Kazakhstan Electricity Grid Operating Company JSC

Unaudited interim condensed
consolidated financial statements

*As on and for nine months
ended on 30 September 2022*

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For nine months ended 30 September 2022

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC ("the Company" or "KEGOC") was established in accordance with the Government Resolution of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring of selected assets of the former National Energy System "Kazakhstanenergo".

As at 30 September 2022, the Company's major shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014, the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is a national company rendering the services of electricity transmission, technical dispatching, and electricity generation-consumption balancing in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through national power grid (the "NPG"), ensures its technical support and maintenance. The NPG consists of substations, switchgear devices, interregional and/or international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kV and more.

As on 30 September 2022 and 31 December 2021 the Company had interest ownership in the following subsidiaries:

		Ownership share	
Company	**Activity**	**30 September 2022**	**31 December 2021**
EnergoInform JSC (hereinafter - "EnergoInform")	Maintenance of the KEGOC's IT system	**100%**	100%

The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

In accordance with the Decree of the Government of the Republic of Kazakhstan No. 858 dated 30 November 2021 and the donation agreement dated 30 December 2021, the Group transferred a 100% stake in FSC RES LLP to the ownership of the State Property and Privatization Committee Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, FSC RES LLP has been recognised as a discontinued operation and no longer a subsidiary of the Group *(Note 26)*.

1. GENERAL INFORMATION (continued)

Until 30 December 2021, for management purposes, the Group's activities have been structured based on the type of rendered into three operating segments, as follows *(Note 5)*:

- *Electricity transmission services and related support*. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 No. 204VI On Natural Monopolies and Regulated Markets ('the Law') as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs shall be approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy ("the Committee").

The activities related to f FSC RES LLP the disposed subsidiary were presented as follows:

- *Maintain readiness of electric capacity to bear the load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the sustainable balance of the reliability of the power system of the Republic of Kazakhstan. The power system adequacy is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector ("RES") created by the Government of the Republic of Kazakhstan in order to create favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources* No. 165-IV dated 4 July 2009.

The head office of the Company is registered at the address: 59 Tauyelsizdik Ave, Z00T2D0, Astana, Kazakhstan.

The accompanying interim condensed consolidated financial statements were approved by the Chairman of the Management Board and the Chief Accountant on 1 November 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as approved by the International Financial Reporting Standards Board (hereinafter "IASB").

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. The interim condensed consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared interim consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that provide it the current ability to manage the relevant activities of the investee);
- exposure, or rights, to variable income from its involvement with the investee;
- the ability to use its power over the investee to affect its income.

As a rule, it is assumed that most voting rights determine the existence of control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity and recognizes the resulting gain or loss in profit or loss. The remaining investments are recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments, first applied by the Group

The accounting policy adopted in the preparation of the interim consolidated financial statements are in line with the policy applied in preparing the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the new standards adopted that came into force on January 1, 2022. The Group has not early adopted any standards, clarifications or amendments that have been issued but are not yet effective.

In 2022, the Group first applied the amendments and clarifications below, but they did not have an impact on its interim consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is one in which the unavoidable costs (i.e., costs associated with the contract that the Group cannot avoid) of fulfilling its obligations exceed the expected economic benefits.

The amendments clarify that, in assessing whether a contract is onerous or unprofitable, an entity shall consider costs that are directly attributable to the contract for the provision of goods or services, which include both incremental costs (for example, direct labour and materials costs) and allocated costs directly related to the fulfilling of the contract (for example, the cost of depreciation of equipment used to fulfil this contract, as well as the costs of maintaining and monitoring the fulfilling of the contract). General and administrative costs do not relate directly to a contract and are not taken into account unless they are explicitly chargeable to the counterparty under the contract.

The Group has applied amendments to contracts under which it has not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no effect on the Group's interim consolidated financial statements as the Group did not identify any contracts as onerous.

Reference to the Conceptual Framework – Amendments to IFRS 3

As a result of the amendments, references to the previous version of the IASB's Conceptual Framework have been replaced with references to the current version of the Conceptual Framework, issued in March 2018, without making significant changes to the requirements contained in this document.

The applied amendments also added an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC Interpretation 21 Levies (IFRIC 21), if incurred separately. Under this exception, instead of applying the Conceptual Framework, entities must apply the criteria in IAS 37 or IFRIC 21 to determine whether an obligation exists at the acquisition date.

The amendments also added a new paragraph to IFRS 3 to clarify that a contingent asset cannot be recognized at the acquisition date.

These amendments did not have any impact on the Group's interim consolidated financial statements as no contingent assets, liabilities and contingent liabilities subject to these amendments arose during the period under review.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

These amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments, first applied by the Group (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)

The amendments did not have an impact on the Group's interim consolidated financial statements as there were no sales of items produced by such items of property, plant and equipment that became available for use on or after the start date of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

Under the amendment, a subsidiary that elects to apply paragraph D16(a) of IFRS 1 may measure accumulated foreign exchange differences using the amounts recognized in the parent's consolidated financial statements based on the parent's date of transition to IFRSs, unless no adjustments have been made for the purposes of consolidation and to reflect the results of a business combination in which the parent acquired the specified subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendments did not have any impact on the Group's interim consolidated financial statements as it is not a first-time adopter of IFRS.

Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment for IAS 39 Financial Instruments: Recognition and Measurement.

The amendment did not have any impact on the Group's interim consolidated financial statements as there were no modifications to the Group's financial instruments during the period under review.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The amendment had no impact on the Group's interim consolidated financial statements as the Group had no assets within the scope of IAS 41 as at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but have not yet entered into force

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8, definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 introducing the definition of "accounting estimates". The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and the correction of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted provided this fact is disclosed. These amendments are not expected to have a material impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but have not yet entered into force (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 on the Application of IFRS – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and Practice Statement 2 on Making Materiality Judgments, which provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies, and by adding guidance on how entities should apply the concept materiality in making decisions on disclosure of information about accounting policies. The amendments to IAS 1 apply for annual periods beginning on or after 1 January 2023, with early application possible. Since the amendments to Practice Statement 2 on the Application of IFRSs provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, it is not required to indicate the effective date of the amendments. The Group is currently evaluating the impact these amendments may have on disclosures of the Group's accounting policies.

Classification of assets and liabilities into current / short-term and non-current / long-term

The Group presents assets and liabilities in the interim consolidated statement of financial position as current/short-term and non-current/long-term. An asset is current when it is:

- expected to be realized or intended to sold or consumed in normal operating cycle; Held primarily for the purpose of trading;
- intended for the purpose of trading;
- expected to be realized within 12 (twelve) months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is short-term when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as long-term.

Deferred tax assets and liabilities are classified as non-current/long-term assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments such as financial assets at fair value at each reporting date and non-financial assets (NEG assets) at fair value when their fair value differs significantly from their residual value.

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted AFS financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (Continued)

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable. The finance management and external valuers discuss the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The Group's interim consolidated financial statements are presented in Tenge ("KZT"). Tenge is also the parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in interim consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the period (to Tenge)	**30 September 2022**	31 December 2021
1 USD	**476.71**	431.80
1 Euro	**467.03**	489.10
1 RUB	**8.36**	5.76

Average exchange rate for the nine months period (to KZT)	**30 September 2022**	30 September 2021
1 USD	**458.51**	424.69
1 Euro	**487.98**	508.11
1 RUB	**6.73**	5.74

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PPE

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings, structures, machinery and equipment of NES	8 to 100 years
Other machinery and equipment and vehicles	2 to 50 years
Other property, plant and equipment not included in other groups	2 to 20 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the interim consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of an asset (calculated as the difference between the net proceeds to and from disposal and the carrying amount of the asset) is included in profit or loss in the reporting year in which the asset is derecognised.

Intangible assets

Intangible assets are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 5 years.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount is recoverable principally through their sale rather than through continued use. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Selling costs are incremental costs that are directly attributable to the disposal of the asset (or disposal group) and do not include finance costs or income tax expense.

The criterion for classifying an item as held for sale is only met if the sale is highly probable and the asset or disposal group can be sold immediately in its current condition. The actions required to complete the sale should indicate that there is little likelihood of significant changes in the sale activity, as well as the cancellation of the sale. Management must assume responsibility for the plan to sell the asset and the sale must be expected to be completed within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the interim statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. The recoverable amount of an asset or cash generating unit (CGU) is the higher of the fair value of the asset (CGU), less costs to sell, and the value in use of the asset (CGU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on value in use, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the interim consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Reversal is limited so that the asset's carrying amount does not exceed its recoverable amount and cannot exceed its carrying amount, less depreciation, at which the asset would have been recognized if no impairment loss had been recognized in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus. In these cases, the reversal is recorded as an increase in value from revaluation.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment subsequently increases or decreases due to the recognition of the Group's share of changes in the net assets of the associate arising after the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized and is not separately tested for impairment.

The interim consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. If there has been a change directly recognized in the equity of the associate, the Group recognizes its share of the change and discloses that fact, when applicable, in the interim consolidated statement of changes in equity.

Unrealized gains and losses arising from transactions of the Group with an associate are eliminated to the extent that the Group has an interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim condensed consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, then recognized the loss as 'Share in profit of an associate' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognized any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Financial instruments − initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section revenue recognition.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (Continued)

All purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date. i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group’s financial assets at amortized cost includes trade receivables, and loans issued.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the interim consolidated statement of financial position at fair value with net changes in fair value recognized in the interim consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s interim consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Recognition of expected credit losses

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost equal to the lifetime expected credit loss if the credit loss has increased significantly since initial recognition.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade receivables and other current and financial assets including cash and cash equivalents (*Notes 9, 10, 11, 12, 13*).

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment (*continued*)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

<u>Borrowings and bonds issued</u>

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the interim consolidated statement of comprehensive income.

<u>Trade and other accounts payable</u>

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the interim consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the interim consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the interim consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

Provisions

Reserves are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the interim consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighboring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee.

Revenues from providing a contractual power supply with energy systems of neighboring countries are recognized in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation on Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation.

Also, from 1 January 2019, with the launch of the energy capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month. The Group terminated the provision of these services on 30 December 2021 due to the disposal of FSC RES LLP *(Note 26).*

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognized if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale. interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the interim consolidated statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e.. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred. and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Software – 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Group as lessee (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees’ salaries, but no more than 300,000 tenge per month (2021: 212,500 tenge) to accumulative pension funds. Pension fund payments are withheld from employees’ salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the interim consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the interim consolidated financial statements but are disclosed in the interim consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognized in the interim consolidated financial statements but disclosed in the interim consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Revaluation of property, plant and equipment

The Group performed revaluation of NES assets as at 1 December 2021. The Group engaged Grant Thornton Appraisal LLP an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

Following the results of 2021, the Committee, after introducing amendments to the current legislation in terms of clarifying the level of profit included in the tariffs, by a decision dated 16 August 2021, approved the tariffs for the Company's regulated services for the transmission of electricity, technical dispatching and the organization of balancing the production and consumption of electricity with a gradual annual growth levels for five year period (1 October 2021 to 30 September 2026). The observed increase in the cost of materials and equipment, as well as the depreciation of the national currency – tenge (KZT) led to an increase in the cost of most assets and inclusion in other comprehensive income of the revaluation results in the amount of KZT 325,744,754 thousand and the corresponding deferred tax liability in the amount of KZT 65,148,951 thousand, as well as an increase in the value of certain previously depreciated assets included in profit or loss in the amount of KZT 2,869,512 thousand and decrease in the value of certain assets included in profit or loss in the amount of KZT 10,813,536 thousand. The approval of new tariffs for regulated services for 5-year period confirmed the recoverability of the cost.

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The appraised current replacement cost has been further compared to the recoverable amount identified based on the discounted cash flow model. The cash flows are derived from the budget for the next five (5) years.

As a result of the assessment. the amount of KZT 873,182,745 thousand was recognized as a fair value of NES assets as at 1 December 2021.

In assessment of the fair value in 2021 the following main assumptions have been applied:

Discount rate (WACC)	10.77%
Long term growth rate	3.7%
Remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group's property, plant and equipment by approximately KZT 61,627,776 thousand or KZT 47,408,662 thousand, respectively.

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NES assets and the amount, which was determined using fair values at the reporting date. As at 30 September 2022 and 31 December 2021, the Group's management revised its estimates in relation to the fair value of its NES assets, calculating the current replacement cost of NES assets, net of all types of accumulated depreciation. As a result, the management of the Group concluded that as at 30 September 2022 the carrying amount of NES assets does not differ materially from their fair value.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS(Continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Fair values of financial instruments

In cases where the fair value of financial assets and financial liabilities recognized in the interim consolidated statement of financial position cannot be determined from active markets, it is determined using valuation techniques, including a discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the interim consolidated financial statements.

DSFK Bonds

On 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP ("DSFK bonds") using the funds placed with RBK Bank JSC ("RBK Bank"). The nominal value of deposits placed with RBK Bank before the transaction was KZT 1,498,249 thousand. DSFK bonds carry coupon interest of 0.01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of KZT 411,883 thousand. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believes that at 30 September 2022 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 30 September 2022, the bonds were classified as financial instruments at fair value through profit or loss. As at 30 September 2022, the Group revalued the fair value of the bonds at a discount rate of 17.1%, which represents the market discount rate as at 30 September 2022.

Estimated allowance for expected credit losses on receivables

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS(Continued)

Estimated allowance for expected credit losses on receivables

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future.

5. OPERATING SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

	For the nine-month period ended on	
In KZT thousand	**30 September 2022**	30 September 2021
Revenue from Kazakhstan customers	**135,308,414**	117,692,495
Revenue from Russian customers	**19,067,917**	12,169,877
Revenue from Uzbekistan customers	**406,690**	738,207
Revenue from Kyrgyz customers	**4,704**	33,815
Total revenue per interim consolidated statement of comprehensive income	**154,787,725**	130,634,394

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For 9 months ended 30 September 2022 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 18,062,087 thousand and includes revenue from electricity transmission and the provision of related support (for nine months ended 30 September 2022: KZT 17,430,101 thousand).

Operating segments

For management purposes, until 30 December 2021, the Group's activities were organized into business units based on their services, and had three reportable operating segments, as follows:

- *Electricity transmission services and related support*. Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee.
- *Maintain readiness of electric capacity to bear the load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the sustainability of the power system of the Republic of Kazakhstan. The power system adequacy is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector ("RES") created by the Government of the Republic of Kazakhstan in order to create favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources* No. 165-IV dated 4 July 2009.

Due to disposal of the subsidiary FSC RES LLP on 30 December 2021, disclosure of information on operating segments does not seem appropriate, since the lines of activity *Ensuring the readiness of electricity capacity to bear the power load* and *Sale of purchased electricity* were excluded from ongoing activity *(Note 26).*

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

PPE

For 9 months ended on 30 September 2020, the Group acquired assets with a total initial value of KZT 20,244,878 thousand (for the nine months ended 30 September 2021: KZT 23,944,066 thousand). Acquisitions were mainly represented by capital expenditures on investment projects.

Depreciation accrued for the nine months ended 30 September 2022 amounted to KZT 47,119,407 thousand (for the nine months ended 30 September 2021: KZT 25,231,493 thousand).

Capitalized costs on issued bonds

For 9 months ended 30 September 2022 the Group capitalized the cost of coupon interest on issued bonds amounted to KZT 2,424,886 thousand less investment income (for nine months ended 30 June 2021: KZT 1,085,961 thousand) *(Note 16).*

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Rehabilitation of 220-500 kV OHTL Aktyubinskiye MES branch, Sarbaiskiye MES branch, and Zapadnye MES branch of KEGOC (stage 1)” and West Kazakhstan Electricity Transmission Reinforcement Project. Construction of power grid facilities” with the planned date of commissioning in the 4th quarter of 2023.

Advances paid for non-current assets

As at 30 June 2022 and 31 December 2021 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project “Rehabilitation of 220-500 kV OHTL Aktyubinskiye MES branch, Sarbaiskiye MES branch, and Zapadnye MES branch of KEGOC (stage 1)” and West Kazakhstan Electricity Transmission Reinforcement Project. Construction of Power Grid Facilities’.

7. INVESTMENTS IN ASSOCIATES

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC (“Batys Transit”) is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarised financial information about Batys Transit:

In KZT thousand	**30 September 2022**	31 December 2021
Statement of financial position		
Current assets	**18,304,963**	20,480,453
Non-current assets	**14,876,912**	12,136,672
Current liabilities	**(3,222,934)**	(6,285,494)
Non-current liabilities	**(16,799,572)**	(14,939,971)
Net assets	**13,159,369**	11,391,660

In KZT thousand	**30 September 2022**	31 December 2021
Group’s share in net assets	**2,631,874**	2,278,332
Carrying amount of the investments	**2,631,874**	2,278,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

In KZT thousand	**30 September 2022**	30 September 2021
Statement of comprehensive income		
Income	**8,906,677**	6,302,145
Net profit	**1,767,710**	675,945
Group's share in profit of Batys Transit	**353,542**	135,189

As at 30 September 2022 and 31 December 2021, the associate had no contingent liabilities or future capital commitments.

8. INVENTORIES

In KZT thousand	**30 September 2022**	31 December 2021
Raw and other materials	**1,680,549**	1,390,943
Spare parts	**1,358,772**	1,175,291
Fuel and lubricants	**103,329**	87,850
Other inventories	**328,528**	274,285
Less: allowance for obsolete inventories	**(409,905)**	(337,986)
	3,061,273	2,590,383

Movement in the allowance for obsolete inventories was as follows:

In KZT thousand	**2022**	2021
As on 1 January	**337,986**	363,273
Charge *(Note 22)*	**166,056**	**67,620**
Reversal *(Note 22)*	**(88,559)**	**(60,930)**
Written off	**(5,578)**	**(154)**
As on 30 September	**409,905**	**369,809**

9. TRADE ACCOUNTS RECEIVABLE

In KZT thousand	**30 September 2022**	31 December 2021
Trade accounts receivable	**25,902,065**	15,265,245
Less: provision for expected credit losses	**(3,141,472)**	(2,273,985)
	22,760,593	12,991,260

Movement in the provision for expected credit losses was as follows:

In KZT thousand	**2022**	2021
As on 1 January	**2,273,985**	2,902,262
Accrual	**1,253,503**	**2,179,894**
Recovery	**(263,010)**	**(1,509,857)**
Write-off	**(123,006)**	**(32,260)**
As on 30 September	**3,141,472**	**3,540,039**

As at 30 September 2022 trade accounts receivable included accounts receivable from the customer, National Power Grid of Uzbekistan JSC, in the amount of KZT 1,673,651 thousand (31 December 2011: KZT 1,583,830 thousand).

As of 30 September 2022, the provision for expected credit losses on debt from National Power Grids of Uzbekistan JSC amounted to KZT 1,660,211 thousand (31 December 2021: KZT 1,503,743 thousand).

9. TRADE ACCOUNTS RECEIVABLE (continued)

Set out below is the information about the credit risk exposure on the Group's trade accounts receivable using a provision matrix:

	Trade accounts receivable					
			Days past due			
In KZT thousand	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
30 September 2022						
Percentage of expected credit losses	**12.13%**	**0.88%**	**13.35%**	**43.24%**	**67.98%**	**99.14%**
Estimated total gross carrying amount at default	**25,902,065**	**20,721,099**	**1,973,408**	**515,747**	**629,107**	**2,062,704**
Expected credit losses	**(3,141,472)**	**(182,531)**	**(263,380)**	**(223,017)**	**(427,666)**	**(2,044,878)**
	22,760,593	**20,538,568**	**1,710,028**	**292,730**	**201,441**	**17,826**
31 December 2021						
Percentage of expected credit losses	14.90%	0.69%	10.01%	31.06%	54.95%	98.73%
Estimated total gross carrying amount at default	15,265,245	12,610,051	390,392	108,326	34,134	2,122,342
Expected credit losses	(2,273,985)	(87,068)	(39,084)	(33,651)	(18,756)	(2,095,426)
	12,991,260	12,522,983	351,308	74,675	15,378	26,916

Trade accounts receivable was denominated in the following currencies:

In KZT thousand	**30 September 2022**	31 December 2021
Tenge	**20,082,371**	11,902,968
Russian rouble	**2,664,873**	1,008,648
US dollar	**13,439**	79,644
	22,760,593	12,991,260

10. OTHER CURRENT ASSETS

In KZT thousand	**30 September 2022**	31 December 2021
Advances paid for goods and services	**1,020,375**	491,362
Other receivables for property, plant and equipment and construction in progress	**399,974**	399,974
Deferred expenses	**147,289**	201,238
Loans issued to employees 469	**469**	469
Other	**637,636**	366,962
Less: provision for expected credit losses	**(686,572)**	(485,933)
	2,519,171	974,072

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In KZT thousand	**2022**	2021
As on 1 January	**485,933**	608,794
Accrual	**230,917**	**189,512**
Recovery	**(23,112)**	**(53,620)**
Use	**(7,166)**	**(37,639)**
As on 30 September	**686,572**	**707,047**

11. OTHER FINANCIAL ASSETS

In KZT thousand	**30 September 2022**	31 December 2021
Financial assets at amortised cost		

Bonds of Samruk-Kazyna	**30,080,624**	30,144,252
Bank deposits	**7,635,496**	26,529,980
Notes of the National Bank of the Republic of Kazakhstan	**5,027,095**	13,646,481
Placements with Eximbank Kazakhstan	**2,187,700**	2,308,946
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**2,032,052**	1,850,569
Placements with DeltaBank JSC	**1,230,000**	1,230,000
Placements with KazInvestBank JSC	**1,201,850**	1,201,850
Interest accrued on Samruk-Kazyna bonds	**1,071,833**	254,333
Interest accrued on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**38,641**	18,305
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2,187,700)**	(2,308,946)
Less: provision for impairment of placements with DeltaBank JSC	**(1,230,000)**	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	**(1,201,850)**	(1,201,850)
Less: provision for expected credit losses	**(8,059)**	(261,528)
	45,877,681	72,182,392
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**352,614**	314,418
	352,614	314,418
Total other financial assets	**46,230,295**	72,496,810
Other current financial assets	**13,765,108**	40,187,573
Other non-current financial assets	**32,465,187**	32,309,237
Total other financial assets	**46,230,295**	72,496,810

Movement in the provision for expected credit losses on other financial assets are as follows:

In KZT thousand	**2022**	2021
As on 1 January	**5,002,234**	5,174,037
Accrual	**25,632**	**395,764**
Recovery	**(400,347)**	**(426,714)**
As on 30 September	**4,627,609**	**5,143,087**

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%. Also, on 7 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

Upon initial recognition, a premium of KZT 213,089 was accrued on the purchased coupon bonds. The premium amortization amounted to KZT 63,628 thousand for the nine months of 2022 (for 9 months of 2022: KZT 62,961 thousand).

Bank deposits

As at 30 September 2022 and 31 December 2021 the deposits include accrued interest income in the amount of KZT 246 thousand and KZT 67,429 thousand, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Notes of the National Bank of the Republic of Kazakhstan

For 9 months 2022, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at a price lower than the nominal value at the Auction of the National Bank of the Republic of Kazakhstan and Kazakhstan Stock Exchange JSC. The notes of the National Bank of the Republic of Kazakhstan mature on 12 October 2022. For nine months ended 30 September 2022 the Group recognized finance income in the amount of KZT 447,241 thousand (for nine months ended 30 September 2021: KZT 681,430 thousand).

Funds held in JSC "Eximbank Kazakhstan" (hereinafter - "Eximbank")

On 27 August 2018, based on the resolution of the Board of the National Bank of the Republic of Kazakhstan a decision was made to revoke the license of Eximbank for accepting deposits and opening bank accounts for individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%.

For nine months ended 30 September 2022 the Liquidation Committee of Eximbank Kazakhstan made payment to the Group in the amount of 334 thousand US dollars (equivalent to KZT 145,645 thousand as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019 (for nine months ended 30 September 2022: 436 thousand US dollars, which is equivalent to KZT 184,663 thousand as of the date of payment). The Group recognized a corresponding reversal of the allowance for impairment losses.

KazInvestBank

On 2 April 2021 and 8 October 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18.0 thousand US dollars and 34.4 thousand US dollars (equivalent to 7,700 and KZT 14,650 thousand as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

No payments were made during nine months of 2022.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3 875% in the amount of 4,200,000 units per annum and maturity until October 2024 at a price higher than the nominal amount of 4,368 thousand US dollars (equivalent of KZT 2,032,052 thousand).

Bonds of Special Financial Company DSFK LLP

For nine months ended 30 September 2022, Special Financial Company DSFK LLP redeemed bonds of KZT 6,801 thousand (for nine months ended 30 September 2021: KZT 51,457 thousand).

As at 30 September 2022, the Group revalued the fair value of the bonds and increased their carrying amount to KZT 352,512 thousand, recognizing a gain on revaluation of financial instruments in the amount of KZT 44,897 thousand in finance income in the interim consolidated statement of comprehensive income *(Note 23)*.

Other financial assets were denominated in the following currencies:

In KZT thousand	**Interest rate**	**30 September 2022**	31 December 2021
Tenge	0.01-13.4%	**36,535,441**	44,550,133
US dollar	1 – 3.875%	**9,694,854**	27,946,677
		46,230,295	72,496,810

12. RESTRICTED CASH

in KZT thousand	**30 September 2022**	31 December 2021
Cash reserved for return as contractors' collaterals	**885,291**	671,160
Less: provision for expected credit losses	**(217)**	(258)
	885,074	670,902

For nine months of 2022 interest was not charged on restricted cash.

The movement in the provision for expected credit losses on restricted cash was as follows:

In KZT thousand	**30 September 2022**	30 September 2021
As on 1 January	**258**	698
Accrual	**43**	181
Recovery	**(84)**	(717)
As on 30 September	**217**	162

13. CASH AND CASH EQUIVALENTS

In KZT thousand	**30 September 2022**	31 December 2021
Short-term deposits, in KZT	**15,815,036**	9,992,991
Short-term deposits, in foreign currencies	**2,005**	
Current accounts with banks, in KZT	**1,061,891**	1,760,179
Current accounts with banks, in foreign currencies	**198,581**	168,534
Cash on hand in KZT	**5,379**	11,788
Cash on special accounts in KZT	**654**	1,111
Less: provision for expected credit losses	**(57,277)**	(775)
	17,026,269	11,933,828

As at 30 September 2022, the Group placed short-term deposits with banks at 13.4-13.9% per annum in KZT and 1.25% in US dollars, as well as current bank accounts at 0.1% per annum.

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

In KZT thousand	**2022**	2021
As on 1 January	**775**	9,165
Accrual	**93,458**	**13,709**
Recovery	**(36,956)**	**(15,638)**
As on 30 September	**57,277**	**7,236**

As on 30 September 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

In KZT thousand	**30 September 2022**	31 December 2021
Tenge	**16,825,722**	11,765,355
Russian rouble	**133,727**	–
USD	**66,474**	168,094
Euro	**1**	1
Other	**345**	378
	17,026,269	11,933,828

14. EQUITY

As at 30 September 2022 and 31 December 2021 share capital of the Group comprised of 260,000,000 shares of which 259,998,610 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

Treasury shares

In November 2016 the Group repurchased 1,390 of floating shares for the total amount of KZT 930 thousand.

Dividends

In May 2021, shareholders approved the distribution of net profit for 2020 less the amount of net profit distributed for the first half of 2020. Thus, the total amount of dividends was KZT 19,502,496 thousand allocated to all holders of ordinary shares of the Company, which is KZT 75.01 per one ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

In November 2021, shareholders approved the distribution of 80% of net profit for first half of 2021. The amount to be paid amounted to KZT 22,027,082 thousand for all common shareholders of the Group, which is equal to 84.72 KZT per ordinary share. Total amounts of dividends paid during 2021 was KZT 41,529,578 thousand.

In May 2022, shareholders approved the distribution of net profit for 2021 less the amount of net profit distributed for the first half of 2020. Thus, the total amount of dividends was KZT 13,220,929 thousand allocated to all holders of ordinary shares of the Company, which is KZT 50.85 per one ordinary share. The total distribution for 2021 resulted to 67% of net income for the year, which is KZT 35,248,011 thousand.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259,998,610 shares during the nine-month period ended 30 September 2022 (for the nine-month period ended 30 September 2021: 259,998,610 shares). For the nine-month period ended 30 June 2022 and 2021 basic and diluted earnings per share were KZT 79.20 and KZT 140.94, respectively.

Book value per share

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In KZT thousand	**30 September 2022**	31 December 2021
Total assets	**1,057,149,886**	1,093,217,334
Less: intangible assets	**(2,899,418)**	(3,165,491)
Less: total liabilities	**(312,641,394)**	(356,080,517)
Net assets	**741,609,074**	733,971,326
Number of ordinary shares	**259,998,610**	259,998,610
Book value per ordinary share, KZT	**2,852**	2,823

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets. Transfer of asset revaluation surplus into retained earnings, upon disposal of PP&E and transfer of NES assets into other classes of PPE for the nine months ended 30 September 2022, amounted KZT 160,726 thousand (for the nine months ended 30 September 2021: KZT 446,862 thousand).

15. BORROWINGS

In KZT thousand	**30 September 2022**	31 December 2021
The International Bank for Reconstruction and Development (IBRD)	**12,823,123**	36,708,534
The European Bank for Reconstruction and Development (EBRD)	**4,037,633**	12,785,418
	16,860,756	49,493,952
Less: current portion of loans repayable within 12 months	**(5,147,349)**	(13,854,307)
	11,713,407	35,639,645

As at 30 September 2022 and 31 December 2021 the accrued and unpaid interest payable amounted to KZT 51,600 thousand and KZT 196,888 thousand, respectively. As at 30 September 2022 and 31 December 2021 the unamortized portion of loan origination fees amounted to KZT 61,658 thousand and KZT 244,426 thousand, respectively.

Loans were denominated in the following currencies:

In KZT thousand	**30 September 2022**	31 December 2021
US dollar	**12,823,123**	36,708,534
Euro	**4,037,633**	12,785,418
	16,860,756	49,493,952

Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit

In 2005 for the purpose of implementation of the Phase II of the "Construction of the second North-South 500 kW Electricity Transmission line", the Group received a credit line facility of 100,000 thousand US dollars provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus overall spread, and repaid twice a year. In 2011, the undisbursed part of IBRD loan to the amount of USD 1,918 thousand was cancelled because the actual Project costs incurred during that Project appeared to be lower than expected. As of 30 September 2022, the principal debt on the loan was fully repaid (as of 31 December 2021: 8,164 thousand US dollars (equivalent to KZT 3,538,547)).

Kazakhstan Electricity Transmission Rehabilitation Project, Phase II

In 2008, to implement Kazakhstan Electricity Transmission Rehabilitation Project, Phase II, the following credit facilities were received:

Two credit facilities to the amount of EUR 127,500 thousand and EUR 75,000 thousand were granted by EBRD for 15 years including first four years of grace period. The loan interest is a six-month EUROBOR plus 3.85% margin, and repaid twice a year. The outstanding balances as at 30 September 2022 and 31 December 2021 are 8,626 thousand euros (equivalent to KZT 4,028,553 thousand) and 25,878 thousand euros (equivalent to KZT 12,656,781 thousand), respectively.

Moinak Electricity Transmission Project

In 2009, for the realization of the "Moinak Electricity Transmission Project" a credit line facility from IBRD of 48,000 thousand US dollars was opened for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus 0.85% fixed spread, and repaid twice a year. In May 2013, the undisbursed part of IBRD loan to the amount of USD 3,274 thousand was cancelled because the actual Project costs appeared to be lower than expected. The outstanding balances as at 30 September 2022 and 31 December 2021 are 26,836 thousand US dollars (equivalent to KZT 12,792,829 thousand) and 29,072 thousand US dollars (equivalent to KZT 12,553,276 thousand), respectively.

15. BORROWINGS(continued)

"Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW"

In 2010 for the realization of the project "Alma Electricity Transmission Project" the Group received a credit line facility of 78,000 thousand US dollars from IBRD for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014, the undisbursed part of IBRD loan to the amount of USD 6,644 thousand was cancelled because the actual Project costs were lower than expected. As of 30 September 2022, the principal debt on the loan was early fully repaid (as of 31 December 2021: 48,165 thousand US dollars (equivalent to KZT 20,792,886 thousand)).

16. BONDS PAYABLE

In KZT thousand	**30 September 2022**	31 December 2021
Nominal value of bonds issued	**118,800,000**	118,800,000
Accrued coupon interest	**4,124,289**	4,562,983
Less: unamortised discount on bonds issued	**(1,488,011)**	(1,577,690)
Less: transaction costs	**(74,859)**	(79,794)
	121,361,419	121,705,499
Less: current portion of bonds repayable within 12 months	**(4,124,289)**	(4,562,983)
	117,237,130	117,142,516

As a part of the Nurly Zhol state program, the Group placed two tranches of coupon bonds at the Kazakhstan Stock Exchange JSC in order to finance the project of "Construction of a 500 kV OHTL Semey - Aktogay - Taldykorgan - Alma":

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for coupon period from 26 May 2017 to 26 May 2018 is 10.6% per annum. The coupon rate for coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the coupon period from 26 May 2019 to 26 May 2020 is 7.9% per annum. The coupon rate for the coupon period from 26 May 2020 to 26 May 2021 is 9.3% per annum and from 26 May 2021 to 26 May 2022 is 9.9% per annum. The coupon rate for the period from 26 May 2022 to 30 June 2022 was 14.9%.
All bonds under this tranche were purchased by the Unified Accumulative Pension Fund.
Bonds were issued with discount of KZT 111,945 thousand.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to KZT 36,300,000 thousand with a fixed rate of 11.5%.
All bonds under this program were acquired by Unified Accumulative Pension Fund and other entities.

To implement the investment project "Rehabilitation of 220-500 kV overhead lines at the branches of KEGOC", "West Kazakhstan Electricity Transmission Reinforcement Project. Construction of Power Grid Facilities" on 28 May 2020, KEGOC's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with nominal value of KZT 9,700,000 thousand and 11% annual yield. The bonds were placed at a discount of KZT 667,593 thousand. As a result of the trades, 89.6% of bonds were purchased by STB (second-tier banks), 9.9% - by other institutional investors, 0.5% - by other legal entities.

On 27 January 2021, KEGOC's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with nominal volume of KZT 8,869,672 thousand with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of KZT 380,267 thousand. Accrued coupon interest on the date of placement amounted to KZT 159,900 thousand. 22.6% of bonds were bought out by broker/dealer companies, 72.8%, by other institutional investors, and 4.6% by other legal entities.

16. BONDS (continued)

On 21 October 2021, bonds of KEGOC JSC were successfully planed on Kazakhstan Stock Exchange JSC with a nominal value KZT 16,430,328 thousand and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of KZT 562,427 thousand, accrued coupon interest on the placement date was KZT 717,914 thousand. As a result of trades, 86.7% of the bonds were purchases by Eurasian Development bank JSC and other banks, 13.3% – by other institutional investors.

During the nine-month period ended 30 September 2022 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 2,424,886 thousand (for the nine-month period ended 30 September 2021: KZT 1,085,961 thousand).

17. TRADE AND OTHER ACCOUNTS PAYABLE

In KZT thousand	**30 September 2022**	31 December 2021
Accounts payable for electricity purchased	**4,893,881**	3,805,412
Accounts payable for inventories, works and services	**2,358,519**	2,756,581
Accounts payable for property, plant and equipment and construction in progress	**10,808,151**	19,189,917
Less: discount	**(833,883)**	(1,266,695)
	17,226,668	24,485,215
Less: current portion of trade payables repayable within 12 months	**(13,079,977)**	(18,512,531)
	4,146,691	5,972,684

As at 30 September 2022 and 31 December 2021 trade and other accounts payable are denominated in the following currencies:

In KZT thousand	**30 September 2022**	31 December 2021
Tenge	**14,096,677**	21,907,917
Russian rouble	**3,102,838**	2,517,368
USD	**27,153**	59,930
	17,226,668	24,485,215

Accounts payable for property, plant and equipment and construction in progress include debt to a related party, Karabatan Utility Solutions LLP, details of which are disclosed in *Note 27*.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In KZT thousand	**30 September 2022**	31 December 2021
VAT payable	**2,575,065**	1,373,572
Contributions payable to pension fund	**155,216**	340,706
Individual income tax	**118,704**	258,593
Social contribution payable	**107,630**	114,309
Social tax	**93,413**	230,351
Property tax	**2,443**	66,442
Other	**7,281**	19,755
	3,059,752	2,403,728

19. OTHER CURRENT LIABILITIES

In KZT thousand	**30 September 2022**	31 December 2021
Due to employees	**2,522,699**	3,266,946
Other	**1,287,567**	888,825
	3,810,266	4,155,771

Due to employees are primarily wage arrears and allowance for unused vacations.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For three-month period ended		**For the nine months period ended on**	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Electricity transmission	**35,876,895**	29,949,926	**107,556,266**	89,960,751
Technical dispatching services	**7,464,292**	6,535,331	**23,265,122**	20,387,972
Electricity generation and consumption balancing services	**4,643,693**	4,072,982	**14,547,444**	12,682,717
Sale of electricity for compensation of the interstate balances of electricity flows	**3,498,165**	2,318,487	**7,564,499**	5,287,367
Power regulation services	**48,208**	107,653	**406,690**	738,207
Revenue from sale of the purchased electricity	**-**	-	**4,704**	33,897
Other	**478,521**	530,735	**1.443,000**	1,543,483
	52,009,774	43,515,114	**154,787,725**	130,634,394

	For three-month period ended		**For the nine months period ended on**	
MW/hour	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Electricity transmission	**12,826,920**	12,234,446	**38,347,478**	36,744,823
Technical dispatching services	**24,393,113**	24,755,039	**76,029,812**	77,217,341
Electricity generation and consumption balancing services	**47,384,624**	54,971,793	**148,450,392**	150,353,960
Sale of electricity for compensation of the interstate balances of electricity flows	**415,776**	392,656	**886,341**	970,081
Power regulation services (MW)	**45**	110	**380**	759
Revenue from sale of the purchased electricity	–	–	**629**	5,837

	For three-month period ended		**For the nine months period ended on**	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Revenue recognition timeline				
The goods are transferred at a certain point in time	**3,498,165**	2,318,487	**7,569,203**	5,321,264
The services are provided over a period of time	**48,511,609**	41,196,627	**147,218,522**	125,313,130
Total revenue from contracts with customers	**52,009,774**	43,515,114	**154,787,725**	130,634,394

Discounts to customers are authorised by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. COST OF SALES

	For three-month period ended		For the nine months period ended on	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Depreciation and amortisation	**15,058,454**	8,392,879	**47,033,457**	25,080,228
Technical losses of electric energy	**4,258,318**	6,643,503	**16,173,196**	15,574,814
Cost of purchased electricity for compensation of interstate balances of electricity flows	**6,192,021**	8,321,966	**16,650,434**	15,516,892
Payroll expenses and other deductions associated with payroll	**5,816,307**	4,063,763	**16,238,905**	11,966,086
Taxes	**2,450,897**	1,420,423	**7,244,893**	4,274,984
Operation and maintenance costs	**2,891,494**	2,086,596	**6,497,647**	5,237,732
For the purchase of services associated with maintaining readiness of electric capacity to bear the load	**1,175,356**	–	**3,526,070**	–
Security expenses	**366,398**	325,454	**1,099,189**	967,708
Inventory	**314,864**	269,107	**795,250**	690,059
Cost of purchased electricity	–	–	**4,704**	30,974
Other	**1,173,765**	844,330	**2,956,542**	2,207,890
	39,697,874	32,368,021	**118,220,287**	81,547,367

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For three-month period ended		For the nine months period ended on	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Payroll expenses and other deductions associated with payroll	**965,037**	1,076,793	**2,943,462**	3,087,082
Depreciation and amortisation	**228,872**	220,828	**687,246**	656,377
Consulting services	**26,666**	23,250	**156,432**	92,111
Taxes excluding income tax	**26,824**	93,792	**125,614**	182,008
Utility service costs	**15,091**	11,485	**56,102**	51,440
Materials	**14,788**	17,760	**51,047**	48,314
Technical support costs	**32,580**	16,920	**65,608**	49,936
Expenses for the Board of Directors	**19,857**	10,112	**51,972**	39,263
Business trip expenses	**16,256**	14,840	**36,542**	28,381
Insurance expenses	**6,517**	6,503	**19,625**	19,509
Education and trainings	**6,332**	8,045	**13,609**	26,672
(Recovery)/charge for obsolete inventories *(Note 8)*	**18,153**	20,295	**77,497**	6,690
Other	**509,949**	324,365	**1,374,743**	1,024,888
	1,886,922	1,844,988	**5,659,499**	5,312,671

23. FINANCE INCOME/(COSTS)

	For three-month period ended		For the nine months period ended on	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Finance income				
Interest income on deposits, current accounts and quoted bonds	**1,408,181**	1,326,879	**3,933,610**	3,918,835
Income from the National Bank notes (*Note 11*)	**93,722**	7,401	**447,241**	681,430
Amortization of discount on accounts receivable *(Note 27)*	**19,035**	21,901	**58,651**	66,949
Income from revaluation of DSFK financial instruments *(Note 11)*	**14,717**	11,472	**44,897**	58,696
	1,535,655	1,367,653	**4,484,399**	4,725,910
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(113,876)**	(97,053)	**(548,940)**	(535,473)
	1,421,779	1,270,600	**3,935,459**	4,190,437
Finance costs				
Bond coupon	**3,775,500**	2,729,916	**10,363,305**	8,163,601
Interest on loans	**293,208**	242,329	**735,449**	806,490
Loan administration fee amortization	**642,464**	12,710	**669,287**	35,623
Bank guarantee commission	**194,791**	246,008	**566,050**	738,369
Discount expenses	**165,138**	172,478	**527,425**	546,640
Amortization of premium on other financial assets	**19,516**	17,341	**74,263**	72,762
Interest expense on leases	**–**	6,441	**–**	27,769
Other expenses for bonds issued	**3,259**	889	**5,933**	12,694
	5,093,876	3,428,112	**12,941,712**	10,403,949
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(991,592)**	(510,666)	**(2,973,826)**	(1,621,434)
	4,102,284	2,917,446	**9,967,886**	8,782,515

The discounting expense is mainly represented by the amortization of the discount on long-term payables to related party Karabatan Utility Solutions LLP (*Note 27*).

24. FOREIGN EXCHANGE GAIN/LOSS, NET

Due to changes in the tenge exchange rate for the nine-month period ended 30 September 2022, the Group recognized a net foreign exchange loss of KZT 324,449 thousand (for the nine-month period ended 30 September 2021: a net foreign exchange gain of KZT 594,283 thousand).

25. INCOME TAX EXPENSES

	For three-month period ended		**For the nine months period ended on**	
In KZT thousand	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
Current income tax				
Current income tax expenses	**3,259,936**	**1,763,491**	**10,269,426**	**8,193,661**
Adjustments in respect of current income tax of previous year	**–**	**–**	**(21,316)**	**(64,776)**
Deferred tax				
Deferred tax benefit	**(1,730,709)**	**(245,791)**	**(5,697,842)**	**(764,904)**
Total income tax expense reported in profit or loss	**1,528,649**	**1,517,700**	**4,550,268**	**7,363,981**

The income tax rate in the Republic of Kazakhstan is 20% in 2022 and 2021.

Deferred tax assets and liabilities reflected in the interim consolidated statement of financial position are presented as follows:

In KZT thousand	**30 September 2022**	31 December 2021
Deferred tax assets	**–**	–
Deferred tax liability	**(145,772,316)**	**(151,470,158)**
Net deferred tax liabilities	**(145,772,316)**	**(151,470,158)**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Payment of dividends by the Group to its shareholders for both 2022 and 2021 does not have any income tax consequences.

As at 30 September 2022 the corporate income tax prepaid amounted to KZT 69,240 thousand (as at 31 December 2021: KZT 817,245 thousand).

26. DISCONTINUED OPERATIONS

In accordance with the Decree of the Government of the Republic of Kazakhstan No. 858 dated 30 November 2021 and the donation agreement dated 30 December 2021, the Group transferred a 100% stake in FSC RES LLP to the ownership of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 30 December 2021, FSC RES LLP has been recognised as a discontinued operation and no longer a subsidiary of the Group.

26. DISCONTINUED OPERATIONS (continued)

Assets and liabilities of FSC RES LLP as of the disposal date are presented as follows:

In KZT thousand	**30 December 2021**
Assets	
PPE	**27,567**
Intangible assets	**14,836**
Deferred tax assets	**234,733**
Inventory	**155,465**
Trade accounts receivable	**25,777,422**
Advances paid	**983**
Other current assets	**15,874**
Other financial assets, current portion	**5,151,508**
Cash and cash equivalents	**38,847,799**
Total assets	**70,226,187**
Trade payable	**31,602,053**
Taxes payable other than income tax	**1,147,572**
Income tax payable	**261,182**
Other liabilities	**93,590**
Total liabilities	**33,104,397**
Retired net assets	**37,121,790**

Losses on disposal of FSC RES LLP in the amount of KZT 37,121,790 thousand were recognized in the interim consolidated statement of changes in equity for the year ended 31 December 2021.

The results of discontinued operations included in the interim consolidated statement of comprehensive income is presented as follows:

In KZT thousand	**Nine months ended 30 September 2021**
Revenue from contracts with customers	151,794,329
Cost of sales	(150,413,695)
G&A	(213,491)
Finance income	1,923,337
Finance expense	(10,344)
Other income	70,834
Other expenses	(29)
Accrual of provision for expected credit losses	(354,485)
Losses before income tax	(2,396,456)
Income tax expenses	(818,369)
Losses for the period from discontinued operations	1,578,087
Losses per share from discontinued operations	
Basic and diluted loss for the nine months ended 30 September 2021 attributable to holders of ordinary shares of the parent company (in KZT)	6.07

The cash flows from discontinued operations for the nine months ended 30 September 2021 are as follows:

Net cash flows received from operating activities	8,803,751
Net cash flows received from/(used in) investing activities	(4,889,110)
Net cash flows received from financing activities	–

27. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the participation interest is owned, directly or indirectly, by the Group's key management personnel, and other entities controlled by the Participant. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The Group had the following transactions with related parties for the nine months period ended 30 September 2022 and 30 September 2021:

In KZT thousand		Subsidiaries of Samruk-Kazyna Group	Associated of Samruk-Kazyna	Samruk-Kazyna joint ventures	Associated of the Group
Sale of services	**2022**	**27,144,740**	**5,976,040**	**1,762,024**	**445,489**
	2021	65,524,554	8,929,518	3,181,874	518,114
Sale of land plots	**2022**	**–**	**–**	**–**	**–**
	2021	2,182,037	–	–	–
Purchase goods and services	**2022**	**18,563,968**	**1,416,550**	**–**	**63,307**
	2021	47,135,891	1,818,822	-	58,581
Depreciation of discount on long-term receivables	**2022**	**58,651**	**–**	**–**	**–**
	2021	66,949	–	–	–
Depreciation of discount on long-term payables	**2022**	**432,812**	**–**	**–**	**–**
	2021	606,681	–	–	–

The liabilities as at 30 September 2022 and 31 December 2021 from transactions with related parties are follows:

In KZT thousand		Subsidiaries of Samruk-Kazyna Group	Associated of Samruk-Kazyna	Samruk-Kazyna joint ventures	Associated of the Group
Advances paid for non-current assets	**2022**	**1,091,018**	**–**	**–**	**–**
	2021	2,182,037	–	–	–
Current trade accounts receivables for the sale of services	**2022**	**3,792,418**	**513,809**	**84,914**	**51,827**
	2021	6,788,920	730,012	334,915	251,043
Accounts receivable for sale of property, plant and equipment	**2022**	**725,595**	**–**	**–**	**–**
	2021	842,231	–	–	–
Accounts payables for property complex	**2022**	**6,242,929**	**–**	**–**	**–**
	2021	7,995,146	–	–	–
Current trade and other accounts payable for the services purchased	**2022**	**3,418,952**	**217,188**	**13,318**	**8,064**
	2021	11,214,952	720,584	**–**	24,838
Lease liabilities	**2022**	**–**	**–**	**–**	**–**
	2021	111,895	–	–	–

27. Related party transactions (continued)

Revenues and cost of sales, trade accounts receivable and payable

The sale of services to related parties mainly represent electricity transmission, technical dispatch and production and consumption balancing services. The purchase of services from related parties mainly represents communication services, energy services, electricity purchase, electric capacity readiness services, postal service and software support services.

Sale of land plots

In January 2021, the Group sold land plots, classified as assets held for sale of KZT 5,126 thousand as at 31 December 2020, to related party Samruk-Kazyna Construction JSC for KZT 2,182,037 thousand. In accordance with sale agreement, Samruk-Kazyna Construction JSC is obliged to transfer premises to the ownership of the Group for the amount KZT 2,182,037 thousand. In January 2022, Samruk-Kazyna Construction JSC made a partial payment for the land plot in the amount of KZT 1,091,017 thousand.

Other receivables

On 30 September 2015 the Group has sold buildings and structures with equipment and land located in the city of Astana to its related party, Kazpost JSC, for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As at 30 September 2022 the discount on accounts receivable from Kazpost JSC amounted to KZT 191,394 thousand. As at 30 September 2022 the receivables net of discount comprised KZT 725,596 thousand, of which KZT 545,473 thousand was included in the long-term receivables from related parties. For the nine months period ended on 30 September 2022, the Group recognized income from amortization of discount on long-term debt of Kazpost JSC in the amount of KZT 58,651thousand (for the nine-month period ended 30 September 2021: KZT 66,949 thousand).

As at 30 September 2022 the Group had accounts receivable for the sale of property, plant and equipment to Balkhash thermal power plant (TPP) JSC, a related party, in the amount of KZT 219,849 thousand (as at 31 December 2021: KZT 219,849 thousand). In accordance with sale agreement, Balkhash TPP JSC had to pay the outstanding balance till the end of 2018, however, as at 30 September 2022 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TPP, the management of the Group decided to accrue a 100% provision for the expected credit losses in 2018.

Total amount of ECL on trade accounts receivable of related party amounted to KZT 314,703 thousand as at 30 September 2022.

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in the amount of KZT 11,794,689 thousand. In accordance with the sale and purchase agreement, the Group will complete the payment in equal annual instalments until 25 March 2025. Accordingly, the Group discounted the future cash flows using discount rate of 10.25%, which is the Group Management's best estimate of market rate. As at 30 September 2022, unamortised discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 833,883 thousand.

As at 30 September 2022, the amount of payable net of the discount was KZT 6,242,929 thousand, of which KZT 4,146,691 thousand were included within long-term payables from related parties. For nine months ended 30 September 2022, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of KZT 432,812 thousand.

Lease liabilities

In 2017, the Group signed long-term agreement with related party, Samruk-Kazyna Business Service LLP, on provision of rights of software use. As at 30 September 2022, the Group's lease debt was fully repaid (as at 31 December 2021: KZT 111,895 thousand).

27. Related party transactions (continued)

Other

The amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan amounted to KZT 14,805,842 thousand as at 30 September 2022 (as at 31 December 2021: KZT 37,835,274 thousand).

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the interim consolidated statement of comprehensive income amounted to KZT 232,902 thousand for the period ended 30 September 2022 (for the period ended 30 September 2021: KZT 286,049 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. COMMITMENTS AND CONTINGENCIES

Operating environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group's financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2022.

Compliance with loan covenants

The Group has entered into loan agreements with the EBRD and IBRD of which the total principal amount is 26,836 thousand US dollars and 8,626 thousand euros as at 30 September 2022. In accordance with loan agreements between Group and creditors, the Group must comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

28. CONTINGENT LIABILITIES (CONTINUED)

Compliance with loan covenants (continued)

The Group also issued bonds and has to comply with the following covenants:

- Debt to EBITDA of not more than 3:1;
- Total debt to total capital of not more than 0.6:1

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 30 September 2022 and 31 December 2021. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As at 30 September 2022, the Group excluded from EBITDA the foreign exchange loss of KZT 324,449 thousand (for the nine months of 2021: foreign exchange gain of KZT 594,283 thousand). In addition, the Group's management believes that it has complied with all covenants stipulated by the terms of the bond issue.

Insurance

As at 30 September 2022, the Group insured production assets with a cost of KZT 221,316,260 thousand. The specified amount does not include the result of the revaluation of NET assets carried as at 1 December 2021, since the procedure for concluding an insurance contract was carried out before 1 December 2021. In the event of an insured event, the insurance payment is made within the insured amount. The Group did not insure its other property. Since the absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these interim consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

In order to ensure the reliability of the national electricity grid through the reconstruction of 220-500 kV transmission lines, which have already reached and which will be achieved in the coming years, the standard service life and to increase the reliability of electricity supply to consumers in the Western zone of the UES of Kazakhstan, as well as to maintain production assets in working order, the Group has developed capital investment plan.

Five-year (2021-2025) investment programme of KEGOC for a total amount of KZT 274,760,648 thousand approved by the joint order No.122 of the sectoral state body dated 7 April 2021 and the department of the authorized body No.21-OD dated 11 March 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and shall be implemented 100%. However, KEGOC may make changes to it and adjust the cost and timing of individual events.

As at 30 September 2022, capital commitments under the open contracts entered by the Group under the plan amounted to KZT 68,501,117 thousand (31 December 2021: KZT 100,950,878 thousand).

In 2020-2022, due to the unstable epidemiological situation and the introduction of sanitary measures almost everywhere, it was objectively difficult to organize and ensure the timely completion of construction and installation works in full, as part of the capital investment plan.

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction of working shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of the main power equipment and, accordingly, the timing fulfilment of contractual obligations of a capital nature. In addition, the probability of fluctuations in the value of contractual obligations remains, the main reason for these fluctuations is the impact of changes in exchange rates caused by the transition to a free-floating exchange rate of the tenge as part of the introduction of inflation targeting.

28. CONTINGENT LIABILITIES (CONTINUED)

Activity regulation

Tariffs for the transmission of electrical energy, technical dispatching of grid output and consumption of electrical energy and organization of balancing the production and consumption of electric energy

The company provided regulated services from 1 January to 30 September 2021, at the following tariffs:

- 2.448 KZT/kWh (excluding VAT) for the transmission of electricity;
- 0.264 KZT/kWh (excluding VAT) for technical dispatching of supply and consumption of electricity in the grid;
- 0.086 KZT/kWh (excluding VAT) for balancing the production and consumption of electricity.

These tariffs on regulated services of KEGOC have been set in accordance with requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan "On natural monopolies", in accordance with which the funds allocated for the implementation of the approved investment programme (amortized contributions and profits) have been excluded from then-current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment programme.

Order No.79-OD of the Committee for the Regulation of Natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated 16 August 2021, approved the following tariffs:

1) transmission of electric energy:
    - from 1 October 2021 to 30 September 2022 – 2.797 KZT/kWh (excluding VAT);
    - from 1 October 2022 to 30 September 2023 – 2.848 KZT/kWh (excluding VAT);
    - from 1 October 2023 to 30 September 2024 – 3.004 KZT/kWh (excluding VAT);
    - from 1 October 2024 to 30 September 2025 – 3.106 KZT/kWh (excluding VAT);
    - from 1 October 2025 to 30 September 2026 – 3.134 KZT/kWh (excluding VAT).
2) technical dispatching of the electricity supply and consumption in the grid:
    - from 1 October 2021 to 30 September 2022 – 0.306 KZT/kWh (excluding VAT);
    - from 1 October 2022 to 30 September 2023 – 0.314 KZT/kWh (excluding VAT);
    - from 1 October 2023 to 30 September 2024 – 0.333 KZT/kWh (excluding VAT);
    - from 1 October 2024 to 30 September 2025 – 0.348 KZT/kWh (excluding VAT);
    - from 1 October 2025 to 30 September 2026 – 0.355 KZT/kWh (excluding VAT).
3) electricity production and consumption balancing:
    - from 1 October 2021 to 30 September 2022 – 0.098 KZT/kWh (excluding VAT);
    - from 1 October 2022 to 30 September 2023 – 0.102 KZT/kWh (excluding VAT);
    - from 1 October 2023 to 30 September 2024 – 0.105 KZT/kWh (excluding VAT);
    - from 1 October 2024 to 30 September 2025 – 0.108 KZT/kWh (excluding VAT);
    - from 1 October 2025 to 30 September 2026 – 0.110 KZT/kWh (excluding VAT).

Order No. 67-OD of the Committee on the regulation of natural monopolies and protection of competition of the Ministry of National Economy of the Republic of Kazakhstan dated 22 April 2022, approved temporary compensatory tariffs (hereinafter referred to as TCT) for regulated services of KEGOC with due regard to the fact of non-fulfilment of cost items in the tariff estimate as a result of savings on purchased electricity for technical losses of electricity in 2017 and 2018, effective on 1 June 2022 to 31 May 2023:

Electricity transmission tariffs:
- 2.594 KZT/kWh (without VAT) from 1 June to 30 September 2022;
- 2.645 KZT/kWh (without VAT) from 1 October 2022 to 31 May 2023;

Balancing the production of electricity consumption:
- 0.091 KZT/kWh (without VAT) from 1 June to 30 September 2022;
- 0.095 KZT/kWh (without VAT) from 1 October 2022 to 31 May 2023;

28. CONTINGENT LIABILITIES (continued)

Activity regulation (continued)

Technical dispatching of the electricity supply and consumption in the grid:
- 0.285 KZT/kWh (without VAT) from 1 June to 30 September 2022;
- 0.294 KZT/kWh (without VAT) from 1 October 2022 to 31 May 2023;

The KEGOC did not agree with the decision of the Committee since, in accordance with the Law of the Republic of Kazakhstan on Natural Monopolies, the savings accumulated in terms of cost items of the tariff estimate in 2017 and 2018 were used for implementation of the Investment Programme. Thus, KEGOC did not inflict losses on its consumers and did not receive unreasonable income. In this connection, this Order No. 67-OD dated 22 April 2022 is being challenged by KEGOC in court.

This Order has been suspended for the duration of the trial.

If the Company applied the temporary compensatory tariff, then the Company's profit for the nine months ended 30 September 2022 would have decreased by KZT 3,607,286 thousand.

29. SUBSEQUENT EVENTS

On 27 October 2022, the General Meeting of Shareholders of KEGOC decided to pay dividends based on the performance results of the first half of 2022 in the amount of KZT 17,014,309 thousand for all holders of ordinary shares of KEGOC JSC.