of such facilities in accordance with the requirements of the legislation of the Republic of Kazakhstan. In accordance with the provisions of the Environmental Code, liquidation measures depend on the nature of facilities and the degree of their impact on the environment, in particular, the code regulates the classification of facilities into categories that reflect the degree of environmental impact.

Based on the analysis performed by the Company's specialists, as well as based on the interpretation of the current environmental legislation and IFRS requirements, in 2022 the Company recognized a liability for the decommissioning, dismantling and rehabilitation of the Company's facilities.

The obligation for decommissioning, dismantling and rehabilitation was assessed and recognized in relation to the category II facilities, according to the environmental code classification, facilities that have a moderate negative environmental impact, as well as technologically related facilities, and located on the territory of the industrial site. The Company has estimated the asset retirement obligations based on the methodology approved by the Environmental Code.

Calculation of asset retirement obligations as of 31 December 2022 was performed by the Company based on the results of assessments performed by internal specialists. The scope of work provided for by law and included in the calculation included the dismantling of facilities and infrastructure (dam, tunnels, equipment, buildings and other facilities) and subsequent land restoration.

Estimates and judgments

Significant judgments used in such estimations include estimate of the inflation and discount rates, as well as the timing of work to eliminate the consequences of the operation of facilities. The discount rate is applied to the nominal cost of works and materials the management expects to spend in the future. Accordingly, management's estimates based on current prices are inflated using the expected long-term inflation rate: 3.45%, taking into account the performance of liquidation measures in 2082, and subsequently discounted using the discount rate. The discount rate reflects current market estimates of the time value of money and those risks specific to the liabilities not reflected in the best estimate of the costs. The discount rate used for calculation of the provision at 31 December 2022 was 8.86%, taking into account the performance of liquidation measures in 2082. At 31 December 2022, the total carrying amount of the provision for environmental protection was Tenge 19,072 thousand.

Management has also applied judgment on the timing of the liquidation of the consequences of the operation of the Company's facilities. In estimating these terms, management considered the following factors: all buildings and constructions are annually inspected at the prescribed intervals, observations are made by the technical services of the divisions and the department of capital construction and reconstruction, based on the results of which recommendations are made on the need for current and major repairs, strengthening individual constructions, if necessary. The Company annually spends significant funds to carry out current and major repairs of buildings, conduct their periodic, at least at the established period, surveys by specialized organizations to check compliance with applicable rules and regulations.

Due to the fact that the requirements of the Environmental Code are relatively new, there is no practice of applying these requirements, and there are some ambiguities in the legislation, Management has applied significant judgments in terms of assessing the existence of liabilities and their amounts. In the event of changes in environmental legislation, its interpretation and practice, as well as in the judgments and estimates of the Company, such obligations may be revised in the future.

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 2022, the deferred income tax liability was Tenge 4,365,253 thousand (31 December 2021: Tenge 4,327,455 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 29,397/29,159 thousand (2021: increased/decreased by Tenge 29,239/35,737 thousand).

4 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Company:

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).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

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

- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The standards that have been issued but not yet effective:

- 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).
- 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).
- 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).
- 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).
- 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).
- Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 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 2022 and 2021 is detailed below.

The outstanding balances with related parties were at 31 December 2022 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	-	1,424,205	44,997	-
Loans issued	9	1,443,665	-	-	-
Trade and other payables	13	(11,681)	-	(48,517)	-
Borrowings	12	(25,070,712)	-	-	(11,756,694)

5 Balances and Transactions with Related Parties (Continued)

The outstanding balances with related parties were at 31 December 2021 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	-	1,544,810	919,948	-
Loans issued		-	-	-	-
Trade and other payables	13	(2,632)	(6,802)	(105,639)	-
Borrowings	12	(33,117,018)	-	-	(13,779,538)

The income and expenses items on transactions with related parties for the year ended 31 December 2022 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	14	-	4,888,575	1,701,356	-	-
Cost of sales		-	(67,848)	(2,031,243)	(34,062)	(605,925)
General and administrative expenses		-	-	(16,636)	(30,042)	(268,279)
Finance costs		(3,346,198)	-	(52,113)	-	(926,587)

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	14	-	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)

5 Balances and Transactions with Related Parties (Continued)

Parent company

Finance costs include interest on coupon bonds of Samruk-Energy JSC accrued during 2022 and 2021, respectively.

Entities under common control and joint ventures of Samruk-Energy JSC, except for Samruk-Energy JSC

During 2022 and 2021, 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 2022 and 2021, respectively.

Key management personnel compensation represents salaries, bonus for the year and other short-term employee benefits. Key management personnel at 31 December 2022 includes 4 persons (2021: 4 persons). The amount due to key management personnel at 31 December 2022 was Tenge 46,409 thousand, and at 31 December 2021 was Tenge 19,362 thousand.

In December 2022, the Company signed a quadripartite electricity purchase and sale agreement with AlmatyEnergoSbyt LLP and energy producing companies – Ekibastuzskaya GRES-1 LLP and Ekibastuzskaya GRES-2 JSC for the purpose of replacing the disposal of capacity by purchasing electricity from energy producing companies under this agreement.

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

<i>In thousands of Kazakhstani Tenge</i>	31 December 2022	31 December 2021
	Entities under common control and joint ventures of Samruk-Energy JSC	Entities under common control and joint ventures of Samruk-Energy JSC
Contractual commitments for electricity supply to AlmatyEnergosbyt LLP	45,309,555	3,219,840
Contractual commitments for power capacity regulation to AlmatyEnergosbyt LLP	361,181	361,181
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

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	Construction in progress	Total
Cost at 1 January 2021	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 1 January 2021	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
Additions	19,072	30,942	33,726	9,083	10,555	27,702	131,080
Disposals	-	(1,512)	-	-	(5,614)	-	(7,126)
Transfers	-	-	320	-	-	(320)	-
Depreciation	(591,253)	(817,398)	(45,954)	(25,932)	(5,420)	-	(1,485,957)
Cost at 31 December 2022	32,396,889	15,546,242	485,246	187,372	121,706	632,905	49,370,360
Accumulated depreciation	(5,588,897)	(7,927,971)	(284,470)	(97,093)	(97,305)	-	(13,995,736)
Carrying amount at 31 December 2022	26,807,992	7,618,271	200,776	90,279	24,401	632,905	35,374,624

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

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Main constructions and auxiliary facilities	412,171	407,321
Feasibility study, additional works on filtration elimination (reduction) of the left and right banks of the Bestyubinsk Reservoir dam	220,734	198,203
Total construction in progress	632,905	605,524

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

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Cost of sales	1,457,959	1,425,057
General and administrative expenses	27,386	26,379
Other expenses	612	515
Total depreciation of property, plant and equipment	1,485,957	1,451,951

7 Other Investments

<i>In thousands of Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Bonds of First Heartland Jysan Bank JSC	173,656	157,711
Less credit loss allowance	(3,587)	(3,258)
Total other investments	170,069	154,453

The table below shows changes in credit loss allowance and gross amortized cost at 31 December 2022.

<i>In thousands of Kazakhstani Tenge</i>	Bonds of First Heartland Jysan Bank JSC	Total
At 31 December 2021	154,453	154,453
Newly originated or purchased	-	-
Derecognition during the period	-	-
Gains from recovery of financial assets	(329)	(329)
Unwinding of discount	15,945	15,945
Changes in accrued interest	-	-
Derecognition	-	-
At 31 December 2022	170,069	170,069

The table below shows changes in credit loss allowance and gross amortized cost at 31 December 2021.

<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	-	-	-
Gains from recovery of impairment	790,884	-	790,884
Unwinding of discount	-	9,751	9,751
Changes in accrued interest	-	14,424	14,424
Proceeds from sales of debt securities	(832,612)	-	(832,612)
Proceeds from repayment of debt securities	(67,633)	-	(67,633)
Other changes	(41,728)	-	(41,728)
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 8 December 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.

7 Other investments (Continued)

In September 2018, a Framework Agreement between the Government of the Republic of Kazakhstan represented by the Ministry of Finance of the Republic of Kazakhstan, National Welfare Fund "Samruk-Kazyna" JSC, National Management Holding Baiterek JSC, National Management Holding "KazAgro" JSC, Fund of Problem Loans JSC, the National Bank of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC, Tsesnabank JSC, Financial Holding "Tsesna" JSC and Mr. D.A. Zhaksybek was signed. In line with the Framework Agreement, the Company was included in the list of legal entities that agreed to restructure current deposits to bonds. Following the transaction, the Company received bonds of Tenge 531,799 thousand. 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 Trade and Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	1,424,205	2,464,757
Receivables from sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	2,084,312	236,020
Less credit loss allowance	(4,028)	(8,927)
Total financial assets within trades and other receivables	3,504,489	2,691,850
Advances to suppliers for goods and services	53,613	76,017
Other receivables	155,635	198,347
Total trade and other receivables	3,713,737	2,966,214

At 31 December 2022 and 31 December 2021, 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.

8 Trade and Other Receivables (Continued)

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 2022			31 December 2021		
	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables						
- *current	0.0004%	3,433,353	(14)	0.018%	919,948	(166)
- less than 30 days overdue	0.0008%	15,537	-	0.019%	521,365	(99)
- 30 to 90 days overdue	6.7681%	59,327	(4,014)	0.688%	1,259,464	(8,663)
Total		3,508,217	(4,028)		2,700,777	(8,927)

* Trade receivables of Tenge 1,030,447 thousand were fully settled by the related party AlmatyEnergosbyt LLP in January 2023.

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>	2022	2021
Allowance for credit losses on trade receivables at 1 January	8,927	15,267
Changes in estimates and assumptions	(8,134)	(15,939)
New originated or purchased	3,235	9,599
Total changes in credit loss allowance as part of profit and loss for the period	(4,899)	(6,340)
Allowance for credit losses on trade receivables at 31 December	4,028	8,927

9 Loans Issued

As part of the reverse line of financial assistance in the amount of Tenge 4,000,000 thousand with Samruk-Energy JSC (Note 3), on 26 September 2022, the Company issued a short-term loan of Tenge 2,000,000 thousand. The Company recognized a loss on initial recognition in terms of other reserve capital in the amount of Tenge 277,348 thousand. As of 31 December 2022, Samruk-Energy JSC repaid the debt of Tenge 400,000 thousand.

10 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Cash at current bank accounts	1,197,343	1,964,919
Less credit loss allowance	(225)	(171)
Total cash and cash equivalents	1,197,118	1,964,748

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>	2022	2021
Credit loss allowance at 1 January	171	3
New originated or purchased	1,720	2,205
Write-offs	(1,666)	(2,037)
Total changes in credit loss allowance within profit or loss for the period	54	168
Allowance for credit losses on cash and cash equivalents at 31 December	225	171

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 2022	31 December 2021
Tenge	1,197,343	1,964,919
US Dollar	-	-
Total gross amount of cash and cash equivalents	1,197,343	1,964,919

11 Share Capital

	31 December 2022	31 December 2021
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 2022 and 2021, 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.

12 Borrowings

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2022	31 December 2021
<i>Long-term portion</i>			
Development Bank of Kazakhstan	5	9,051,122	11,127,405
Samruk-Energy – bonds	5	17,988,591	25,988,591
Total borrowings – long-term portion		27,039,713	37,115,996
<i>Short-term portion</i>			
Development Bank of Kazakhstan	5	2,705,572	2,652,133
Samruk-Energy – bonds	5	7,082,121	7,128,427
Total borrowings – short-term portion		9,787,693	9,780,560
Total borrowings		36,827,406	46,896,556

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 2022, the Company repurchased the bonds in amount of Tenge 8,000,000 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 thousand and USD 26,058 thousand 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 thousand 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%.

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 2022, the amount of payments on loans from the Development Bank of Kazakhstan JSC was Tenge 3,315,251 thousand (2021: Tenge 3,301,927 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 2,785,183;
- 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;

12 Borrowings (Continued)

Bank loans are denominated in the currencies as follows:

<i>In thousands of Kazakhstani Tenge</i>	Currency	31 December 2022	31 December 2021
Development Bank of Kazakhstan	US Dollar	3,435,473	4,073,923
Development Bank of Kazakhstan	Tenge	8,321,221	9,705,615
Samruk-Energy	Tenge	25,070,712	33,117,018
Total borrowings		36,827,406	46,896,556

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

<i>In thousands of Kazakhstani Tenge</i>	Carrying amount		Fair value	
	2022	2021	2022	2021
Development Bank of Kazakhstan	11,756,694	13,779,538	10,249,316	12,893,385
Samruk-Energy	25,070,712	33,117,018	25,096,664	33,129,628
Total borrowings	36,827,406	46,896,556	35,345,980	46,023,013

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:

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Liabilities from financing activities at 1 January	46,896,556	56,103,433
Proceeds from borrowings	-	-
Repayment of borrowings	(10,371,519)	(9,234,617)
Interest accrual	4,206,726	5,364,276
Interest payment	(4,255,649)	(5,454,988)
Other non-cash movements	(824)	10,973
Foreign exchange adjustments	352,116	107,479
Liabilities from financing activities at 31 December	36,827,406	46,896,556

13 Trade and Other Payables

<i>In thousands of Kazakhstani Tenge</i>	31 December 2022	31 December 2021
Trade payables to third parties	253,146	212,464
Trade payables to related parties	60,198	115,073
Other payables	28,811	28,479
Total financial trade payables	342,155	356,016
Other payables		
Tax liabilities	655,473	441,859
Advances received	362,001	350,363
Current estimated liabilities	288,474	182,308
Other payables	75,691	64,486
Accrued vacation liabilities	32,795	5,705
Total trade and other payables	1,756,589	1,400,737

Financial trade payables of the Company are recorded in Tenge. At 31 December 2022, the Company accrued a provision of Tenge 127,895 thousand (31 December 2021: Tenge 182,308 thousand) within current estimated liabilities under the claim of Alko-A LLP.

14 Revenue from Contracts with Customers

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – related parties	6,589,931	13,876,305
Sales of electricity, services on maintaining the readiness of power capacity and power capacity regulation services – third parties	16,214,349	5,127,151
Total revenue from contracts with customers	22,804,280	19,003,456

Analysis of revenue by sales category:

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Revenue from electricity sales	13,099,510	9,572,127
Revenue from services on maintaining the readiness of power capacity	8,904,395	8,968,999
Revenue from power capacity regulation services	800,375	462,330
Total revenue from contracts with customers	22,804,280	19,003,456

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 2022, a premium is applied to support the use of RES for conditional consumers in the amount of Tenge 1.58 per 1 kWh without VAT. According to Decree of the Ministry of Energy of the Republic of Kazakhstan No. 226 dated 30 June 2022, a cap electricity tariff of Tenge 11.71 per 1 kWh without VAT was approved, effective from 1 July 2022 until 2025. The selling electricity tariff, taking into account the premium, from 1 July 2022 is Tenge 13.29 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.

15 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Depreciation of property, plant and equipment	1,457,959	1,425,057
Purchased electricity from RES	1,608,180	1,198,233
Salary expense, including provisions for vacations and other employee benefits	692,225	500,427
Taxes (property tax)	515,269	318,204
Technical dispatching services for supply of electricity	429,104	303,575
Security services	106,557	100,211
Licenses, permits, duties, payments, etc.	92,971	73,811
Repair and maintenance	94,007	57,187
Fuel	20,219	25,168
Insurance	21,623	21,350
Amortisation of intangible assets	7,438	1,472
Maintenance	2,292	1,134
Other expenses	209,686	305,258
Total cost of sales	5,257,530	4,331,087

16 Other Income and Expenses

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Foreign exchange gains less losses	10,847	-
Other income	35,600	57,792
Total other income	46,447	57,792
Loss on impairment	(2,048)	(2,668)
Foreign exchange losses less gains	-	(1,739)
Other expenses	(25,588)	(89,734)
Total other expenses	(27,636)	(94,141)

17 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Penalties and returns to the budget	389,127	-
Salary expense, including provisions for vacations and other employee benefits	232,039	156,983
Consulting and other professional services	78,671	90,965
Depreciation of property, plant and equipment	11,871	26,379
Materials	7,192	7,204
Business trips	6,435	6,049
Amortisation of intangible assets	659	686
Short-term lease expenses – office premises and vehicles	321	9,669
Other	50,972	29,579
Total general and administrative expenses	777,287	327,514

18 Finance Income and Costs

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Interest income	469,201	336,639
Unwinding of discount on loans issued	136,956	
Foreign exchange gains less losses from borrowings	-	-
Total finance income	606,157	336,639

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Foreign exchange losses less gains from borrowings	352,116	107,479
Interest expenses	4,206,726	5,364,276
Other finance costs	240,550	219,244
Total finance costs	4,799,392	5,690,999

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 173,017 thousand (2021: Tenge 138,126 thousand).

19 Taxes

Income tax expense

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Current income tax expense	2,575,910	97,401
Deferred income tax (credit)/expense	37,799	115,342
Income tax expense for the year	2,613,709	212,743

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

<i>In thousands of Kazakhstani Tenge</i>	2022	2021
Profit before tax	12,595,039	9,745,029
Theoretical tax charge at statutory rate of 20% (2021: 20%)	2,519,008	1,949,006
Exempt income tax under investment contract	-	(1,777,461)
Other non-deductible differences	94,701	41,198
Total income tax expense	2,613,709	212,743

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.

19 Taxes (Continued)

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 2021	Charged to profit or loss	31 December 2021	Charged to profit or loss	31 December 2022
Tax effect of deductible temporary differences					
Tax losses	7,745,255	(1,682,645)	6,062,610	-	6,062,610
Other investments	318,955	(318,955)	-	-	-
Unrecognised deferred income tax asset	(8,064,210)	2,001,600	(6,062,610)	-	(6,062,610)
Recognised deferred income tax asset	-	-	-	-	-
Tax effect of deductible temporary differences					
Property, plant and equipment	4,212,113	115,342	4,327,455	37,798	4,365,253
Gross deferred income tax liability	4,212,113	115,342	4,327,455	37,798	4,365,253
Less offsetting against deferred income tax asset	-	-	-	-	-
Recognised deferred income tax liability	4,212,113	115,342	4,327,455	37,798	4,365,253

20 Contingencies and Commitments

COVID-19

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Kazakhstan's authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of those measures were subsequently relaxed, however, as of 31 December 2022, there remains a risk that the authorities may impose additional restrictions in 2023 as a response to possible new variants of the virus.

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 as at 31 December 2022.

War between Russia and Ukraine

On 21 February 2022 the Russian President announced that Russian government would recognise the Luhansk and Donetsk People's Republics. On 24 February the Russian president directed its military mobilized troops to the territory of Ukraine. As a response to the Russian actions, the United States, the European Union and a number of other states imposed sanctions against Russia including the disconnection of a number of Russian financial institutions from SWIFT. Russia is Kazakhstan's largest trade partner, accounting for up to 40% of non-oil exports, and is the key country of transit for trade, notably via the Caspian Pipeline Consortium (CPC) pipeline, through which up to 80% of Kazakh crude is exported.

In connection with the Russian/Ukraine conflict and its consequences, the Tenge exchange rate began to be more volatile and inflation index reached almost 20.3 % in December 2022.

20 Contingencies and Commitments (Continued)

To date, the National Bank of the Republic of Kazakhstan has taken a number of measures to maintain the stability of the Kazakhstan financial system.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

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 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. Higher inflation, challenges posted by the recent domestic unrest in January 2022, ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and starting a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 458.69 per US Dollar 1 compared to Tenge 462.65 per US Dollar 1 as at 31 December 2022 (31 December 2021: Tenge 431.67 per 1 US Dollar). 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 2022, S&P Global Ratings, international rating agency affirmed the credit rating of Kazakhstan of "BBB-". The outlook on sovereign credit rating is downgraded to negative as a result of the growth of external and financial risks. Fitch Ratings affirmed Kazakhstan long-term rating at "BBB" with a stable outlook. The stable outlook is supported by the government's strong fiscal and external balance sheets, financing flexibility underpinned by accumulated oil revenue savings, net fiscal creditor position as well as measures implemented by the Government of the Republic of Kazakhstan.

Challenges posed by social tension resulted in domestic unrest in early 2022 and spill over from the Russia/Ukraine conflict and associated sanctions are offset by high prices for key export commodities and the increase in oil production from 2024 when the Tengiz oil field's expansion is expected to come onstream. According to the analysts' forecasts, the growth rate of the national economy in 2022-2025 will amount, on average, to about 3.6%.

The economic environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results.

Additionally, the power and utilities sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the 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.

The Company continues to monitor the situation and is developing an action plan to overcome possible challenges caused by the situation in the region, including increased volatility. Management also analyzes possible scenarios in connection with existing supply and logistics risks and develops a detailed action plan.

20 Contingencies and Commitments (Continued)

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

At present, environmental legislation is being tightened in the Republic of Kazakhstan and the review of the position of Kazakhstani state bodies regarding its enforcement continues. In 2021, a new environmental code came into force in the Republic of Kazakhstan, which regulates social relations in the field of interaction between man and nature (environmental relations) arising in connection with the implementation by individuals and legal entities of activities that have or can have an impact on the environment. In addition to increasing the responsibility of industrial enterprises for environmental pollution, the Code also provides for the introduction of a waste management hierarchy and prescribes requirements for the elimination of the consequences of activities.

The provisions of this Code obliges to obtain integrated environmental permits related to the use of the best available techniques (BAT), issued by the Committee for Environmental Regulation and Control of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan.

The Company's facilities fall into category II. Due to the fact that the Company's production facilities have a moderate negative environmental impact, the Company has accrued asset retirement obligations in these financial statements, as it received confirmation from the government that it is necessary to accrue a liability (Note 3). Until a full assessment is made, it is not possible to assess the financial implications of the new requirements of Kazakhstan's new environmental code, but an increase in the cost of complying with environmental requirements is expected, either in the form of additional investments required for waste management and development of appropriate monitoring processes, or in the form of increased fees for waste generation.

The Company periodically evaluates its obligations related to environmental protection at least on an annual basis. As liabilities are identified, they are promptly recognized in the financial statements. Potential liabilities that may arise as a result of changes in existing laws and regulations, as well as a result of judicial practice, cannot be estimated with a sufficient degree of reliability, although they may be significant. The Company's management believes that in the current system of control over compliance with applicable environmental laws, there are no significant liabilities arising from environmental damage, except for those recognised or disclosed in these financial statements (Note 3).

Capital expenditure commitments

At 31 December 2022, the Company had contractual commitments to acquire property, plant and equipment and capital nature services for the total of Tenge 127,895 thousand (31 December 2021: Tenge 177,314 thousand).

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

21 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 2022, the Company sold electricity, services to maintain the readiness of electric capacity, and power capacity regulation services to the following major customers: AlmatyErgoSbyt LLP, Settlement and Financial Center for Support of Renewable Energy Sources LLP, KTZh-Freight Transportation LLP and Kazphosphate LLP.

Credit risk management

Management carefully manages its exposure to credit risk.

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

Credit risk grading system

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

For financial instruments without a credit rating (receivables), credit risk is assessed based on the number of delayed payment days for each customer. Due to the specifics of the Company's activities, 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.

21 Financial Risk Management (Continued)

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.

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 POCL 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.

21 Financial Risk Management (Continued)

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.

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 2022	31 December 2021
Financial receivables	8	N/A	3,504,489	2,691,851
<i>Short-term financial investments</i>				
First Heartland Jysan Bank JSC		B - (positive)	2,228	1,699
Alfa-Bank JSC		BB (positive)	-	2,000
Total short-term financial investments			2,228	3,699
<i>Other investments</i>				
First Heartland Jysan Bank JSC	7	B - (positive)	170,069	154,453
Total other investments			170,069	154,453
<i>Cash and cash equivalents</i>				
VTB Bank JSC	9	BB+ (stable)	-	1,011,634
Halyk Bank JSC		BB+ (stable)	396,210	953,112
Center Credit Bank JSC		B (stable)	45	1
Alfa-Bank JSC		BB (positive)	-	1
Forte Bank JSC		BB- (positive)	800,363	-
Freedom Finance JSC		B - (positive)	500	-
Total cash at current bank accounts			1,197,118	1,964,748
Total maximum exposure to credit risk			4,873,904	4,814,751

21 Financial Risk Management (Continued)

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 2022	31 December 2021
Settlement and Financial Center for Support of Renewable Energy Sources LLP	5	1,625,736	919,948
AlmatyEnergoSbyt LLP*	5	1,424,205	1,544,810
Other		458,573	236,020
Total receivables from buyers of electricity		3,508,514	2,700,778

* Trade receivables in the amount of Tenge 1,030,447 thousand were fully repaid by a related party AlmatyEnergoSbyt LLP in January 2023.

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

At 31 December 2022, 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
At 31 December 2022	
Monetary financial assets	-
Monetary financial liabilities	(3,435,473)
Net balance sheet position	(3,435,473)
At 31 December 2021	
Monetary financial assets	-
Monetary financial liabilities	(4,073,923)
Net balance sheet position	(4,073,923)

21 Financial Risk Management (Continued)

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 2022		At 31 December 2021	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10% (2021: strengthening by 10%)	(274,838)	(274,838)	(325,914)	(325,914)
US Dollar weakening by 10% (2021: weakening by 10%)	274,838	274,838	325,914	325,914

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.

If interest rates had been 200 basis points higher/lower (2021: 200 basis points higher/lower), with all other variables held constant, profit for the year would have been Tenge 63,684 thousand lower/higher (2021: Tenge 73,676 thousand lower/higher) 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 reporting date by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments. 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.

21 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
At 31 December 2022					
Borrowings	643,921	1,012,014	11,350,753	31,088,412	-
Financial payables	-	313,344	28,811	-	-
Lease liabilities		8,766	26,297	90,889	182,679
Total financial liabilities	643,921	1,334,124	11,405,861	31,179,301	182,679
At 31 December 2021					
Borrowings	681,086	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	681,086	1,265,264	12,219,157	45,157,468	1,615,419

22 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.

23 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.

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.

23 Fair Value of Financial Instruments (Continued)

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 18% 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 12.

24 Events after the Reporting Period

In January 2023, the Company received a notification from the State Revenue Department for the Kegen District of the State Revenue Department for the Almaty Region of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan on the results of a tax audit for the period 2017-2021 in the amount of Tenge 123,050 thousand. The Company recognized a liability at 31 December 2022 (Note 13).