

**Accounting and Finance Center for
the Support of Renewable Energy Resources LLP**

Financial statements

*As at and for the year ended 31 December 2018
with independent auditor's report*

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Independent auditor's report

To the Participant and Management of Accounting and Finance Center for the Support of Renewable Energy Sources LLP

Opinion

We have audited the financial statements of Accounting and Finance Center for the Support of Renewable Energy Sources LLP (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its 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 financial statements* section of our report. We are independent of the Company [the Group] in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Ernst & Young LLP



[Signature]
Adil Syzdykov
Auditor

Auditor qualification certificate
No. МФ - 0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

28 February 2019



[Signature]
Gulmira Turmagambetova
General Director
Ernst & Young LLP

State audit license for audit activities on the
territory of the Republic of Kazakhstan:
series МФЮ-2, No. 0000003 issued by the
Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

<i>In thousands of Tenge</i>	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	5	45,290	17,161
Intangible assets		23,328	782
Deferred tax asset	13	3,760	2,252
		72,378	20,195
Current assets			
Inventories		868	266
Trade accounts receivable	6	2,277,829	1,660,532
Advances paid		83	35
VAT recoverable		20,419	-
Income tax prepaid		44,484	-
Other current assets		390	30,201
Short-term deposits		2,908	1,974
Cash and cash equivalents	7	1,758,655	1,674,537
		4,105,636	3,367,545
Total assets		4,178,014	3,387,740
Equity and liabilities			
Equity			
Charter capital	8	100,000	100,000
Retained earnings		625,810	575,416
		725,810	675,416
Non-current liabilities			
Deferred income		16,673	-
		16,673	-
Current liabilities			
Trade accounts payable	9	3,415,258	2,676,856
Deferred income		2,942	-
Other taxes payable other than income tax		3,816	13,784
Income tax payable		-	5,385
Other current liabilities		13,515	16,299
Total liabilities		3,435,531	2,712,324
Total equity and liabilities		4,178,014	3,387,740

General director



Zh.D. Nurmaganbetov

Chief accountant

G.V. Sirtayeva

The accounting policies and explanatory notes on pages 5 to 23 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

<i>In thousands of Tenge</i>	Note	2018	2017
Revenue from contracts with customers	10	21,025,149	15,351,402
Cost of services	11	(20,964,126)	(14,909,893)
Gross profit		61,023	441,509
General and administrative expenses	12	(197,748)	(168,562)
Interest income	7	156,528	117,229
Other income		50,542	7,251
Other expenses		(2)	(16)
Profit before tax		70,343	397,411
Income tax expenses	13	(14,114)	(79,967)
Profit for the year		56,229	317,444
Total comprehensive income for the year		56,229	317,444

General director

Zh.D. Nurmaganbetov

Chief accountant



G.V. Sirtayeva

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2018


<i>In thousands of Tenge</i>	Note	2018	2017
Operating activities			
Profit before tax		70,343	397,411
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization	12	5,413	4,463
Accrual of provision for unused vacations and bonuses	12	14,944	19,708
Accrual/(reversal) of provision for expected credit losses	12	3,111	(2,323)
Interest income		(156,528)	(117,229)
Working capital adjustments			
Change in inventories		(602)	(6)
Change in trade accounts receivable		(623,336)	(224,679)
Change in advances paid		(48)	(25)
Change in VAT recoverable and other taxes prepaid		(20,419)	-
Change in other current assets		28,320	7,431
Change in trade payables		701,094	564,227
Change in deferred income		19,615	-
Change in taxes payable other than income tax		(9,968)	(2,874)
Change in other current liabilities		(17,728)	(17,372)
		14,211	628,732
Income tax paid		(65,491)	(118,653)
Interest received		156,528	121,929
Net cash flows received from operating activities		105,248	632,008
Investing activities			
Placement of deposits, net		-	497,983
Purchase of property and equipment		(18,317)	-
Purchase of intangible assets		(463)	(145)
Net cash flows (used in) / received from investing activities		(18,780)	497,838
Net change in cash and cash equivalents		86,468	1,129,846
Effect of provision accrued on expected credit loss in cash and cash equivalents		(2,350)	-
Cash and cash equivalents as at 1 January	7	1,674,537	544,691
Cash and cash equivalents as at 31 December	7	1,758,655	1,674,537

General director



 Zh.D. Nurmaganbetov

Chief accountant


 G.V. Sirayeva

The accounting policies and explanatory notes on pages 5 to 23 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

<i>In thousands of Tenge</i>	Charter capital	Retained earnings	Total
At 1 January 2017	100,000	257,972	357,972
Profit for the year	-	317,444	317,444
Total comprehensive income	-	317,444	317,444
At 31 December 2017	100,000	575,416	675,416
Effect of the adoption of IFRS 9 (Note 3)	-	(5,835)	(5,835)
At 1 January 2018 (restated)	100,000	569,581	669,581
Profit for the year	-	56,229	56,229
Total comprehensive income	-	56,229	56,229
At 31 December 2018	100,000	625,810	725,810

General director



Zh. D. Nurmaganbetov

Zh. D. Nurmaganbetov

Chief accountant

G. V. Sirayeva

G. V. Sirayeva

The accounting policies and explanatory notes on pages 5 to 23 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Accounting and Finance Center for the support of renewable energy resources limited liability partnership (hereinafter, the “Company”) was established on 27 August 2013 in accordance with the law of the Republic of Kazakhstan from dated 4 July 2013 No. 128-V *On Introducing Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Issues of Support of Using the Renewable Sources of Energy* (hereinafter, “the Law on renewable energy sources”) and in accordance with the decision of the Board of Directors of Kazakhstan Electricity Grid Operating Company JSC dated 12 August 2013.

As at 31 December 2018, the sole founder of the Company is Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”). The Government of the Republic of Kazakhstan represented by National Welfare Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) owns 90% of shares in KEGOC, respectively, all subsidiaries of Samruk-Kazyna are considered as related parties of the Company (*Note 14*).

In accordance with the Law of the Republic of Kazakhstan *On Support of Renewable Energy Sources* as of 4 July 2009 No. 165-IV, the core activity of the Company is the centralized purchase and sale of electric energy produced by facilities using renewable energy sources and supplied to the electric grid of a single electric power system of the Republic of Kazakhstan.

The Company’s head office is located at Republic of Kazakhstan, 010000, Astana, Tauyelsyzyk Ave., 59.

The accompanying financial statements were authorised for issue by the General Director and Chief Accountant of the Company on 28 February 2019.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as approved by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on the historical cost basis. The financial statements are presented in Kazakhstan Tenge (“Tenge” or “KZT”) and all monetary amounts are rounded to the nearest thousand, except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments to the existing standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments to the existing standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The activities of “Accounting and Finance Center for the support of renewable energy resources” LLP are driven by the Decree of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Resources*, while the contracts for “Accounting and Finance Center for the support of renewable energy resources” LLP are typical and formalize only the obligations for monthly invoicing and quarterly reconciliation checks. Calculation of the tariff is based on costs of supporting the use of renewable energy sources – costs of purchase of electricity produced by energy producers using renewable energy sources, costs of the services for electricity production-consumption balance, costs of forming a reserve fund and costs associated with the implementation of the activities of Accounting and Finance Center for the support of renewable energy resources LLP. The tariff for supporting the renewable energy sources is subject to adjustment depending on changes in calculation data in the manner established by the Rules for pricing in socially important markets approved by the Minister of National Economy of the Republic of Kazakhstan No. 36 as of 1 February 2017 (registered in the state registration register of regulatory legal acts No. 109751). In this case, revenue under these contracts is recognized in the amount corresponding to the actually sold amount of electrical energy. Accounting and Finance Center for the support of renewable energy resources LLP does not generate a principal-agent relationship, since when concluding contracts for the purchase and sale of electricity all risks and benefits pass from the seller of electricity to Accounting and Finance Center for the support of renewable energy resources LLP and from Accounting and Finance Center for the support of renewable energy resources LLP to the end user. Transition to revenue recognition in accordance with IFRS 15 did not cause changes in accounting for Accounting and Finance Center for the support of renewable energy resources LLP.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 on a retrospective basis considering summary influence of initial adoption of the standard in the form of adjustment of retained earnings residual value on the opening balance on 1 January 2018 that includes the date of its first adoption.

The effect of adopting IFRS 9 on the statement of financial position (increase/(decrease)) as at 1 January 2018 is as follows:

<i>In thousands of Tenge</i>	Adjustments
Assets	
Current assets	
Trade accounts receivable	(3,311)
Other current assets	(20)
Cash and cash equivalents	(2,504)
Total assets	(5,835)
Equity and liabilities	
Equity	
Retained earnings	(5,835)
Total equity and liabilities	(5,835)

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with an expected credit loss (ECL) approach.

IFRS 9 requires the Company to record expected credit losses for all financial assets not held at fair value through profit and 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 Company expects to receive. The results obtained are then discounted at the asset’s effective interest rate.

For trade accounts receivable, long-term receivables from related parties and other current assets the Company has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company calculated expected credit losses on the basis of average coefficients of due of trade and other accounts receivable on the Company’s historical credit loss experience.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments to the existing standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

For other financial assets, restricted cash, cash and cash equivalents, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers a financial asset in default when contractual payment is 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Company's financial assets. The increase in allowance resulted in adjustment to retained earnings.

The statement of changes in equity reflects the effect of IFRS 9 adoption on retained earnings as at 1 January 2018 of KZT 5,835 thousand.

(a) Classification and measurement

Under IFRS 9, the Company initially measures financial assets at fair value, increased by the amount of transaction costs in the case financial assets are not measured at fair value through profit or loss.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, at amortized cost, or at fair value through other comprehensive income. The classification depends on two criteria: the business model used by the Company to manage financial assets; and whether the contractual cash flows on financial instruments are "exclusively payments in respect of the principal amount of the debt and interest on the outstanding portion of the principal amount".

According to new requirements, the Company classifies and evaluates debt financial assets as follows:

Debt instruments are valued at amortized cost if financial assets are held under a business model whose purpose is to withhold financial assets to obtain contractual cash flows that are solely payments on the principal amount and interest on the outstanding part of the principal amount. The Company includes in this category trade and other receivables and bank deposits.

The Company lacks financial assets considered at fair value through OCI.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Expected credit losses are calculated as the difference between the cash flows owed to the organization in accordance with the contract and all cash flows that the Company expects to receive. The shortfall is then discounted at a rate approximately equal to the initial effective interest rate for the asset.

In respect of contractual assets and trade and other receivables, the Company applied the simplified standard approach and calculated the expected credit losses over the entire term. The Company used a matrix of estimated reserves, based on its past experience in incurring credit losses adjusted for factors specific to borrowers and general economic conditions.

In the case of other debt financial assets (bank deposits), expected credit losses are calculated for twelve months. The twelve-month expected credit losses are part of the expected credit losses over the entire term, which are expected credit losses that arise as a result of defaults on the financial instrument, possible within 12 months after the reporting date. However, in the event of a significant increase in the credit risk of a financial instrument since its initial recognition, the estimated loss allowance is estimated at an amount equal to the expected credit losses over the entire term.

The Company believes that a default has occurred on a financial asset if payments under the contract are delayed by 90 days. However, in certain cases, the Company may also conclude that the financial asset was defaulted, if internal or external information indicates that it is unlikely that the Company will receive the full amount of the remaining payments provided for in the contract, without taking into account credit enhancement mechanisms withheld Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments to the existing standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

The application of IFRS 9 requirements for expected credit losses did not have a significant impact on the statement of financial position as at 1 January 2018.

Several other amendments and interpretations became effective for the first time in 2018, but do not have an impact on the financial statements of the Company, such as:

- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*;
- Amendments to IAS 40 *Transfers of Investment Property*;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*.

Standards issued but not yet effective

Below are the standards and classifications that have been issued, but have not yet entered into force on the date of the issuance of the Company's financial statements. The Company intends to apply these standards, amendments and clarifications, if applicable, from the date of their entry into force.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The lessee will also have to reassess the lease obligation when a certain event occurs (for example, changing the lease terms, changing future lease payments as a result of a change in the index or the rate used to determine such payments). In most cases, the lessee will take into account the revaluation amount of the lease liability as an adjustment to the asset in the form of a right-of-use.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The company plans to apply IFRS 16 a modified retrospective approach in respect of lease agreements effective at the date of initial application of the standard.

The company decided to use the exemptions stipulated by the standard for lease agreements for which the lease term at the date of initial application is no more than 12 months, as well as lease agreements for which the underlying asset has a low cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

In 2018, the Company analyzed the impact of IFRS 16, according to the results of which the Company does not expect a significant impact on the financial statements.

In 2018, standards were also issued that had not yet entered into force at the date of issue of the Group's financial statements. The group intends to apply these standards, amendments and clarifications, if applicable, from the date of their entry into force.

IFRS 17 Insurance Contracts

- Clarification of IFRIC 23 *Uncertainty about the Rules for Calculating Income Tax*;
- Amendments to IFRS 9 *Conditions for Early Repayment with Potential Negative Compensation*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets in Transactions between an Investor and Its Associate or Joint Venture*;
- Amendments to IFRS 19 *Changes to the Program, Reduction of the Program or Repayment of Obligations under the Program*;
- Amendments to IFRS 28 *Long-term Investments in Associates and Joint Ventures*.

Current versus non-current classification

The Company presents assets and liabilities based on their current and non-current classification in the statement of financial position. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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 within 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 Company classifies all other liabilities as non-current.

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

Determination of fair value

The Company measures financial instruments, such as, available for sale ("AFS") financial assets at fair value at each balance sheet date, and non-financial assets at fair value when fair value differs materially from their carrying value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value (continued)

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 restated in the financial statements on a periodic basis, the Company determines if it is necessary to transfer them between levels of the fair value hierarchy by re-analysing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency transactions

The financial statements of the Company are presented in Tenge. Tenge is also the functional currency of the Parent. Transactions in foreign currencies are initially recorded by the Company at functional currency spot rates prevailing at the date when the transaction meets recognition criteria. As at 31 December 2018 and 2017, the Company's transactions were carried out in Tenge.

The foreign exchange rates were presented as follows:

<i>Exchange rate as at the end of the period (to KZT)</i>	31 December 2018	31 December 2017
1 US dollar	384.20	332.33
1 euro	439.37	398.23
1 Russian rouble	5.52	5.77
<i>Average exchange rate for the year (to Tenge)</i>	2018	2017
1 US dollar	344.90	326.08
1 euro	406.77	368.52
1 Russian rouble	5.50	5.59

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalization criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	60 years
Constructions	30 years
Machinery & equipment	7-11 years
Other	2-30 years

Land is not depreciated.

The useful lives and residual values of property and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This accounting estimate may have a material impact on the amounts of the carrying values of property and equipment and on depreciation expenses recognized in the statement of comprehensive income.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 when the asset is derecognised.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets generated internally, except for the capitalized costs for product development, are not capitalized and the related expense is recognized within profit or loss for the reporting period in which it originated.

Intangible assets of the Company mainly include computer software and licences. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 30 years.

Impairment of non-financial assets

The Company assesses at each reporting date 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 Company estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset generate cash inflows that are largely independent of those from other assets or groups of assets. Where 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices for publicly traded shares or other available fair value indicators.

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

Impairment losses of continuing operations (including inventory impairment) are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is recognized at a revalued amount. In this case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, short-term and long-term deposits, restricted cash, other financial assets, trade and other accounts receivable, quoted and unquoted financial instruments.

Financial assets at initial recognition are classified as financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income.

A financial asset is recorded at amortised cost if the two criteria are met:

- 1) The purpose of the business model is to hold the financial asset in order to collect contractual cash flows; and
- 2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal due at a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.

The Company's financial assets not carried at amortised cost are stated at fair value.

A financial asset is recorded at fair value through other comprehensive income if the two criteria are met:

- 1) The purpose of the business model is to hold the financial asset in order to both collect contractual cash flows and for selling a financial asset; and
- 2) Contractual cash flows are represented only by payments on interest and the principal. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

The Company accounts for financial assets at fair value through profit or loss unless they are carried at amortised cost or at fair value through other comprehensive income.

Subsequent measurement

Subsequently, financial assets are measured at amortised cost or fair value through other comprehensive income, or through profit or loss, based on the business model of the Company for the Management of Financial Assets. The business model is determined by the management of the Company.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 the ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 that the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Recognition of expected credit loss

The Company recognises a provision for expected credit losses on financial assets at amortised cost and at fair value through other comprehensive income in an amount equal to expected credit losses over the entire period if the credit loss has increased significantly since initial recognition. The Company does not reduce the carrying amount of the financial asset at fair value through other comprehensive income, but recognises the provision for other comprehensive income.

In determining whether there has been a significant increase in credit risk on a financial asset since its initial recognition, the Company focuses on changes in the risk of default over the life of the credit instrument rather than changes in the amount of expected credit losses.

If the terms of the cash flow agreement for a financial asset have been revised or modified and the financial asset has not been derecognised, the Company assesses whether the credit risk for the financial instrument has changed significantly by comparison:

- 1) Risk assessments of default as at the reporting date (based on modified contractual terms);
- 2) Risk assessments of default at initial recognition (based on initial non-modified contractual terms).

If there is no significant increase in credit risk, the Company recognises an estimated loss allowance on the financial asset that equals to the 12-month expected credit loss, except:

- 1) Purchased or originated credit-impaired financial assets;
- 2) Trade receivables or assets under the contract, arising from operations relating to the scope of application of IFRS 15 *Revenue from Contracts with Customers*; and
- 3) Lease receivables.

For the financial assets specified in paragraphs (1)-(3), the Company estimates the loss provision in the amount of expected credit losses for the entire period.

If, in the prior reporting period, the Company estimated the provision for losses on a financial instrument in the amount equal to the expected credit losses for the entire period, but as at the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date, the Company estimates the allowance in the amount that equals to 12-month expected credit losses.

The Company recognises the amount necessary to adjust the loss allowance to the amount of expected credit losses as profit or loss from impairment at the reporting date.

For acquired or created credit-impaired financial assets, the Company recognises favourable changes in expected credit losses over the entire period as a reversal of the impairment loss, even if the expected credit losses over the entire period are less than the expected credit losses that were included in the estimated cash flows at initial recognition.

Evaluation of expected credit losses

The Company evaluates the expected credit losses for a financial instrument in a way that reflects:

- 1) An unbiased and probability-weighted amount determined by assessing the range of possible outcomes;
- 2) Time value of money;
- 3) Reasonable and verifiable information on past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period reviewed in assessing expected credit losses is the maximum period under the contract (including renewal options) during which the Company is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Evaluation of expected credit losses (continued)

For financial instruments that include both the loan and the unused component of the loan obligation, the Company's contractual ability to demand repayment of the loan and to cancel the unused component of the loan obligation does not limit the Company's exposure to credit loss risk by the contractual notice period. For such financial instruments, the Company estimates credit losses for the entire period of exposure to credit risk, and expected credit losses will not decrease as a result of the Company's credit risk management activities, even if such period exceeds the maximum period under the agreement.

In order to achieve the goal of recognition of expected credit losses for the entire period due to a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analysing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Company achieves the goal of recognising expected credit losses over the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of a single instrument is not yet available.

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables.

Subsequent measurement

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

Trade and other accounts payable

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

Derecognition

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

Inventories

Inventories are recorded using the FIFO method.

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

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

Cash and cash equivalents

Cash in the statement of financial position comprises cash with bank.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash as defined above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, irrespective of the period of payment. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

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

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

- 1) Identification of the contract with the consumer;
- 2) Identification of the obligation to be performed under the contract;
- 3) Determination of transaction price;
- 4) Distribution of the transaction price between the individual obligations to be performed under the contract;
- 5) The recognition of revenue at the time of (or as) performance obligations to be performed under the contract.

Interest income

For all financial instruments measured at amortised 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of the agreement. It is necessary to determine within the limits of such analysis, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly in profit and loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of: the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension liabilities

In accordance with the legislation of the Republic of Kazakhstan, the Company deducts 10% of employees' salaries, but no more than KZT 212,130 per month (2017: KZT 183,443) to accumulative pension funds. Payments to pension funds are deducted from salaries of employees and are included in general salary expenses together with other deductions related to labor compensation in the statement of comprehensive income when incurred. The Company does not have any other obligations on pension payments.

Current income tax

Current income tax assets and liabilities for the current period and prior 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, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the 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 tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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, where 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 recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 utilised, 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 interest in joint ventures, deferred tax assets are recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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. Assumptions and estimates are based on the Company's initial data, which it had at the time of preparation of the financial statements. However, current circumstances and assumptions about the future may vary due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions while they occur.

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 Company.

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

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised in the consolidated financial statements, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are 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 judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018 and 2017, property, plant and equipment included vehicles and other property and equipment. Depreciation charge for 2018 amounted KZT 4,124 thousand (2017: KZT 3,974 thousand).

6. TRADE ACCOUNTS RECEIVABLE

<i>In thousands of Tenge</i>	31 December 2018	31 December 2017
Trade accounts receivable	2,283,848	1,660,532
Less: allowance for expected credit losses	(6,019)	-
	2,277,829	1,660,532

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

<i>In thousands of Tenge</i>	2018	2017
At 1 January	-	2,178
Effect of adoption of IFRS 9 (Note 3)	3,311	-
Change for the year	14,581	33,050
Reversal	(11,873)	(35,228)
At 31 December	6,019	-

As at 31 December 2018 and 2017, the Company's trade receivables included receivables for the sale of electric power and were denominated in Tenge.

The ageing analysis of trade receivables is as follows:

<i>In thousands of Tenge</i>	Total	Neither past due nor impaired	Past due but not impaired			
			<30 days	31-60 days	61-90 days	Over 90 days
31 December 2018	2,277,829	2,272,164	5,665	-	-	-
31 December 2017	1,660,532	1,618,431	42,101	-	-	-

7. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	31 December 2018	31 December 2018
Bank deposits in tenge	1,656,948	1,624,000
Current accounts with banks in tenge	104,057	50,537
Less: allowance for expected credit losses	(2,350)	-
	1,758,655	1,674,537

In 2018, interest was accrued on the Company's current accounts at 3.875% to 7.75% per annum. In December 2018, the Company incurred interest income in the amount of KZT 62,076 thousand (2017: KZT 41,717 thousand). During 2018, temporarily free cash was placed on short-term deposit accounts for a period of up to one month with the interest rate from 7% to 8.7% per annum. For the year ended 31 December 2018, the Company accrued interest income from placement of temporarily free cash on short-term deposits in the amount of KZT 94,452 thousand (2017: KZT 75,512 thousand).

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

<i>In thousands of Tenge</i>	2018	2017
At 1 January	-	-
Effect of adoption of IFRS 9 (Note 3)	2,504	-
Change for the year	2,051	-
Reversal	(2,205)	-
At 31 December	2,350	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CHARTER CAPITAL

As at 31 December 2018 the charter capital of the Company amounted to KZT 100,000 thousand (2017: KZT 100,000 thousand).

9. TRADE ACCOUNTS PAYABLE

<i>In thousands of Tenge</i>	31 December 2018	31 December 2017
Accounts payable for electricity purchased	3,386,833	2,669,297
Accounts payable for works performed and services rendered	28,425	7,559
	3,415,258	2,676,856

As at 31 December 2018 and 2017 The Company's trade accounts payable were denominated in Tenge.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of Tenge</i>	2018	2017
Revenue from sale of purchased electricity on renewable energy sources	21,025,149	15,351,402
	21,025,149	15,351,402

In 2018, revenue was generated from sale of purchased electricity to 60 energy producing entities (2017: 44).

During 2018 and 2017, the Company sold electricity at the moment of time and on the territory of the Republic of Kazakhstan.

11. COST OF SERVICES

<i>In thousands of Tenge</i>	2018	2017
Cost of purchased electricity on renewable energy sources	20,893,549	14,860,959
Costs balancing of electricity production and consumption	70,577	48,934
	20,964,126	14,909,893

12. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	2018	2017
Payroll expenses and other deductions associated with payroll	107,484	91,392
Rent expenses	24,709	20,583
Accrual/(reversal) of provision for unused vacations and bonuses	14,944	19,708
Cost of office equipment servicing	10,822	8,089
Depreciation and amortization	5,413	4,463
Repair expenses	4,010	473
Business trip expenses	3,981	2,884
Training expenses	3,244	4,727
Advisory services	3,207	3,000
(Reversal)/accrual of provisions for doubtful receivables (Note 6)	3,111	(2,323)
Communication services	2,443	1,860
Materials	2,160	913
Insurance expenses	2,116	669
Representation expenses	1,452	496
Procurement costs	923	923
Bank charges	284	276
Other	7,445	10,429
	197,748	168,562

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INCOME TAX EXPENSES

<i>In thousands of Tenge</i>	2018	2017
Current income tax		
Current income tax expenses	15,570	86,548
Adjustment of prior years income tax	52	(5,422)
Deferred tax		
Deferred tax benefit	(1,508)	(1,159)
Total income tax expenses recorded in profit and loss	14,114	79,967

In 2018 and 2017, the income tax rate in the Republic of Kazakhstan was 20%.

Below is the reconciliation of 20% income tax rate and actual amount of income tax recorded in the statement of comprehensive income:

<i>In thousands of Tenge</i>	2018	2017
Profit before tax	70,343	397,411
Tax at statutory income tax rate of 20%	14,069	79,482
Non-deductible expenses	45	485
Income tax expenses recorded in profit and loss	14,114	79,967

Below is the tax effect on major temporary differences that result in origination of deferred tax assets and liabilities as at 31 December 2018 and 2017:

<i>In thousands of tenge</i>	Statement of financial position		Statement of comprehensive income	
	31 December 2018	31 December 2017	2018	2017
Accrued liabilities	2,703	3,259	(556)	1,050
Deferred income	3,923	-	3,923	-
Trade accounts receivable	1,204	-	1,204	(465)
Property, plant and equipment	(4,380)	(1,231)	(3,149)	350
Taxes	310	224	86	224
Not deferred tax assets	3,760	2,252		
Deferred tax benefit			1,508	1,159

The Company performs offset of deferred tax assets and deferred tax liabilities, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income tax collected by the same taxable entity and the same taxation authority.

14. RELATED PARTY DISCLOSURES

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. RELATED PARTY DISCLOSURES (continued)**

The following table provides the total balances of transactions with related parties as at 31 December 2018 and 31 December 2017 and for the years then ended:

<i>In thousands of Tenge</i>	Year	Sales to related parties	Purchases from related parties	Trade receivables from related parties	Trade payables to related parties
Parent – KEGOC	2018	1,892	94,660	842	7,520
	2017	1,994	69,516	557	6,482
Subsidiaries of KEGOC	2018	–	8,246	–	724
	2017	–	8,428	–	785
Subsidiaries of Samruk-Kazyna	2018	6,221,154	4,605,893	622,870	847,813
	2017	4,043,905	4,522,470	520,163	913,037
Associates of Samruk-Kazyna	2018	2,284,644	5,148,563	215,774	555,174
	2017	725,946	3,324,294	49,911	358,237

Sales to related parties comprise sale of electricity produced by the facilities using renewable energy sources.

The key management personnel consisted of 2 persons in 2018 (2017: 2 persons). For the years ended 31 December 2018 and 2017, the total remuneration of key management personnel included in administrative expenses in the accompanying statement of comprehensive income was KZT 26,399 thousand and KZT 24,219 thousand, respectively. Remuneration of key management personnel consists of contractual wages, bonuses based on the operating performance and financial aid in accordance with internal regulatory acts.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities include trade and other payables. The main purpose of these financial liabilities is financing of the Company's operations. The Company has trade and other receivables, cash that arrive directly from its operations.

The Company is exposed to a credit risk and liquidity risk.

Credit risk

Credit risk is the risk that the Company will incur financial losses because the counterparties will not meet their obligations under a financial instrument or customer contract. The Company is exposed to credit risk from its operating activities, primarily trade receivables (Note 6), and from its financing activities, short-term deposits, cash and cash equivalents (Note 7). The Company's exposure and the creditworthiness of its counterparties are controlled constantly. The maximum exposure to the credit risk is represented by the carrying value of each financial asset.

Carrying amount of financial assets recognized in the financial statements of the Company less provisions for impairment reflects the amount of the Company credit risk.

The Company has no approved policies, procedures and controls related to credit risk management, but nevertheless, the outstanding balance of accounts receivable from customers is regularly monitored by the Company's management.

An impairment analysis is performed by the Company's management at each reporting date individually on the basis of the amount of overdue days. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets (Note 6, 8 and 9). The Company does not hold collateral as security.

The credit risk on cash is limited because the counteragents of the Company are banks with high credit ratings assigned by international rating agencies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored regularly, and management monitors the availability of funds in an amount sufficient to meet obligations as they arise.

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

<i>In thousands of Tenge</i>	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	Due more than 5 years	Total
At 31 December 2018						
Trade accounts payables	-	3,415,258	-	-	-	3,415,258
Other current liabilities	-	13,515	-	-	-	13,515
	-	3,428,773	-	-	-	3,428,773
At 31 December 2017						
Trade accounts payables	-	2,676,856	-	-	-	2,676,856
Other current liabilities	-	16,299	-	-	-	16,299
	-	2,693,155	-	-	-	2,693,155

Capital management

The main purpose of the Company capital management is to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholder through the optimisation of the debt and equity balance.

The Company manages its capital with consideration of changes in economic environment.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

Fair values of financial instruments

As at 31 December 2018 and 31 December 2017 the management assessed that the fair value of financial instruments of the Company, 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.

16. CONTINGENT LIABILITIES

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 opinion on IFRS approach to income, expenses and other items of financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank 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 five 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 2018.

As at 31 December 2018, Management of the Company believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. CONTINGENT LIABILITIES (continued)

Contractual commitments

As at 31 December 2018, the Company has 35 (thirty five) contracts with existing electricity producers, which use renewable energy sources (solar energy, wind and water energy): 13 contracts with hydropower plant; 9 contracts with solar power plant, 12 contracts with wind power plant and 1 contract with bio power plant. The term of the contracts is 15 years from the date of commissioning of the power plant, during which the generated electricity will be supplied to the electric networks of the energy transmitting organization. The Company has an obligation to purchase all of the electricity produced by these power plants.

Tariffs on purchase of electricity from renewable energy sources

According to the Government Decree No. 419 dated 29 April 2014, the tariffs for the purchase of electricity from renewable energy stations, which have been put into exploitation before the adoption of the Law on renewable energy No. 165-IV ("Law") dated 4 July 2009, are equal to the tariffs stipulated in the technical-economic justification of the station. For the renewable energy producing organizations that have been put into exploitation after the Law adoption fixed tariffs approved by the Government decree of the Republic of Kazakhstan No. 645 dated 12 June 2014 and No. 644 dated 12 June 2014 are applied.

Tariff on sale of electricity from renewable energy sources

Tariff on sale of electricity from renewable energy sources to contingent consumers is calculated according to *The Rules on Calculating the Tariffs on Supporting the Renewable Energy Sources* approved by the Government Decree No. 290 dated 1 April 2014. The sales tariff includes cost of purchased electricity, operating costs, cost of services on balancing production and profit margin and is calculated by the Company regularly.

Management believes that in 2018 purchase and sales tariffs on electricity from renewable energy sources are applied and calculated properly in accordance with the applicable regulation and legislation.

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 Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Decrease in oil prices negatively influences Kazakhstan economy. Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, and increase in uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

17. SUBSEQUENT EVENTS

In accordance with the Law on *Electric Power Industry* of the Republic of Kazakhstan, starting from 1 January 2019, the electric capacity market is functioning. The main goal of the capacity market is to improve the investment attractiveness of the renewable energy industry in order to ensure a sufficient volume of capacity of the Unified Energy System of Kazakhstan. The operation of the capacity market require the lead-in a Single Buyer, who purchases services to maintain the availability of electrical power and to provide services to ensure the availability of electrical power to carry out the load. By order of the Minister of Energy, the Company appointed a Single Buyer.

A Single Buyer purchases services to maintain the availability of electrical power from energy producing companies:

- Having concluded investment agreements with the Ministry of Energy of the Republic of Kazakhstan for modernization, expansion, reconstruction and (or) renovation;
- Which include thermal power plants;
- According to the results of centralized trading of the electric capacity held by "KOREM" JSC.

For the making the above-mentioned purchases, the Single Buyer uses funds from the sale of services to ensure the availability of electric power to consumers – energy transmission, energy supply organizations and consumers who are subjects of the wholesale electricity market.