Kazakhstan Electricity Grid Operating Company JSC

Consolidated financial statements

As at and for the year ended 31 December 2021
with independent auditor's report

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder, Board of Directors and Management of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of property, plant and equipment	
As of 31 December 2021, the carrying value of the National Electricity Grid ("NES") amounted to 879.981.350 thousand tenge (31 December 2020: 580.456.916 thousand tenge). The NES assets are accounted at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters. Information on NES assets and analysis of changed in fair value of NES assets is presented in Note 4 to the consolidated financial statements.	We obtained from Management of the Group the valuation report prepared by external valuation expert. We assessed the competence and objectivity of the external expert engaged by the Group. We reviewed valuation report and reviewed the valuation methodology. We compared NES in the register of property, plant and equipment with the list of assets assessed by the external expert. We compared other input data, used by the external expert, such as development plan approved by management, tariffs and electricity volume forecast with internal data sources. We compared tariffs for the services, used in the calculation of value in use, with tariffs approved by authorized government body. We compared discount rate and long-term growth rate with general market indicators and other available information. We reviewed mathematical accuracy of the cash flow model and evaluated sensitivity. We analyzed the accounting entries, recorded in the consolidated financial statement, in relation to revaluation. We analyzed information, disclosed in Notes 4 and 6 to the consolidated financial statements.

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Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain covenants. Breaching of these covenants can lead to significant fines and penalties, along with funding shortages. In addition, cross-default provisions are in place under credit facility arrangements. Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the consolidated financial statements, and on classification of loans and bonds in the consolidated financial statements. Information on compliance with covenants disclosed in Note 29 to the consolidated financial statements.	We examined the terms of credit facilities on covenants, including additional clauses on cross-default conditions. We compared data used in the calculations with the consolidated financial statements. We reviewed mathematical accuracy of calculations based on financial indicators. We analyzed the management evaluation of the risk that breach of any terms is likely within the next 12 months and the potential impact of breach on the going concern basis. We analyzed information received from creditors in relation to compliance with covenants as of 31 December 2021. We also analyzed information disclosed in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

ТОО "RSM Qazaqstan"

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate # 0000137 dated 21 October 1994

State audit license for audit activities on the territory of the Republic of Kazakhstan #19024411 issued by the Ministry of Finance of the Republic of Kazakhstan on 24 December 2019

43, Dostyk Avenue, office 302
Almaty, 050010, Republic of Kazakhstan

18 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Tenge	**Notes**	**31 December 2021**	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**976.001.316**	652.478.444
Intangible assets		**3.165.491**	3.327.999
Advances paid for non-current assets	6	**5.431.849**	4.126.292
Deferred tax asset	25	**–**	159.652
Investment in associate	7	**2.278.332**	2.017.593
Long-term receivables from related parties	27	**634.192**	742.477
Other financial assets, non-current portion	11	**32.309.237**	32.340.094
		1.019.820.417	695.192.551
Current assets			
Inventories	8	**2.590.383**	2.549.293
Trade account receivable	9	**12.991.260**	28.603.307
VAT recoverable and other prepaid taxes		**3.231.654**	477.893
Prepaid income tax		**817.245**	1.017.708
Other current assets	10	**974.072**	2.945.237
Other financial assets, current portion	11	**40.187.573**	58.801.720
Restricted cash	12	**670.902**	552.586
Cash and cash equivalents	13	**11.933.828**	21.867.205
		73.396.917	116.814.949
Assets held for sale		**–**	5.126
Total assets		**1.093.217.334**	812.012.626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	**126.799.554**	126.799.554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**569.845.780**	309.836.582
Retained earnings		**40.492.413**	65.921.264
		737.136.817	502.556.470
Non-current liabilities			
Borrowings, non-current portion	15	**35.639.645**	49.843.453
Bonds payable, non-current portion	16	**117.142.516**	92.717.685
Deferred tax liability	25	**151.470.158**	89.323.835
Long-term payables	17	**5.972.684**	7.651.017
Government grants, non-current portion		**–**	29.113
Lease liabilities, non-current portion	27	**–**	99.406
Other liabilities, non-current portion		**171.628**	102.412
		310.396.631	239.766.921
Current liabilities			
Borrowings, current portion	15	**13.854.307**	14.334.439
Bonds payable, current portion	16	**4.562.983**	4.138.458
Trade and other accounts payable, current portion	17	**18.512.531**	40.884.883
Contract liabilities		**2.064.346**	3.336.881
Government grant, current portion		**18.325**	30.430
Lease liabilities, current portion	27	**111.895**	462.359
Taxes payable other than income tax	18	**2.403.728**	2.028.506
Income tax payable		**–**	52.818
Other current liabilities	19	**4.155.771**	4.420.461
		45.683.886	69.689.235
Total liabilities		**356.080.517**	309.456.156
Total equity and liabilities		**1.093.217.334**	812.012.626
Book value per ordinary share (in Tenge)	14	**2.823**	1.920

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board _______________ *K. Moldabayev*

Chief Accountant _______________ *D. Mukanova*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Continuing operations			
Revenue from contracts with customers	20	**186.443.137**	179.097.563
Cost of sales	21	**(120.682.903)**	(101.920.927)
Gross profit		**65.760.234**	77.176.636
General and administrative expenses	22	**(8.539.823)**	(7.817.094)
Selling expenses		**(381.235)**	(364.084)
Gain from recovery of loss from revaluation of property, plant and equipment	6	**2.869.512**	–
Loss from revaluation of property, plant and equipment	6	**(10.813.536)**	(19.210)
Operating profit		**48.895.152**	68.976.248
Finance income	23	**5.368.222**	5.480.240
Finance costs	23	**(11.670.429)**	(11.200.196)
Foreign exchange gain/(loss), net	24	**451.045**	(5.309.688)
Share of profit of an associate	7	**260.739**	358.447
Income from sale of an asset held for sale	27	**2.182.037**	–
Other income		**1.739.332**	876.774
Other expenses		**(563.892)**	(622.600)
Accrual of provision for expected credit losses	8, 9, 10, 11, 12	**110.078**	39.913
Profit before tax		**46.772.284**	58.599.138
Income tax expense	25	**(7.607.838)**	(10.100.904)
Profit for the year from continuing operations		**39.164.446**	48.498.234
Discontinued operations			
Profit after tax for the year from discontinued operations	26	**13.471.466**	4.967.037
Profit for the year		**52.635.912**	53.465.271
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax			
Gain from revaluation of property, plant and equipment		**325.744.754**	–
Income tax effect	25	**(65.148.951)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**260.595.803**	–
Total comprehensive income for the year, net of tax		**313.231.715**	53.465.271
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	**202,45**	205,64
Earnings per share from continuing operations			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	**150,63**	186,53

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board ______ *K. Moldabayev*

Chief Accountant ______ *D. Mukanova*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Operating activities			
Profit before tax from continuing operations		**46.772.284**	65.748.232
Profit before tax from discontinued operations	26	**17.506.488**	–
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**36.867.809**	34.076.993
Finance costs	23, 26	**11.681.665**	11.205.980
Finance income	23, 26	**(7.562.497)**	(7.146.006)
Foreign exchange gain/(loss), net	24	**(451.045)**	5.309.688
Accrual of provision for expected credit losses		**297.853**	458.445
Accrual of allowance for obsolete inventories		**1.074**	57.028
Loss from disposal of property, plant and equipment and intangible assets		**151.639**	372.695
Gain from recovery of loss from revaluation of property, plant and equipment	6	**(2.869.512)**	–
Loss from revaluation of property, plant and equipment	6	**10.813.536**	19.120
Share of profit of an associate	7	**(260.739)**	(358.447)
Income from government grants		**(30.430)**	(30.430)
Working capital adjustments			
Change in inventories		**(197.629)**	(472.164)
Change in trade accounts receivable		**(12.850.642)**	(7.404.216)
Change in other current assets		**2.037.418**	(2.325.816)
Change in VAT recoverable and other prepaid taxes		**(2.753.788)**	221.035
Change in trade and other accounts payable		**5.894.563**	16.526.787
Change in contract liabilities		**(1.245.578)**	1.168.996
Change in other non-current liabilities		**69.216**	102.412
Change in taxes payable other than income tax		**2.400.671**	(1.237.193)
Change in other current liabilities		**(324.363)**	142.312
Cash flows from operating activities		**105.947.993**	116.435.541
Interest paid		**(1.167.132)**	(2.093.727)
Coupon interest paid		**(11.538.332)**	(8.460.500)
Lease interest paid		**(45.050)**	(87.769)
Commissions paid on bank guarantees		**(990.818)**	(966.986)
Interest received		**5.971.573**	5.405.063
Income tax paid		**(14.309.266)**	(13.529.672)
Net cash flows received from operating activities		**83.868.968**	96.701.950

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	2021	2020
Investing activities			
Withdraw of bank deposits		**97.222.309**	40.103.448
Replenishment of bank deposits		**(93.421.164)**	(48.792.359)
Change in restricted cash		**–**	4.238.713
Gain from sale of property, plant and equipment and intangible assets		**203.673**	196.498
Purchase of property, plant, equipment and advances paid for property, plant and equipment		**(40.214.058)**	(30.376.834)
Purchase of intangible assets		**(36.653)**	(51.273)
Acquisition of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**(66.747.566)**	(117.199.634)
Redemption of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**78.930.920**	85.659.159
Repurchase of DSFK bonds by the issuer	11	**54.453**	67.980
Partial return of funds from Kazinvestbank and Eximbank Kazakhstan		**331.697**	358.558
Cash and cash equivalent of disposed company (RFC)	26	**(38.847.799)**	–
Repayment of loans to employees		**–**	564
Dividends from an associate	7	**203.095**	–
Net cash flows used in investing activities		**(62.321.093)**	(65.795.180)
Financing activities			
Issue of bonds	28	**25.235.121**	9.032.407
Dividends paid	14	**(41.529.578)**	(32.746.767)
Repayment of borrowings	28	**(14.614.808)**	(6.574.597)
Principal repayment of lease liability	28	**(436.606)**	(400.692)
Net cash flows used in financing activities		**(31.345.871)**	(30.689.649)
Net change in cash and cash equivalents		**(9.797.996)**	217.120
Effect of exchange rate changes on cash and cash equivalents		**(115.531)**	460.732
Effect of accrual of provision on expected credit losses on cash and cash equivalents		**(19.850)**	10.071
Cash and cash equivalent, as at 1 January		**21.867.205**	21.179.282
Cash and cash equivalents, as at 31 December	13	**11.933.828**	21.867.205

Non-cash operations:

1) During 2021 the Group capitalized the coupon interest on bonds in the cost of property, plant and equipment in the amount of 1.592.927 thousand tenge *(Note 6)*.
2) In January 2021 the Group sold land plots to related party - Samruk Kazyna Construction JSC for the amount of 2.182.037 thousand tenge. In accordance with the agreement on the transfer of property, Samruk-Kazyna Construction JSC undertakes to transfer residential, non-residential (commercial) premises and parking spaces to the Group's ownership at market value in an amount equivalent to the value of the land plot. Accordingly, this amount was recognized as advances given for non-current assets *(Note 27)*.

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board ____________ *K. Moldabayev*

Chief Accountant ____________ *D. Mukanova*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of Tenge	Share capital	Treasury shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2020	126.799.554	(930)	310.369.243	44.670.157	481.838.024
Profit for the year	–	–	–	53.465.271	53.465.271
Total comprehensive income	–	–	–	53.465.271	53.465.271
Dividends *(Note 14)*	–	–	–	(32.746.825)	(32.746.825)
Transfer of asset revaluation reserve *(Note 14)*	–	–	(532.661)	532.661	–
As at 31 December 2020	126.799.554	(930)	309.836.582	65.921.264	502.556.470
Profit for the year	–	–	–	**52.635.912**	**52.635.912**
Gain from revaluation of property, plant and equipment, net of income tax *(Note 4)*	–	–	**260.595.803**	–	**260.595.803**
Total comprehensive income	–	–	**260.595.803**	**52.635.912**	**313.231.715**
Dividends *(Note 14)*	–	–	–	**(41.529.578)**	**(41.529.578)**
Disposal of a subsidiary *(Note 26)*	–	–	–	**(37.121.790)**	**(37.121.790)**
Transfer of asset revaluation reserve *(Note 14)*	–	–	**(586.605)**	**586.605**	–
As at 31 December 2021	**126.799.554**	**(930)**	**569.845.780**	**40.492.413**	**737.136.817**

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board — K. Moldabayev

Chief Accountant — D. Mukanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 some assets of the former National Energy System "Kazakhstanenergo".

As at 31 December 2021 the Company's major shareholder was 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 the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services 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 unified power system (the "NES"), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As of 31 December 2021 and 31 December 2020 the Company has stakes in the following companies:

		Percentage of ownership	
Companies	**Activities**	**31 December 2021**	31 December 2020
Energoinform JSC ("Energoinform")	Maintenance of the KEGOC's IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP ("RFC" LLP) (Note 26)	Centralized sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralized provision of services to ensure the readiness of electricity capacity to bear the power load of capacity market.	**–**	100%

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and gift contract from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group *(Note 26)*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

For management purposes, the Group's activities before disposal of "RFC" LLP was organized into business units based on their services, and had three operating segments:

- *Electricity transmission and related support*. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 № 204-VI ЗРК *On Natural Monopolies* (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 of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the "Committee").

Operations related to disposed subsidiary "RFC" LLP represented by the following:

- *Ensure readiness of electricity capacity to bear the power 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 reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time
- *Sale of purchased electricity*. The sale of purchased electricity segment includes the renewable energy sector (hereinafter − "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

The Company's registered office is located at 59 Tauelsyzdyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Chairman of the Management Board and Chief Accountant of the Company on 18 March 2022.

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The 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 the consolidated financial statements on the basis that it will continue to operate as going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. 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 following term apply:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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 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 over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In 2021, the Group first applied the amendments and clarifications below, but they did not have an impact on its consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 4, IFRS 7, IFRS 9, IAS 39, and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR)

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Standards issued but not yet effective

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily 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 current 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 non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 trading 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.

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 values, 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 values discusses 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 consolidated financial statements are presented in Tenge ("KZT"), which is also the Group's 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 retranslated 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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

Exchange rate as at the end of the year (to KZT)	**31 December 2021**	31 December 2020
1 USD	**431,67**	420,91
1 EUR	**487,79**	516,79
1 RUB	**5,77**	5,62

Average exchange rate for the year (to KZT)	**31 December 2021**	31 December 2020
1 USD	**426,03**	412,95
1 EUR	**504,04**	471,44
1 RUB	**5,78**	5,73

Property, plant and equipment

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	60 years
NES assets	
Power transmission lines	50 years
Construction	10-30 years
Machinery and equipment	12-30 years
Vehicles and other property, plant and equipment	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 consolidated statement of comprehensive income.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized 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 amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the 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 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. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. 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.

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. If no such transactions can be identified, an appropriate valuation model is used. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations (including impairment on inventories) are recognized in the 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 recognized 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 recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset 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.

Investments in an associate

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 is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the 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 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.

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 amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (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 consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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.

Financial liabilities are recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Subsequent measurement

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

Borrowings and bonds- issued

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the consolidated statement of comprehensive income

Trade and other payables

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 derecognized 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 recognized in the consolidated statement of comprehensive income

Offsetting of financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized 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 recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognized 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.

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.

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 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

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 212,500 tenge per month (2020: 212,500 tenge) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 recognized 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 consolidated financial statements are authorized for issue.

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's 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 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.

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 August 16, 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 (October 1, 2021 to September 30, 2026). The observed increase in the cost of materials and equipment, as well as the depreciation of the national currency – tenge led to an increase in the cost of most assets and inclusion in other comprehensive income of the revaluation results in the amount of 325.744.754 thousand tenge and the corresponding deferred tax liability in the amount of 65.148.951 thousand tenge, as well as an increase in the value of certain previously depreciated assets included in profit or loss in the amount of 2.869.512 thousand tenge and decrease in the value of certain assets included in profit or loss in the amount of 10.813.536 thousand tenge. The approval of new tariffs for regulated services for 5-year period confirmed the recoverability of the cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revaluation of property, plant and equipment (continued)

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 873.182.745 thousand tenge 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%
Average remaining useful life of the primary asset	40 лет

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 for approximately 61.627.776 thousand tenge or 47.408.662 thousand tenge, respectively.

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 recognized.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows 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 consolidated financial statements.

Bonds DSFK

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 1,498,249 thousand tenge. 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 411,883 thousand tenge. 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 31 December 2021 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 31 December 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2021, the Group revalued the fair value of the bonds at a discount rate of 17,3%, which represents the market discount rate as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Control over a subsidiary

The Group's management believes that KEGOC had control over RFC LLP prior to its transfer to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan on 30 December 2021, since, in accordance with the requirements of IFRS 10 Consolidated Financial Statements, it had authorities in relation to RFC LLP, was exposed to risk of changes in income from participation in RFC LLP and also had the opportunity to use its power in relation to RFC LLP to influence the amount of its income and no one limited its rights to received such income.

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.

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:

n thousands of Tenge	**2021**	2020
Revenue from Kazakhstan customers	**168.375.485**	161.543.035
Revenue from Russian customers	**17.155.351**	16.579.111
Revenue from Uzbekistan customers	**878.486**	954.342
Revenue from Kyrgyz customers	**33.815**	21.075
Total revenue per consolidated statement of comprehensive income	**186.443.137**	179.097.563

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

For the year ended 31 December 2021 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to 24.780.095 thousand tenge and includes revenue from electricity transmission and the provision of related support (for the year ended 31 December 2020: 24.536.150 thousand tenge).

Operating segments

For management purposes, the Group's activities are organized into business units based on their services, and has 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;
- *Ensure readiness of electricity capacity to bear the power 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. Balance sustainability refers to the ability of a power system to meet consumer demand for electricity at any given time;
- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS INFORMATION

Due to disposal of the subsidiary RFC 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

In thousands of Tenge	**Land**	**Building**	**NES assets**	**Vehicles and other property, plant and equipment**	**Construction -in-progress**	**Total**
Cost						
As at 1 January 2020	1.910.256	18.736.506	1.168.404.052	41.824.517	16.997.067	1.247.872.398
Additions	11.269	196.100	8.027.050	2.894.181	24.694.126	35.822.726
Transfers	48.813	186.638	3.929.847	866.458	(5.031.756)	–
Transfers to intangible assets	–	–	–	–	(1.612.929)	(1.612.929)
Transfers from inventory	–	–	–	–	837.678	837.678
Transfers to non-current assets for sale	(5.126)	–	–	–	–	(5.126)
Disposals	–	(402.940)	(2.552.883)	(444.198)	(73.815)	(3.473.836)
As at 31 December 2020	1.965.212	18.716.304	1.177.808.066	45.140.958	35.810.371	1.279.440.911
Additions	**–**	**256.716**	**7.314**	**766.419**	**41.715.516**	**42.745.965**
Transfers	**–**	**162.809**	**14.769.795**	**2.661.509**	**(17.594.113)**	**–**
Gain on revaluation (OCI)	**–**	**–**	**693.824.746**	**–**	**–**	**693.824.746**
Revaluation (through profit or loss)	**–**	**–**	**(9.559.573)**	**–**	**–**	**(9.559.573)**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(297.463)**	**(297.463)**
Disposals	**–**	**(25.558)**	**(2.351.999)**	**(539.854)**	**(203.326)**	**(3.120.737)**
Disposal of subsidiary	**–**	**–**	**–**	**(59.522)**		**(59.522)**
As at 31 December 2021	**1.965.212**	**19.110.271**	**1.874.498.349**	**47.969.510**	**59.430.985**	**2.002.974.327**
Accumulated depreciation and impairment						
As at 1 January 2020	–	(4.648.512)	(568.907.101)	(22.524.101)	(221.694)	(596.301.408)
Charge for the period	–	(249.462)	(30.572.899)	(2.779.662)	–	(33.602.023)
Disposals	–	393.737	2.128.850	437.587	–	2.960.174
Reversal of impairment	–	–	–	–	(19.210)	(19.210)
As at 31 December 2020	–	**(4.504.237)**	**(597.351.150)**	**(24.866.176)**	**(240.904)**	**(626.962.467)**
Charge for the period	**–**	**(447.684)**	**(32.774.688)**	**(2.935.735)**	**–**	**(36.158.107)**
Transfers	**–**	**135**	**(135)**	**–**	**–**	**–**
Gain on revaluation (OCI)	**–**	**–**	**(368.079.992)**	**–**	**–**	**(368.079.992)**
Revaluation (through profit or loss)	**–**	**–**	**1.703.832**	**–**	**–**	**1.703.832**
Disposals	**–**	**15.895**	**1.985.134**	**535.286**	**43.736**	**2.580.051**
Impairment	**–**	**–**	**–**	**–**	**(88.283)**	**(88.283)**
Disposal of subsidiary	**–**	**–**	**–**	**31.955**	**–**	**31.955**
As at 31 December 2021	**–**	**(4.935.891)**	**(994.516.999)**	**(27.234.670)**	**(285.451)**	**(1.026.973.011)**
Net book value						
As at 1 January 2020	1.910.256	14.087.994	599.496.951	19.300.416	16.775.373	651.570.990
As at 31 December 2020	1.965.212	14.212.067	580.456.916	20.274.782	35.569.467	652.478.444
As at 31 December 2021	**1.965.212**	**14.174.380**	**879.981.350**	**20.734.840**	**59.145.534**	**976.001.316**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Cost	**435.418.856**	421.253.836
Accumulated depreciation	**(135.932.403)**	(124.078.236)
Net book value	**299.486.453**	297.175.600

As at 31 December 2021 and 31 December 2020 the cost of fully amortized property, plant and equipment, which is still in use amounted to 13.679.221 thousand tenge and 43.753.588 thousand tenge, respectively.

Capitalized costs on issued bonds

During the year ended 31 December 2021 the Group capitalized the cost of coupon interest on issued bonds amounted to 1.592.927 thousand tenge less investment income (2020 year: 310.407 thousand tenge) *(Note 16)*.

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbaiskie MES”, and “Western MES” (stage 1)”.

Advances paid for non-current assets

As at 31 December 2021 and 31 December 2020 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbayskie MES”, “Western MES” branches (stage 1)”, “Strengthening of the external power supply scheme of Turkestan. Construction of power grid facilities” and “Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities”.

7. INVESTMENTS IN ASSOCIATE

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 summarized financial information about Batys Transit:

In thousands of Tenge	**31 December 2021**	31 December 2020
Current assets	**20.480.453**	17.139.259
Non-current assets	**12.136.672**	17.309.889
Current liabilities	**(6.285.494)**	(7.440.560)
Non-current liabilities	**(14.939.971)**	(16.920.626)
Net assets	**11.391.660**	10.087.962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN ASSOCIATE (continued)

In thousands of Tenge	**31 December 2021**	31 December 2020
Group's share in net assets	**2.278.332**	2.017.593
Carrying amount of the investments	**2.278.332**	2.017.593

In thousands of Tenge	**31 December 2021**	31 December 2020
Revenue	**9.505.004**	10.406.346
Net profit	**1.303.697**	1.792.235
Group's share in profit of Batys Transit	**260.739**	358.447

As at 31 December 2021 and 31 December 2020, the associate had no contingent liabilities or future capital commitments.

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to allocate a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of 1.015.477 thousand tenge, at the rate of 33.849,23 tenge per ordinary share. The payment start date is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividend receivable in the amount of 203,095 thousand tenge were included in the consolidated statement of financial position as at 31 December 2020. As of 31 December 2021, dividends have been paid.

8. INVENTORIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Raw and other materials	**1.390.943**	1.441.729
Spare parts	**1.175.291**	1.113.256
Fuel and lubricants	**87.850**	84.148
Other inventory	**274.285**	273.433
Less: allowance for obsolete inventories	**(337.986)**	(363.273)
	2.590.383	2.549.293

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**363.273**	313.118
Charge	**99.941**	201.353
Reversal	**(98.867)**	(144.325)
Write-off	**(26.361)**	(6.873)
At 31 December	**337.986**	363.273

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2021**	31 December 2020
Trade accounts receivable	**15.265.245**	31.505.569
Less: allowance for expected credit losses and impairment	**(2.273.985)**	(2.902.262)
	12.991.260	28.603.307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

In thousands of Tenge	**2021**	2020
At 1 January	**2.902.262**	2.104.309
Charge	**2.681.628**	2.025.634
Reversal	**(2.151.483)**	(1.227.681)
Write-off	**(1.158.422)**	–
At 31 December	**2.273.985**	2.902.262

As at 31 December 2021 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of 1.583.830 thousand tenge (31 December 2020: 1.721.705 thousand tenge).

As at 31 December 2021 provision for debts from National Electric Grids of Uzbekistan JSC amounted to 1.503.743 thousand tenge (31 December 2020: 1.466.984 thousand tenge).

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

	Trade account receivables					
			Days past due			
In thousands of Tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
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 in case of 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**
31 December 2020						
Percentage of expected credit losses	9,21%	0,75%	14,06%	19,89%	32,29%	99,12%
Estimated total gross carrying amount in case of default	31.505.569	26.405.391	1.090.797	1.233.908	667.744	2.107.729
Expected credit losses	(2.902.262)	(198.706)	(153.340)	(245.440)	(215.639)	(2.089.137)
	28.603.307	26.206.685	937.457	988.468	452.105	18.592

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**11.902.968**	27.812.664
Russian Rouble	**1.008.648**	535.922
US Dollars	**79.644**	254.721
	12.991.260	28.603.307

10. OTHER CURRENT ASSETS

In thousands of Tenge	**31 December 2021**	31 December 2020
Advances paid for goods and services	**491.362**	2.216.768
Other receivables for property, plant and equipment and constructions *(Note 27)*	**399.974**	399.974
Deferred expenses	**201.238**	166.970
Loans receivable from employees	**469**	469
Other	**366.962**	769.850
Less: provision for expected credit losses and impairment	**(485.933)**	(608.794)
	974.072	2.945.237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER CURRENT ASSETS (continued)

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

In thousands of Tenge	**2021**	2020
At 1 January	**608.794**	472.349
Charge	**196.394**	219.244
Reversal	**(276.349)**	(82.641)
Write-off	**(42.906)**	(158)
At 31 December	**485.933**	608.794

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**31 December 2021**	31 December 2020
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.144.252**	30.213.089
Bank deposits	**26.529.980**	29.656.027
Notes of the National Bank of the Republic of Kazakhstan	**13.646.481**	28.823.615
Placements with Eximbank Kazakhstan	**2.308.946**	2.572.504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.850.569**	1.816.832
Placements with DeltaBank	**1.230.000**	1.230.000
Placements with Kazinvestbank	**1.201.850**	1.219.017
Interest accrued on Samruk-Kazyna bonds	**254.333**	254.334
Interest accrued on Ministry of Finance Eurobonds of the Republic of Kazakhstan	**18.305**	17.163
Interest accrued on Samruk-Kazyna bond	**–**	203.095
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2.308.946)**	(2.572.504)
Less: provision for impairment of placements with DeltaBank	**(1.230.000)**	(1.230.000)
Less: provision for impairment of placements with Kazinvestbank	**(1.201.850)**	(1.219.017)
Less: provision for expected credit losses	**(261.528)**	(152.516)
	72.182.392	90.831.639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**314.418**	310.175
	314.418	310.175
Total other financial assets	**72.496.810**	91.141.814
Other current financial assets	**40.187.573**	58.801.720
Other non-current financial assets	**32.309.237**	32.340.094
Total other financial assets	**72.496.810**	91.141.814

Movement in the provision for impairment of other financial assets are as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**5.174.037**	5.632.274
Charge	**420.248**	442.012
Reversal	**(591.942)**	(900.249)
Write-off	**(19)**	–
At 31 December	**5.002.324**	5.174.037

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond 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 SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bank deposits

As at 31 December 2021 and 31 December 2020 the deposits include accrued interest income in the amount of 67.429 thousand tenge and 65.981 thousand tenge, respectively. Information about banks is provided in *Note 28* under credit risk.

Notes of the National Bank of the Republic of Kazakhstan

During the 2021 year the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Kazakhstan Stock Exchange in general amount of 66.747.566 thousand tenge (2020: 117.199.634 thousand tenge). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the year ended 31 December 2021 amounted to 78.930.920 thousand tenge (2020: 85.659.159 thousand tenge). During the year ended 31 December 2021 the Group recognized a finance income of 681.430 thousand tenge (794.117 thousand tenge) *(Note 23)*.

Placements with Eximbank Kazakhstan JSC

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank Kazakhstan of the license in terms of accepting deposits, opening bank accounts of 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%, which represents 2.930.115 thousand tenge.

During 2021 year the Liquidation Committee of Eximbank Kazakhstan made payment to the Group in the amount of 726 thousand US dollars (equivalent to 363.558 thousand tenge as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses (2020: 805 thousand US dollars, equivalent to 330.624 thousand tenge).

Kazinvestbank

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US dollars (equivalent to 14,033 thousand tenge as of the date of payment using exchange rate of 322.27 tenge per US dollars) and in the amount of 222.4 tenge thousand, respectively. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US dollars (equivalent to 6,085 thousand tenge) and in the amount of 96,4 thousand tenge, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

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 17.167 thousand tenge as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

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% per annum and maturity until October 2024 at a price higher than the nominal amount of 4.368 thousand US dollars (equivalent of 1.816.832 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the year ended 31 December 2021, Special Financial Company DSFK LLP redeemed bonds of 54.453 thousand tenge.

As at 31 December 2021, the Group reassessed the fair value of bonds and increased their carrying amount to 314.418 thousand tenge, recognizing gain from revaluation of financial instruments in the amount of 58.696 thousand tenge as finance income in the consolidated statement of comprehensive income (2020: 89.541 thousand tenge) *(Note 23)*.

Other financial assets were represented in the following currencies:

In thousands of Tenge	**Interest rate**	**31 December 2021**	31 December 2020
Tenge	0,01 – 9,15%	**44.550.133**	64.453.314
US Dollar	1 – 3,875%	**27.946.677**	26.688.500
		72.496.810	91.141.814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

In thousands of Tenge	**31 December 2021**	31 December 2020
Cash reserved for return on guarantee obligations	**671.160**	553.284
Less: provision for expected credit losses	**(258)**	(698)
	670.902	552.586

During 2021 and 2020 interest was not charged on restricted cash.

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

In thousands of Tenge	**2021**	2020
At 1 January	**698**	8.467
Charge	**277**	855
Reversal	**(717)**	(8.624)
At 31 December	**258**	698

As at 31 December 2021 and 31 December 2020, restricted cash, including funds expected to be redeemed, was denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**670.902**	552.586
	670.902	552.586

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 December 2021**	31 December 2020
Short-term deposits, in Tenge	**9.992.991**	10.812.426
Current accounts with banks, in Tenge	**1.760.179**	10.816.529
Current accounts with banks, in foreign currencies	**168.534**	244.835
Cash on hand, in Tenge	**11.788**	1.828
Cash at special accounts, in Tenge	**1.111**	752
Less: provision for expected credit losses	**(775)**	(9.165)
	11.933.828	21.867.205

As at 31 December 2021, the Group placed short-term deposits with maturity up to 3 months, with banks at 7,5-8,5% per annum (2020: 7-8,25% per annum).

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

In thousands of Tenge	**2021**	2020
As at 1 January	**9.165**	19.236
Charge	**35.908**	14.551
Reversal	**(16.058)**	(24.622)
Write-off	**(28.240)**	–
As at 31 December	**775**	9.165

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

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**11.765.355**	21.622.663
US dollar	**168.094**	20.991
Euro	**1**	1
Russian rouble	**–**	223.177
Others	**378**	373
	11.933.828	21.867.205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY

As at 31 December 2021 and 31 December 2020 share capital of the Group comprised of 260.000.000 shares for the total amount of 126.799.554 thousand tenge that were issued and fully paid.

Treasury shares

In November 2016 the Group repurchased shares placed on the open market consisting of 1.390 shares for the total amount of 930 thousand tenge.

Dividends

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for the first half of 2019. The amount to be paid was 12.703.475 thousand tenge to all common shareholders of the Group, which is 48,86 tenge per ordinary share.

In November 2020, shareholders approved the distribution of 70% of net profit for first half of 2020. The amount to be paid amounted to 20.043.293 thousand tenge for all common shareholders of the Group, which is equal to 77,09 tenge per ordinary share. Total amounts of dividends paid during 2020 was 32.746.825 thousand tenge.

In May 2021, shareholders approved the distribution of dividends for the second half of 2020. The dividends to be paid amounted to 19.502.496 thousand tenge for all common shareholders of the Group, which is equal to 75,01 tenge per 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. Amount to be paid was 22.027.082 thousand tenge for all common shareholders of the Group, which is equal to 84,72 tenge per ordinary share. The total amount of dividends paid during 2021 was 41.529.578 thousand tenge.

The distribution of dividends was carried out taking into account the fact, that in accordance with paragraph 10 of the Charter of RFC LLP, its net profit in the amount of 17.387.428 thousand tenge for 2021 (9.225.199 thousand tenge for 2020) remains at the discretion of partnership and directed to operate its main activity.

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 year ended 31 December 2021 (for the year ended 31 December 2020: 259.998.610 shares). For the year ended 31 December 2021 and 2020, basic and diluted earnings per share were 202,45 tenge and 205,64 tenge, 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 thousands of Tenge	**31 December 2021**	31 December 2020
Total assets	**1.093.217.334**	812.012.626
Less: intangible assets	**(3.165.491)**	(3.327.999)
Less: total liabilities	**(356.080.517)**	(309.456.156)
Net assets	**733.971.326**	499.228.471
Number of ordinary shares	**260.000.000**	260.000.000
Book value per ordinary share, Tenge	**2.823**	1.920

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group’s NES assets as at 1 December 2021 (previous revaluation was held as at 1 October 2018) *(Note 6)*. 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 year ended 31 December 2021, amounted 586.605 thousand tenge (for the year ended 31 December 2020: 532.661 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS

In thousands of Tenge	**31 December 2021**	31 December 2020
International Bank of Reconstruction and Development (IBRD)	**36.708.534**	41.647.967
European Bank of Reconstruction and Development (EBRD)	**12.785.418**	22.529.925
	49.493.952	64.177.892
Less: current portion of loans repayable within 12 months	**(13.854.307)**	(14.334.439)
	35.639.645	49.843.453

As at 31 December 2021 and 31 December 2020 the accrued and unpaid interest payable amounted to 196.888 thousand tenge and 343.237 thousand tenge, respectively. As at 31 December 2021 and 31 December 2020 the unamortized portion of loan origination fees amounted to 244.426 thousand tenge and 285.919 thousand tenge, respectively.

The movement of loans for reconciliation with cash flow statement is presented in *Note 28*.

Loans were denominated in the following currencies

In thousands of Tenge	**31 December 2021**	31 December 2020
US Dollars	**36.708.534**	41.647.967
Euro	**12.785.418**	22.529.925
	49.493.952	64.177.892

Construction of the second North-South 500 kW Electricity Transmission line

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. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of 1.918 thousand US dollars was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 8.195 thousand US dollars (equivalent to 3.538.547 thousand tenge) and 16.351 thousand US dollars (equivalent to 6.882.125 thousand tenge), respectively.

Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2

In 2008, for the realization of the "Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2" the Group opened the following credit lines:

Two credit-line facilities of 127.500 thousand euros and 75.000 thousand euros from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 December 2021 and 31 December 2020 are 25.878 thousand euros (equivalent to 12.656.781 thousand tenge) and 43.130 thousand euros (equivalent to 22.288.891 thousand tenge), 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 line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is LIBOR US dollar rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of 3.274 thousand US dollars was cancelled since the amount of actual expenses incurred during the project was less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 29.072 thousand US dollars (equivalent to 12.553.276 thousand tenge) and 31.308 thousand US dollars (equivalent to 13.177.966 thousand tenge), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 "Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW" 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 line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR US dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount 6.644 thousand US dollars has been cancelled since the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2021 and 31 December 2020 are 48.165 thousand US dollars (equivalent to 20.792.886 thousand tenge) and 51.733 thousand US dollars (equivalent to 21.771.592 thousand tenge), respectively.

16. BONDS PAYABLE

In thousands of Tenge	**31 December 2021**	31 December 2020
Nominal value of issued bonds	**118.800.000**	93.500.000
Accrued coupon interest	**4.562.983**	4.138.458
Less: discount on bonds issued	**(1.577.690)**	(719.637)
Less: transaction costs	**(79.794)**	(62.678)
	121.705.499	96.856.143
Less: current portion of bonds repayable within 12 months	**(4.562.983)**	(4.138.458)
	117.142.516	92.717.685

Under the State Program "Nurly Zhol" the Group placed two tranches of coupon bonds on "Kazakhstan Stock Exchange" JSC to finance the projects "Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma":

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of 47.500.000 thousand tenge under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity of 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2018 to 26 May 2019 is 9,5% per annum. The coupon rate for the period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the period from 26 May 2019 to 26 May 2020 is 7,9% per annum. The coupon rate for the period from 26 May 2020 to 26 May 2021 is 9,3% per annum and from 26 May 2021 to 31 December 2021 is 9,9% per annum.

All bonds under this program were acquired by Unified Accumulative Pension Fund.

Bonds were issued with discount in the amount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to 36.300.000 thousand tenge 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 "Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC" on 28 May 2020, KEGOC's bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal value of 9.700.000 thousand tenge and 11% annual yield. The bonds were placed at a discount of 667.593 thousand tenge. As a result of 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 Kazakhstan Stock Exchange JSC (KASE) with nominal volume of 8.869.672 thousand tenge with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of 380.267 thousand tenge. Accrued coupon interest on the date of placement amounted to 159.900 thousand tenge. As a result of trades, 22.6% of bonds were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.

On 21 October 2021, bonds of KEGOC JSC were successfully planed on Kazakhstan Stock Exchange JSC with a nominal value 16.430.328 thousand tenge and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of 562.427 thousand tenge, accrued coupon interest on the placement date was 717.914 thousand tenge. 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 year ended 31 December 2021 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of 1.592.927 thousand (2020 year: 310.407 thousand tenge) *(Note 23)*.

The movement of the bonds for reconciliation with cash flow statement is presented in *Note 28*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2021 and 31 December 2020 trade and other accounts payable:

In thousands of Tenge	**31 December 2021**	31 December 2020
Accounts payable for property, plant and equipment and construction works	**19.189.917**	19.118.365
Accounts payable for electricity purchased	**3.805.412**	15.982.064
Accounts payable for inventories, works and services	**2.756.581**	15.414.429
Less: discount	**(1.266.695)**	(1.978.958)
	24.485.215	48.535.900
Less: current portion of trade payables repayable within 12 months	**18.512.531**	40.884.883
	5.972.684	7.651.017

As at 31 December 2021 and 31 December 2020 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**21.907.917**	45.752.581
Russian rouble	**2.517.368**	2.677.323
US dollar	**59.930**	46.721
Euro	**–**	59.275
	24.485.215	48.535.900

The non-current portion of accounts payable represents payables to a related party Karabatan Utility Solutions LLP, details of which are disclosed in *Note 27*.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	**31 December 2021**	31 December 2020
VAT payable	**1.373.572**	960.338
Contributions payable to pension fund	**340.706**	364.051
Personal income tax	**258.593**	316.597
Social tax	**230.351**	269.371
Social contribution payable	**114.309**	104.804
Property tax	**66.442**	–
Other	**19.755**	13.345
	2.403.728	2.028.506

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Due to employees	**3.266.946**	3.727.583
Other	**888.825**	692.878
	4.155.771	4.420.461

Due to employees mainly comprise of salaries payable and provision for unused vacation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2021**	2020
Electricity transmission services	**129.355.940**	121.953.313
Technical dispatch	**28.902.579**	30.291.437
Balancing of electricity production and consumption	**17.958.864**	18.649.805
Sale of electricity for compensation of the interstate balances of electricity flows	**7.067.781**	5.101.651
Power regulation services	**878.486**	954.342
Revenue from sale of purchased electricity	**33.897**	21.075
Other	**2.245.590**	2.125.940
	186.443.137	179.097.563

	unit	**2021**	2020
Electricity transmission services	**MWh**	**50.824.342**	41.184.976
Technical dispatch	**MWh**	**105.042.897**	98.991.624
Balancing of electricity production and consumption	**MWh**	**205.149.438**	192.856.265
Sale of electricity for compensation of the interstate balances of electricity flows	**MWh**	**1.389.803**	969.385
Power regulation services	**MW**	**900**	1.005
Revenue from the sale of purchased electricity	**MWh**	**5.837**	3.659

In thousands of Tenge	**2021**	2020
Revenue recognition timeline		
The goods are transferred at a certain point in time	**7.101.678**	5.122.726
The services are provided over a period of time	**179.341.459**	173.974.837
Total revenue from contracts with customers	**186.443.137**	179.097.563

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

21. COST OF SALES

In thousands of Tenge	**2021**	2020
Depreciation and amortization	**35.950.880**	33.349.877
Technical losses of electric energy	**24.866.088**	14.709.725
Cost of purchased electricity for compensation of interstate balances of electricity flows	**22.157.785**	16.019.937
Payroll expenses and related taxes	**18.320.948**	18.292.955
Repair and maintenance expenses	**7.683.172**	5.641.008
Taxes other than income tax	**6.185.051**	9.049.154
Security services	**1.292.485**	1.206.494
Inventories	**1.070.326**	1.031.355
Cost of purchased electricity	**30.974**	19.392
Other	**3.125.194**	2.601.030
	120.682.903	101.920.927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2021**	2020
Payroll expenses and related taxes	**5.229.216**	5.080.003
Depreciation and amortization	**878.698**	688.088
Taxes other than income tax	**238.204**	190.786
Consulting services	**176.264**	161.177
Utilities	**70.873**	68.540
Materials	**66.149**	46.371
Software maintenance expense	**57.884**	47.273
Business trip expenses	**54.581**	25.855
Trainings	**46.806**	54.177
Expenses for the Board of Directors	**44.587**	67.725
Insurance	**26.027**	28.734
Charge/(reversal) for obsolete inventories (*Note* 8)	**1.074**	57.028
Other	**1.649.460**	1.301.337
	8.539.823	7.817.094

23. FINANCE INCOME/(COSTS)

In thousands of Tenge	**2021**	2020
Finance income		
Interest income from deposits, current accounts and bonds	**6.148.449**	4.492.096
Income from the National Bank notes *(Note 11)*	**681.430**	794.117
Amortization of discount on accounts receivable *(Note 27)*	**88.160**	98.615
Income from revaluation of DSFK financial instruments *(Note 11)*	**58.696**	89.541
Income from recognition of premiums on long-term financial assets	**–**	213.089
Amortization of discount on other financial assets	**–**	113.683
	6.976.735	5.801.141
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(1.608.513)**	(320.901)
	5.368.222	5.480.240
Finance costs		
Bond coupon	**11.962.857**	8.977.984
Interest on borrowings	**1.024.707**	1.652.890
Commission on bank guarantees	**981.849**	980.762
Discounting of the other financial assets	**723.342**	79.439
Amortization of premiums on other financial assets	**81.950**	–
Amortization of loan origination fees	**49.009**	25.416
Interest expense on leases	**31.786**	96.818
Other costs on bonds issued	**16.369**	18.195
	14.871.869	11.831.504
Less: interest capitalized into cost of qualifying assets *(Note 6)*	**(3.201.440)**	(631.308)
	11.670.429	11.200.196

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 LOSS, NET

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the year ended 31 December 2021, the Group incurred net foreign exchange gain in the amount of 451.045 thousand tenge (for the year ended 31 December 2020: net foreign exchange loss in the amount of 5.309.688 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INCOME TAX EXPENSE

In thousands of Tenge	**2021**	2020
Current income tax		
Current income tax expense	**10.675.241**	10.744.150
Adjustments in respect of current income tax of previous year	**(64.776)**	28.168
Deferred tax		
Deferred income tax benefit	**(3.002.627)**	(671.414)
Total income tax expense reported in consolidated statement of comprehensive income	**7.607.838**	10.100.904
Deferred income tax related to items recognized in other comprehensive income during the year		
Deferred tax from revaluation of NES assets	**65.148.951**	–

The income tax rate in the Republic of Kazakhstan is 20% in 2021 and 2020.

A reconciliation of the 20% income tax rate and actual income tax recorded in the consolidated statement of comprehensive income is provided below:

In thousands of Tenge	**2021**	2020
Profit before tax from continuing operations	**46.772.284**	58.599.138
Profit before tax from discontinued operations	**17.506.488**	7.149.094
Tax at statutory income tax rate of 20%	**12.855.754**	13.149.646
(Reversal)/accrual of provision for expected credit loss	**(30.457)**	(97.995)
Adjustments in respect of current income tax of previous year	**(64.776)**	28.168
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	**(14.524)**	10.897
Interest income from securities	**(667.913)**	(564.155)
Income from changes in fair value	**(418.513)**	(332.284)
Other permanent differences	**(16.711)**	88.684
Income tax expense reported in profit or loss including	**11.642.860**	12.282.961
Income tax from discontinued operations	**4.035.022**	2.182.057
Income tax from continuing operations	**7.607.838**	10.100.904

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 31 December 2021 and 31 December 2020 is provided below:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of Tenge	**31 December 2021**	31 December 2020	**2021**	2020
Accounts receivable	**196.234**	384.646	**(43.748)**	79.389
Accrued liabilities	**610.002**	702.392	**(73.121)**	108.698
Property, plant and equipment	**(152.276.394)**	(90.251.221)	**3.119.496**	483.327
Deferred tax benefit	**–**	–	**3.002.627**	671.414
Net deferred tax liabilities	**(151.470.158)**	(89.164.183)	**–**	–

For years ended 31 December changes in deferred tax liabilities are presented as follows:

In thousands of Tenge	**2021**	**2020**
At 1 January	**(89.164.183)**	(89.941.813)
Deferred income tax benefit recognized in profit or loss	**3.002.627**	671.414
Income tax (expense)/benefit on discontinued operations	**(159.651)**	106.216
Income tax expense recognized in OCI *(Note 3)*	**(65.148.951)**	–
At 31 December	**(151.470.158)**	(89.164.183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INCOME TAX EXPENSE (continued)

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

In thousands of Tenge	**31 December 2021**	31 December 2020
Deferred tax assets	**–**	159.652
Deferred tax liabilities	**(151.470.158)**	(89.323.835)
Net deferred tax liabilities	**(151.470.158)**	(89.164.183)

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.

The payment of dividends by the Group to its shareholders for both 2021 and 2020 does not have any income tax consequences.

26. DISCONTINUED OPERATIONS

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and donation agreement from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 30 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group.

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

In thousands of Tenge	**30 December 2021**
Assets	
Property, plant and equipment	**27.567**
Intangible assets	**14.836**
Deferred tax assets	**234.733**
Inventories	**155.465**
Trade accounts receivable	**25.777.422**
Advances paid	**983**
Vat recoverable	**–**
Prepaid income tax	**–**
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 accounts 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 RFC LLP in the amount of 37.121.790 thousand tenge were recognized in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. DISCONTINUED OPERATIONS (continued)

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

In thousands of Tenge	**2021**	2020
Revenue from contracts with customers	**211.591.935**	171.561.989
Cost of Sales	**(195.598.700)**	(165.136.041)
General and administrative expenses	**(343.451)**	(492.577)
Finance income	**2.194.275**	1.665.765
Finance expense	**(11.236)**	(5.785)
Other income	**81.625**	54.100
Other expense	**(29)**	–
Accrual of allowance for expected credit losses	**(407.931)**	(498.357)
Profit before income tax	**17.506.488**	7.149.094
Income tax expense	**(4.035.022)**	(2.182.057)
Profit for the year from discontinued operations	**13.471.466**	4.967.037
Earnings per share from discontinued operations		
Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)	**51,81**	19,10

The net cash flows from discontinued operations are as follows:

Net cash flows received from operating activities	**15.342.483**	15.028.246
Net cash flows received from/(used in) investing activities	**9.203.509**	(12.443.711)
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 voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. The related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for regulated services, which are provided based on tariffs available to related and third parties.

Transactions with related parties for 2021 and 2020 are presented as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2021	**88.141.984**	**13.158.299**	**4.311.519**	**658.453**
Sale of services	2020	67.230.306	11.900.079	4.775.623	732.943
	2021	**2.182.037**	**–**	**–**	**–**
Sale of land plots	2020	–	–	–	–
	2021	**61.259.441**	**2.395.243**	**–**	**73.620**
Purchase goods and services	2020	56.206.438	3.211.878	44.152	75.315
	2021	**–**	**–**	**–**	**–**
Purchase of property complex	2020	11.794.689	–	–	–
Amortization of discount on long-term receivables	**2021**	**88.160**	**–**	**–**	**–**
	2020	98.615	–	–	–
Amortization of discount on long-term accounts payable	**2021**	**712.262**	**–**	**–**	**–**
	2020	–	–	–	–

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Receivables and payables as of 31 December from transactions with related parties are as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2021	**2.182.037**	**–**	**–**	**–**
Advances given for non-current assets	2020	–	–	–	–
Current trade accounts receivables for the sale of services	**2021**	**2.171.300**	**280.180**	**146.229**	**39.473**
	2020	4.597.516	397.719	404.371	73.580
Accounts receivable for sale of property, plant and equipment	**2021**	**814.315**	**–**	**–**	**–**
	2020	922.600	–	–	–
	2021	**–**	**–**	**–**	**–**
Dividend receivable	2020	–	–	–	203.095
	2021	**8.169.055**	**–**	**–**	**–**
Accounts payables for property complex	2020	10.009.955	–	–	–
Current trade and other accounts payable for the services purchased	**2021**	**1.831.950**	**175.735**	**–**	**8.596**
	2020	8.086.633	586.602	12.646	9.820
	2021	**111.895**	**–**	**–**	**–**
Lease payables	2020	561.765	–	–	–

Revenue and cost of sales, trade accounts receivable and payable

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

Sale of land plots

On January 2021, the Group sold land plots, classified as assets held for sale of 5.126 thousand tenge as of 31 December 2020, to related party Samruk-Kazyna Construction JSC for 2.182.037 thousand tenge. In accordance with sale agreement, Samruk-Kazyna Construction JSC obliged to transfer premises to the ownership of the Group for the amount 2.182.037 thousand tenge.

Other accounts receivable

As of 31 December 2021, the Group had accounts receivable for the sale of property plant and equipment to related party Balkhash TES JSC in the amount of 220.494 thousand tenge (as of 31 December 2020: 220.494 thousand tenge). In accordance with sale agreement, Balkhash TES JSC had to pay the outstanding balance till the end of 2018, however, as of 31 December 2021 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TES, the management of the Group decided to accrue a 100% provision for receivable in 2018.

Total amount of ECL on trade accounts receivable of related party amounted to 271.744 thousand tenge as of 31 December 2021.

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 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group will pay by equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best estimate of the market rate by the Group's Management. As of 31 December 2021, discount on accounts payable of Karabatan Utility Solutions LLP amounted to 1.266.695 thousand tenge.

As of 31 December 2020, the amount of payable net of the discount was 8.169.055 thousand tenge, of which 5.972.684 thousand tenge were included within long-term payables from related parties. During the year ended 31 December 2021, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of 712.262 thousand tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Lease payables

In 2017, the Group signed long-term agreement with related party Samruk-Kazyna Business Service LLP on provision of rights of use on software. As of 31 December 2021, the lease payables of the Group amounted to 111.895 thousand tenge (as of 31 December 2020: 561.765 thousand tenge).

Other

The amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan amounted to 37.835.274 thousand tenge (as of 31 December 2020: 42.800.248 thousand tenge).

Compensation to key management personnel and all other related expenses (taxes, deductions, sick leave, holiday pay, material assistance, etc.) included in payroll expenses in the accompanying consolidated statement of comprehensive income amounted to 313.976 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: 381.788 thousand tenge).

The remuneration of key management personnel mainly consists of contractual salaries and performances based remuneration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group’s investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term and short-term borrowings with floating interest rates *(Notes 15 и 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. With all other variables held constant, loans with floating interest rate loans have following impact on the Group's profit before tax:

In thousands of Tenge	**Increase/ (decrease) in basis points* / in percentage**	**Effect on profit before tax**
For the year ended 31 December 2021		
LIBOR	**125/(25)**	**(461.059)/92.212**
EURIBOR	**20/(20)**	**(25.314)/25.314**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(474.139)/−**
For the year ended 31 December 2020		
LIBOR	100/(25)	(418.317)/104.579
EURIBOR	20/(20)	(44.578)/44.578
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.048)/−

* *1 basis point= 0,01%.*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	**Increase/(decrease) in the exchange rate in absolute terms (Tenge)**	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
At 31 December 2021			
US dollar	**86,33/(43,18)**	**20%/(10%)**	**(1.714.810)/857.405**
Euro	**97,56/(48,91)**	**20%/(10%)**	**(2.557.083)/1.278.542**
Russian rouble	**0,75/(0,75)**	**13%/(13%)**	**(196.134)/196.134**
At 31 December 2020			
US dollar	58,93/(46,3)	14%/(11%)	(2.062.267)/1.620.352
Euro	72,35/(56,85)	14%/(11%)	(3.162.488)/2.484.812
Russian rouble	0,84/(0,84)	15%/(15%)	(287.734)/287.784

Exchange rate of Tenge to US dollars as of the date of issuance of these consolidated financial statements presented in *Note 30*.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 9)* and from its financing activities, including deposits with banks *(Notes 11, 12 and 13)*.

Trade accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type and other). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 31 December 2020, is represented by their carrying amount.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Moody's" less accrued provisions:

In thousands of Tenge	**Location**	**Rating** **2021**	2020	**31 December 2021**	31 December 2020
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/stable**	BB/stable	**15.699.990**	19.333.594
Jysan Bank JSC	Kazakhstan	**B1/stable**	B/negative	**12.140.947**	–
ForteBank JSC	Kazakhstan	**B+/stable**	B/stable	**11.019.346**	9.871.765
ATF Bank JSC	Kazakhstan	**–**	B-/stable	**–**	12.326.032
Bank Center Credit JSC	Kazakhstan	**B/stable**	B/stable	**–**	6.149.103
Kaspi Bank JSC	Kazakhstan	**BB-/stable**	BB-/stable	**–**	4.240.228
				38.860.283	51.920.722

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 (twelve) months can be rolled over with existing lenders

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In thousands of Tenge	**On demand**	**Due more than 1 month but not later than 3 months**	**Due more than 3 months but not later than 1 year**	**Due more than 1 year but not later than 5 years**	**Due more than 5 years**	**Total**
At 31 December 2021						
Borrowings	**–**	**5.666.360**	**9.472.295**	**15.526.933**	**22.684.097**	**53.349.685**
Bonds payable	**–**	**3.181.750**	**9.545.250**	**50.908.000**	**198.719.155**	**262.354.155**
Trade and other accounts payable	**–**	**18.675.097**	–	**7.076.813**	–	**25.751.910**
Lease liability	**–**	**111.895**	–	–	–	**111.895**
	–	**27.635.102**	**19.017.545**	**73.511.746**	**221.403.252**	**341.567.645**
At 31 December 2020						
Borrowings	–	5.980.856	9.890.804	28.374.905	24.940.645	69.187.210
Bonds payable	–	2.414.750	7.244.250	38.636.000	155.224.542	203.519.542
Trade and other accounts payable	–	40.884.883	–	7.651.017	–	48.535.900
Lease liability	–	–	493.644	99.907	–	593.551
	–	49.280.489	17.628.698	74.761.829	180.165.187	321.836.203

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

	31 December 2021	31 December 2020
Debt/capital	**0,16**	0,20

In thousands of Tenge	**31 December 2021**	31 December 2020
Long-term borrowings and long-term bonds payable	**152.782.161**	142.561.138
Short-term borrowings and short-term bonds payable	**18.417.290**	18.472.897
Debt	**171.199.451**	161.034.035
Total liabilities	**356.080.517**	309.456.156
Equity	**737.136.817**	502.556.470
Total equity and liabilities	**1.093.217.334**	812.012.626

The structure of the Group capital includes the share capital as disclosed in *Note 14*, reserves and retained earnings

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets (*Note 6*)	**879.981.350**	**–**	**–**	**879.981.350**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**314.418**	**–**	**–**	**314.418**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets *(Note 6)*	580.456.916	–	–	580.456.916
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	310.175	–	–	310.175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Assets for which fair values are disclosed

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**72.182.392**	**–**	**72.182.392**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	90.831.639	–	90.831.639	–

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable (*Note 16*)	**121.705.499**	**–**	**121.705.499**	**–**
Borrowings (*Note 15*)	**49.493.952**	**–**	**49.493.952**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (*Note 16*)	96.856.143	–	96.856.143	–
Borrowings (*Note 15*)	64.177.892	–	64.177.892	–

For the years ended 31 December 2021 and 31 December 2020, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

Fair values of financial instruments

As at 31 December 2021 and 31 December 2020 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

Change in liabilities arising from financing activities

In thousands of Tenge	**1 January 2021**	**Cash flows**	**Accrued interest**	**Paid interest**	**Foreign exchange movement**	**New leases**	**Other**	**31 December 2021**
Borrowings	**64.177.892**	**(14.614.808)**	**1.024.707**	**(1.167.132)**	**24.284**	**–**	**49.009**	**49.493.952**
Bonds payable	**96.856.143**	**25.235.121**	**11.962.857**	**(11.538.332)**	**–**	**–**	**(810.290)**	**121.705.499**
Lease liability	**561.765**	**(436.606)**	**31.786**	**(45.050)**	**–**	**–**	**–**	**111.895**
Total	**161.595.800**	**10.183.707**	**13.019.350**	**(12.750.514)**	**24.284**	**–**	**(761.281)**	**171.311.346**

In thousands of Tenge	1 January 2020	Cash flows	Accrued interest	Paid interest	Foreign exchange movement	New leases	Other	31 December 2020
Borrowings	63.008.987	(6.574.597)	1.652.890	(2.093.727)	8.166.364	–	17.975	64.177.892
Bonds payable	87.316.528	9.032.407	8.977.984	(8.460.500)	–	–	(10.276)	96.856.143
Lease liability	419.543	(400.692)	96.818	(87.769)	–	533.865	–	561.765
Total	150.745.058	2.057.118	10.727.692	(10.641.996)	8.166.364	533.865	7.699	161.595.800

The Other column shows the amortization of discount and premium on financial liabilities. The Group classifies the interest paid as cash flows from operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. 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 31 December 2021.

Terms of loan agreements

The Group has entered into loan agreements with the EBRD and IBRD of which the total principal amount is 85.432 thousand US dollars and 25.878 thousand euros as of 31 December 2021. 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.

Also, the Group issued bonds and must comply with following covenants:

- Total debt to EBITDA not more than 3:1;
- Total debt to equity not more than 0.6:1.

The management believes that the Group complied with all loan covenants with EBRD and IBRD as of 31 December 2021 and 31 December 2020. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that gain and loss from foreign exchange meets the definition of non-cash transaction and shall be excluded form calculation of EBITDA as provided in the loan agreement. As of 31 December 2021, the Group excluded from EBITDA foreign exchange gain and loss of 451.045 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: foreign exchange loss of 5.309.688 thousand tenge). Also, the management of the Group believes that it complied with covenants of issued bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Insurance

As of 31 December 2021, the Group insured production assets with a cost of 221.316.260 thousand tenge. The insurance payments. The specified amount does not include the result of the revaluation of NET assets carried as of 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 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 consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

To ensure the reliability of the national electricity grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard useful life in coming years and to improve the reliability of electricity supply of consumers in the Western zone of UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

Five (2021-2025) investment program of KEGOC JSC for a total amount of 274.760.648 thousand tenge approved by the joint order #122 of the sectoral state body dated 7 April 2021 and the department of the authorized body #21-OD dated 11 March 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC JSC may make changes to it and adjust the cost and timing of individual events.

As of 31 December 2021, capital commitments under the contracts entered by the Group under the investment plan amounted to 100.950.878 thousand tenge (31 December 2020: 82.980.915 thousand tenge).

In 2020-2021, 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 in shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of basic power equipment and, accordingly, the timing of contractual obligations of a capital nature. In addition, there is a possibility of fluctuations in the value of contractual obligations, the main reason for which is the impact of a possible change in the exchange rates of the national currency.

Activity regulation

Tariffs for the transmission of electric energy and technical dispatching of supply to the network and consumption of electric energy and organization of balancing the production and consumption of electric energy

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

- for the transmission of electricity in the amount of 2.448 tenge per kWh (excluding VAT);
- for technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.264 tenge per kWh (excluding VAT);
- organization of balancing the production and consumption of electricity in the amount of 0.086 tenge per kWh (excluding VAT).

These tariffs on regulated services of KEGOC JSC are determined 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 program (amortized contributions and profits) are excluded from the current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment program.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Activity regulation (continued)

In accordance with order #79-OD of the Committee for the Regulation of Natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated August 16, 2021, the following tariffs were approved:

1) transmission of electric energy:
   - from 1 October 2021 to 30 September 2022 – 2.797 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 2.848 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 3.004 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 3.106 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 3.134 tenge/kWh (excluding VAT).

2) technical dispatching of supply to the grid and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.306 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.314 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.333 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.348 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.355 tenge/kWh (excluding VAT).

3) organization of balancing of production and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.098 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.102 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.105 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.108 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.110 tenge/kWh (excluding VAT).

30. SUBSEQUENT EVENTS

Events in the Republic of Kazakhstan

In January 2022, protests of the population began in the Mangistau region, provoked by an increase in fuel gas prices, which then spread to other regions of Kazakhstan. During the protests, several social and economic demands were put forward. Even though the Government took a set of measures to respond to the demands of the population, including lowering fuel gas prices, the protests, as a result, turned into social unrest, during which the buildings of municipalities (“akimats”) and law enforcement agencies were seized and destroyed. The main events and protests took place in the city of Almaty and the southern regions of the country.

As a result, a state of emergency was declared on January 5, 2022, which lasted until January 19, 2022. During the state of emergency, restrictions were imposed on communications (Internet and telecommunications) and the movement of both people and vehicles, including rail and air travel. At present, the situation in all regions of the country has stabilized, the state of emergency has been lifted. Engineering communications and life support systems have been fully restored, restrictions on communication and movement of both people and vehicles have been lifted.

The events did not have a significant impact on the Group's activities, however, social tensions persist in the country, and it is impossible to predict the further development of events and their impact on the Company's activities.

At the same time, during 2022, the Company expects an increase in expenses related to wages.

World events

On February 24, 2022, Russian President Vladimir Putin issued an appeal on the start of a “special military operation in Ukraine.” After the introduction of troops into the territory of Ukraine, the countries of the world, in particular the European Union and the United States, introduced a package of economic sanctions to prevent the further advance of Russian troops into Ukraine. The military operation and economic sanctions affected the exchange rate of the ruble, which weakened against the main world currencies by more than 40% and shows strong volatility over the entire period of the "military operation". Considering the significant economic relationship between Russia and Kazakhstan, the tenge also depreciated against world currencies by more than 15% and, as of March 18, 2022, amounted to 506.14 tenge per 1 US dollar.

The introduction of restrictive measures for the Russian financial market, as well as the oil and gas industry and the extractive industry, has already affected the rise in prices for energy resources and metals on world markets. At the moment, it is difficult to predict the impact of recent events in connection with the military operation on the global economy, and in particular on the economy of Kazakhstan, and the activities of the Group.