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

Financial statements

For the year ended 31 December 2020
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 2020, 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 2020 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Other information included in the Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's annual report for 2020 is expected to be provided to us after the date of this audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Adil Syzdykov
Auditor

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

Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

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26 February 2021

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of tenge	**Notes**	**31 December 2020**	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment		**32,909**	39,748
Intangible assets		**17,336**	20,605
Deferred tax asset	14	**159,652**	53,436
		209,897	113,789
Current assets			
Inventories		**55,024**	2,571
Trade accounts receivable	5	**17,298,215**	14,184,073
Advances paid	6	**1,255,494**	2,400
VAT recoverable		**6,999**	–
Income tax prepayment		**428,219**	–
Other current assets		**185,827**	85,655
Other financial assets, current portion	7	**13,055,659**	11,691
Cash and cash equivalents	8	**14,324,021**	11,733,650
		46,609,458	26,020,040
Total assets		**46,819,355**	26,133,829
Equity and liabilities			
Equity			
Charter capital	9	**100,000**	100,000
Retained earnings		**19,634,362**	10,409,163
		19,734,362	10,509,163
Non-current liabilities			
Deferred income		**10,789**	13,731
		10,789	13,731
Current liabilities			
Trade accounts payable	10	**26,969,198**	14,786,273
Deferred income		**2,942**	2,942
Other taxes payable other than income tax		**8,820**	82,912
Income tax payable		**–**	696,433
Other current liabilities		**93,244**	42,375
		27,074,204	15,610,935
Total liabilities		**27,084,993**	15,624,666
Total equity and liabilities		**46,819,355**	26,133,829

General Director ________ Zh.B. Kuanyshbayev

Chief Accountant ________ G.V. Sirayeva

The accounting policies and explanatory notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of tenge	Notes	2020	2019
Revenue from contracts with customers	11	**176,132,448**	111,964,206
Cost	12	**(165,385,303)**	(99,865,777)
Gross profit		**10,747,145**	12,098,429
General and administrative expenses	13	**(555,613)**	(362,661)
Interest income	7, 8	**1,665,765**	589,717
Interest expense		**(5,784)**	–
Other income		**54,100**	154,659
Other expense		**–**	(13)
Accrual of provision for expected credit losses		**(489,357)**	(243,581)
Profit before tax		**11,407,256**	12,236,550
Income tax expense	14	**(2,182,057)**	(2,453,197)
Profit for the year		**9,225,199**	9,783,353
Total comprehensive income for the year		**9,225,199**	9,783,353

General Director

"Расчетно-финансовый центр по поддержке возобновляемых источников энергии"

Zh.B. Kuanyshbayev

Chief Accountant

G.V. Sirayeva

The accounting policies and explanatory notes on pages 5 to 26 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of tenge	Notes	2020	2019
Operating activities			
Profit before tax		**11,407,256**	12,236,550
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation	13	**13,105**	12,384
Accrual of provision for unused vacations and bonuses		**47,768**	38,542
Accrual of provision for expected credit losses		**498,357**	243,581
Interest income	7, 8	**(1,665,765)**	(589,717)
Working capital adjustments			
Change in inventories		**(52,453)**	(1,703)
Change in trade accounts receivable		**(3,587,594)**	(12,139,986)
Change in advances paid		**(1,253,094)**	(2,317)
Change in VAT recoverable and other taxes		**(6,999)**	20,419
Change in other current assets		**(128,525)**	(85,587)
Change in trade payables		**12,182,287**	11,389,950
Change in deferred income		**(2,942)**	(2,942)
Change in taxes payable other than income tax		**(74,092)**	79,096
Change in other current liabilities		**3,101**	(9,682)
		17,380,410	11,188,588
Income tax paid		**(3,412,925)**	(1,674,816)
Interest received		**1,060,761**	493,790
Net cash flows from operating activities		**15,028,246**	10,007,562
Investing activities			
Withdrawal of deposits, net		**25,082,966**	–
Placement of deposits, net		**(37,524,318)**	–
Purchase of property, plant and equipment		**(2,106)**	(19,904)
Purchase of intangible assets		**(253)**	(3,150)
Net cash flows used in investing activities		**(12,443,711)**	(23,054)
Net change in cash and cash equivalents		**2,584,535**	9,984,508
Accrual of provision for expected credit losses on cash and cash equivalents		**5,836**	(9,513)
Cash and cash equivalents at 1 January		**11,733,650**	1,758,655
Cash and cash equivalents at 31 December	8	**14,324,021**	11,733,650

General Director ______ *Zh.B. Kuanyshbayev*

Chief Accountant ______ *G.V. Sirayeva*

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of tenge	Charter capital	Retained earnings	Total
As at 1 January 2019	100,000	625,810	725,810
Profit for the year	–	9,783,353	9,783,353
Total comprehensive income	–	9,783,353	9,783,353
As at 31 December 2019	100,000	10,409,163	10,509,163
Profit for the year	**–**	**9,225,199**	**9,225,199**
Total comprehensive income	**–**	**9,225,199**	**9,225,199**
As at 31 December 2020	**100,000**	**19,634,362**	**19,734,362**

General Director — *Zh.B. Kuanyshbayev*

Chief Accountant — *G.V. Sirayeva*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020, Kazakhstan Electricity Grid Operating Company ("KEGOC") is the sole shareholder of the Company. KEGOC's major shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Accordingly, all subsidiaries of Samruk-Kazyna are considered as related parties of the Company (see *Note 15*).

Principal activities

- Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan.
- Centralised purchase of services to maintain readiness of electricity capacity and centralised rendering of services to ensure readiness of electricity capacity to bear the power load in the electricity capacity market.

Accounting and Finance Center for the Support of Renewable Energy Resources LLP does not have subsidiaries or affiliates, branches or representative offices.

The Company's head office is located at: Republic of Kazakhstan, 010000, Nur-Sultan Tauyelsyzdyk Ave., 59.

The accompanying financial statements were authorised for issue by the General Director and Chief Accountant of the Company on 26 February 2021.

For management purposes, the Company's activities are organised into business units based on their services, and has two reportable operating segments, as follows:

- *Services for ensuring 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 from renewable energy sources*

  The sale of purchased electricity segment includes the renewable energy sector ("RES") created by the Government of the Republic of Kazakhstan in order to create 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 maintains separate accounting by type of activity in accordance with the separate accounting method approved by the Company's Supervisory Board (minutes No. 10 dated 9 November 2019).

The Law of the Republic of Kazakhstan dated 7 December 2020 No. 380-VI ZRK *On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Supporting the Use of Renewable Energy Sources and Electricity*, amended and supplemented the Law of the Republic of Kazakhstan *On Electricity*. In particular, the competence of the Company was expanded in paragraph 2, article 10-3 by a new subparagraph 8) of the following content:

- The single purchaser directs the funds generated as a result of a positive financial result within the framework of activities in the electricity capacity market in the year preceding the year in which the price is calculated to reduce the price of the service to ensure the readiness of electric capacity to bear the load for the coming year.

At the same time, in accordance with clause 8 of Article 15-3, the calculation of the price for the service to ensure the readiness of electric power to bear the load for the coming calendar year is carried out by a single purchaser on the basis of, among other things, a positive financial result, confirmed by an audit report, on the activities of a single purchaser on the electric capacity market for the year preceding the year in which the price is calculated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

In this case, the financial result is formed on the basis of the gross result from the activities of a single purchaser for the purchase of services for maintaining the readiness of electric power and the provision of services for ensuring the readiness of electric power, less:

- Actually incurred operating costs of a single purchaser, but not higher than the costs taken into account when approving the price for the corresponding year;
- Uncovered costs for the development of a preliminary feasibility study ordered by the authorized body;
- Estimated corporate income tax.

When calculating the tariff for 2021, the Company applied these changes in legislation based on the financial result of 2019.

For the year ended 31 December, 2020, the following financial result was obtained for the type of activity "centralized purchase of services to maintain the readiness of electrical capacity and centralized provision of services to ensure the readiness of electrical power to bear the load on the electrical power market":

In thousands of tenge	2020	2019
Revenue from contracts with customers	88,953,245	71,093,279
Cost	(80,383,059)	(58,284,128)
Gross profit	**8,570,186**	**12,809,151**
Expenses of the period (economically justified expenditures)	(307,353)*	(355,692)*
Profit before tax	**8,262,833**	**12,376,711**
Income tax expenses (20% on profit before tax)	(1,652,567)	(2,490,692)
Net profit	**6,610,266**	**9,962,767**

* *In accordance with the methodology of separate accounting for the type of activity "centralized purchase of services to maintain the readiness of electric capacity and centralized provision of services to ensure the readiness of electric capacity to bear the load in the electric capacity market", the amount of actual justified operating costs amounted to 573,949 thousand tenge for 2020 and 432,440 thousand tenge for 2019.*

2. BASIS OF PREPARATION

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

These financial statements have been prepared on the historical cost basis. The financial statements are presented in tenge and all values are rounded to the nearest thousand, except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted to the existing standards

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Company.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company but may be applicable in the future if the Company enters into a business combination.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Company as it does not have an interest rate-based hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or quantity of the information (taken separately or in combination with other information) in the context of the financial statements as a whole. Misstatement is material if it can be reasonably expected to influence the decisions of the principal users of the financial statements. These amendments did not have an impact on the financial statements of the Company, and it is expected that there will be no future impact either.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards; assist preparers of financial statements in the development of accounting policies when none of the standards regulate a particular transaction or other event; and assist all parties to understand and interpret the standards. This document will have an impact on organizations that develop their accounting policies in accordance with the provisions of the Conceptual Framework.

The revised Conceptual Framework contains several new concepts, updated definitions of assets and liabilities and criteria for their recognition, and clarifies some significant provisions. The revision of this document did not have an impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

This amendment applies to annual periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment did not have any impact on the financial statements of the Company.

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

The following are new standards, amendments and clarifications that have been issued but are not yet effective as of 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 effective date.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued *IFRS 17 Insurance Contracts*, a new comprehensive financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. When IFRS 17 becomes effective, it will replace *IFRS 4 Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance and insurance other than life insurance, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation conditions. There are a few exceptions to the scope. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation terms (variable remuneration method).
- Simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, and comparative information is required. Earlier application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date on which IFRS 17 was first applied. This standard is not applicable to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- What is meant by the right to postpone the settlement of obligations;
- The right to defer settlement of obligations must exist at the end of the reporting period;
- The classification of the liability is not affected by the likelihood that the entity will exercise its right to defer settlement of the liability;
- The terms of the liability will not affect its classification only if the embedded derivative in the convertible liability is itself an equity instrument.

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively. The Company is currently analyzing the possible impact of these amendments on the current classification of liabilities and the need to renegotiate the terms of existing loan agreements.

Amendments to IFRS 3 – References to Conceptual Framework

In May 2020, the IASB issued amendments to *IFRS 3 Business Combinations – Conceptual References*. The purpose of these amendments is to replace references to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with references to the Conceptual Framework for the Presentation of Financial Statements issued in March 2018, without significantly changing the requirements of the standard.

The Board also added an exemption to the recognition principle in IFRS 3 to avoid potential 'Day 2' gains or losses for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Interpretations *Mandatory Payments*, if they arise in the framework of separate transactions.

At the same time, the Board decided to clarify the existing requirements of IFRS 3 for contingent assets, which will not be affected by the replacement of references to the Framework for the Preparation and Presentation of Financial Statements. These amendments are effective for annual periods beginning on or after 1 January 2022 and are applied prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment: Proceeds Before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced by bringing the item to and from its location. the condition that is required for its operation in accordance with the intentions of management. Instead, the entity recognizes the proceeds from the sale of those items and the cost of manufacturing those items in profit or loss.

These amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to those items of property, plant and equipment that became available for use on or after the commencement date of the earliest presented in the financial the reporting period in which the entity first applies these amendments.

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

Amendments to IAS 37 – Onerous Contracts – Contract Performance Costs

In May 2020, the IASB issued amendments to IAS 37 that clarify what costs an entity should consider when assessing whether a contract is onerous or unprofitable.

The amendments provide for a "cost directly attributable to the contract" approach. Costs directly attributable to a contract for the provision of goods or services include both the incremental costs of performing that contract and allocated costs directly attributable to the performance of the contract. General and administrative costs are not directly related to the contract and are therefore excluded unless explicitly reimbursed by the contractual counterparty.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - First-time adopter of International Financial Reporting Standards

As part of the process of annual improvements to IFRSs 2018-2020 period, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Under the amendment, a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 is entitled to measure cumulative exchange differences using the amounts reported in the parent's financial statements based on the date the parent transitions to IFRSs. The amendment also applies to associates and joint ventures that elect to apply paragraph D16 (a) of IFRS 1.

This amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendment to IFRS 9 Financial Instruments – 10% test fee on derecognition of financial liabilities

As part of the annual improvement process to IFRS 2018-2020 period, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees an entity considers when assessing whether the terms of a new or modified financial liability are materially different from those the original financial obligation. Such amounts include only those fees paid or received between the specified lender and the borrower, including fees paid or received by the lender or borrower on behalf of the other party. An entity shall apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The company will apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which it first applies the amendment. This amendment is not expected to have a significant impact on the Company.

Amendment to IAS 41 Agriculture – Taxation in the Measurement of Fair Value

As part of the annual improvement process to IFRS 2018-2020 period, the IASB issued an amendment to IAS 41 *Agriculture*. This amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude tax cash flows when measuring the fair value of assets within the scope of IAS 41.

An entity shall apply the amendment prospectively to the fair value measurement at or after the commencement date of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have an impact on the Company.

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 be sold or consumed in the 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 twelve (12) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Company evaluates such financial instruments as financial assets at fair value at each reporting date. 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.

The principal or the most advantageous market must be accessible to by the entity. 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 ("KZT"). 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 2020 and 2019, the Company's transactions were carried out in tenge.

The currency exchange rate of KASE as at 31 December 2020 was 490,91 KZT to 1 USD. This rate was used for translation of monetary assets and liabilities denominated in US dollars at 31 December 2020 (at 31 December 2019: KZT 382,59 to 1 USD).

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets of the Company include cash and cash equivalents, short-term deposits and trade accounts receivable.

Financial assets at initial recognition are classified respectively as financial assets carried at amortised cost; financial assets carried at fair value through profit or loss; financial assets carried 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 payments on interest and the principal. The interest is a payment for the time value of money and the credit risk associated with the principal due at a certain period of time.

NOTES TO THE 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)

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 through sale of the financial asset; and

2) Contractual cash flows are represented only by payments on interest and the principal. The interest is a payment for the time value of money and the credit risk associated with the principal due at 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 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 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.

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 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 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 of consideration that the Company could be required to repay.

Recognising expected credit losses

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Recognising expected credit losses (continued)

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 ECLs 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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 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 accounts payable.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Trade accounts payable

Trade payables are recognised initially at fair value and subsequently measured at amortised 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 consolidated statement of comprehensive loss.

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.

Allowances

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 recognises revenue to reflect the provision of promised services to consumers in the amount of reimbursement that the Company expects to receive in return for the goods or services in question.

The Company, in recognition of revenue, carries out the following steps:

1) Identification of the contract;
2) Identification of the obligation to be executed under the contract;
3) Determination of the price of the transaction;
4) The distribution of the price of the transaction between certain duties to be performed under the contract;
5) Recognition of revenue at the time (or as received) of performance of an obligation to be performed under the contract.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

From 1 January 2019, with the launch of the 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 recognised monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electricity capacity 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.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or loss is recorded using the effective interest rate (EIR), which 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 statement of comprehensive income.

Lease

The Company 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.

Company as a lessee

The Company recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognises 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company 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 recognised as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Pension liabilities

In accordance with the legislation of the Republic of Kazakhstan the Company deducts 10% limited to KZT 212,500 (2019: KZT 212,500) from the salary of its employees as the employees' contribution to their 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 labour 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:

- When 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE 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 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.

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 JUDGMENTS, 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 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. 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 income tax expense or benefit already recorded. The Company 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 company's domicile.

Since the Company assesses that legal proceedings in connection with the tax legislation and subsequent cash outflow are unlikely to take place, a contingency was not 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. A significant judgement of management is required to calculate the amount of deferred tax assets, which may be recognised in the consolidated financial statements based on possible dates of generation and amount of future taxable profit as well as strategy of tax planning.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The Company's role in agreements for purchase and sale of electricity generated by renewable energy facilities

In order to create conditions for the development of the renewable energy sector ("RES"), the Government of the Republic of Kazakhstan adopted a mechanism of state support based on the introduction of a centralised purchase by a single customer – Accounting and Finance Center for electricity produced by renewable energy facilities. The activities of the Accounting and Finance Center are regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources*.

After analysing the contracts for the purchase and sale of electricity generated by renewable energy facilities, the Company's management made significant judgment that the Company momentarily obtains control over the electricity generated by renewable energy facilities and transfers it to customers. The Company's management believes that the customers consider the Company as the party primarily responsible for execution of the contract for the sale of electricity generated by renewable energy facilities.

Moreover, contracts for the purchase of electricity generated by renewable energy facilities are concluded by the Company for a period of 15 years, wherein contracts for sale of electricity are signed with customers for a period of one year.

Therefore, the Company's Management determined that the Company is a principal in the sale of electricity generated by renewable energy facilities, and the Company recognises revenue in the gross amount to which the entity expects to be entitled.

Allowance for expected credit losses on trade receivables and assets under the contract

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Determinations of the lease component in renewable energy purchase agreements

The Company entered into long-term contracts for the purchase of electricity produced at power plants using renewable energy sources ("RES power plants"). Under these agreements, the Company is entitled to receive almost all economic benefits from the use of a RES power plant during the period of use defined as the 15-year period of the purchase agreements. The Company purchases the entire volume of electricity produced at these RES power plants. RES power purchase agreements provide for fixed tariffs in tenge for each kWh of electricity produced at a RES power plant.

Thus, the Company's management determined that RES power purchase agreements contain a lease component in accordance with IFRS 16. However, the Company's management cannot determine with a reliable estimate the volume of electricity due to high fluctuations in the volumes of production that will be produced at each particular power plant, since the nature of the RES business is highly dependent on external factors, such as weather conditions. Accordingly, the Company's management could not reliably and faithfully estimate the lease liabilities (and, consequently, the right-of-use asset).

5. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**31 December 2020**	31 December 2019
Trade accounts receivable	**18,011,432**	14,423,838
Less: provision for expected credit losses	**(713,217)**	(239,765)
	17,298,215	14,184,073

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TRADE ACCOUNTS RECEIVABLE (continued)

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

In thousands of tenge	2020	2019
As at 1 January	**239,765**	6,019
Accrual of provision	**880,251**	272,095
Reversal of provision	**(406,799)**	(38,349)
As at 31 December	**713,217**	239,765

As at 31 December 2020 and 31 December 2019, the Company's trade receivables included receivables for the sale of electric power generated by renewable energy facilities and receivables for rendering of services to ensure readiness of electricity capacity to bear the power load, and were denominated in KZT.

The ageing analysis of trade receivables is as follows:

		Trade accounts receivable			
			Past due		
In thousands of tenge	Total	Current	31-60 days	61-90 days	Over 90 days
31 December 2020					
Percent of expected credit loss		**0.84%**	**12.35%**	**17.53%**	**28.12%**
Estimated total gross carrying amount in case of default	**18,011,432**	**15,608,015**	**468,164**	**193,037**	**1,742,216**
Less: provision for expected credit losses	**(713,217)**	**(131,710)**	**(57,823)**	**(53,844)**	**(469,840)**
	17,298,215	**15,476,305**	**410,341**	**139,193**	**1,272,376**
31 December 2019					
Percent of expected credit loss		0.10%	1.26%	2.14%	24.54%
Estimated total gross carrying amount in case of default	14,423,838	13,015,589	279,540	240,753	887,956
Less: provision for expected credit losses	(239,765)	(13,228)	(3,529)	(5,147)	(217,861)
	14,184,073	13,002,361	276,011	235,606	670,095

6. ADVANCES PAID

As of 31 December 2020, advances paid by the company included: advances paid for services to maintain the readiness of the electricity capacity of JSC Shardara Hydroelectric Power Station in the amount of KZT 644,823 thousand and LLP Ekibastuz Hydroelectric Power Station-1 named after B. Nurzhanov in the amount of KZT 609,588 thousand, as well as other advances paid in the amount of KZT 1,083 thousand (as at 31 December 2019: KZT 2,400 thousand). Advances paid by JSC Shardara Hydroelectric Power Station and Ekibastuz Hydroelectric Power Station-1 named after B. Nurzhanov will be compensated by the remainder of the accounts payable after agreeing on the actual volumes and signing the acts.

7. OTHER FINANCIAL ASSETS, CURRENT PORTION

In thousands of tenge	31 December 2020	31 December 2019
Notes of the National Bank of the Republic of Kazakhstan	**9,046,356**	–
Bank deposits	**4,000,000**	–
Accrued interest on bank deposits	**30,267**	11,697
Less: provision for expected credit losses	**(20,964)**	(6)
	13,055,659	11,691

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. OTHER FINANCIAL ASSETS, CURRENT PORTION (continued)

Notes of the National Bank of the Republic of Kazakhstan

In order to comply with the basic principles of cash management - profitability, security and liquidity, in 2020 the temporarily free funds by the Company were invested in the notes of the National Bank of the Republic of Kazakhstan.

On 14 February 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 40,000 thousand pieces at a price below par for the total amount of KZT 3,903,876 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 15 May 2020. On 15 May 2020, the Group recognized finance income in the amount of KZT 96,124 thousand.

On 11 May 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 37,712 thousand pieces at a price below par for the total amount of KZT 3,676,348 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 7 August 2020. During the reporting period, finance income was recognized in the amount of KZT 94,842 thousand.

On 22 May 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 9,935 thousand pieces at a price below par for the total amount of KZT 944,095 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 20 November 2020. During the reporting period, finance income was recognized in the amount of KZT 49,439 thousand.

On 12 June 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 44,072 thousand pieces at a price below par for the total amount of KZT 4,300,000 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 11 September 2020. During the reporting period, finance income was recognized in the amount of KZT 107,205 thousand.

On 12 August 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 37,255 thousand pieces at a price below par for the total amount of KZT 3,700,000 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 9 September 2020. During the reporting period, finance income was recognized in the amount of KZT 25,546 thousand.

On 11 September 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 81,855 thousand pieces at a price below par for the total amount of KZT 8,000,000 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 11 December 2020. During the reporting period, finance income was recognized in the amount of KZT 185,492 thousand.

On 11 December 2020, the Company acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 92,109 thousand pieces at a price below par for the total amount of KZT 9,000,000 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 12 March 2021. During the reporting period, finance income was recognized in the amount of KZT 46,356 thousand.

Bank deposits in tenge

As at 31 December 2020, other financial assets include a short-term bank deposit with a maturity of more than three months in the amount of KZT 4,000,000 thousand (less reserve KZT 20,948 thousand), with an interest rate of 7.55%.

Accrued interest on bank deposits

As at 31 December 2020 and 31 December 2019 other financial assets include accrued interest income on bank deposits in the amount of KZT 30,267 thousand (less provision of KZT 16 thousand) and KZT 11,697 thousand (less provision of KZT 6 thousand), respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CASH AND CASH EQUIVALENTS

In thousands of tenge	31 December 2020	31 December 2019
Current accounts with banks in tenge	**8,940,678**	986,513
Bank deposits in tenge	**5,389,370**	10,759,000
Less: provision for expected credit losses	**(6,027)**	(11,863)
	14,324,021	11,733,650

In 2020, interest was accrued on the Company's current accounts at 6% to 8.25% per annum (2019: at 4.5% to 7%). For the year ended 31 December 2020, the Company incurred interest income in the amount of KZT 247,998 thousand (2019: KZT 173,510 thousand). During 2020 and 2019, 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 9% per annum. For the year ended 31 December 2020, the Company accrued interest on temporarily free cash on short-term deposits in the amount of KZT 812,763 thousand (2019: KZT 416,207 thousand).

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

In thousands of tenge	2020	2019
As at 1 January	**11,863**	2,350
Accrual of provision	**3,909**	11,276
Reversal	**(9,745)**	(1,763)
As at 31 December	**6,027**	11,863

9. CHARTER CAPITAL

As at 31 December 2020, the charter capital of the Company amounted to KZT 100,000 thousand (2019: KZT 100,000 thousand).

10. TRADE ACCOUNTS PAYABLE

In thousands of tenge	31 December 2020	31 December 2019
Accounts payable for works and services rendered to maintain readiness of electricity capacity	**13,941,450**	5,731,263
Accounts payable for purchased electricity generated by renewable energy facilities	**13,026,751**	9,054,967
Other payables	**997**	43
	26,969,198	14,786,273

As at 31 December 2020 and 2019, trade and other payables are non-interest bearing and are generally due within 30 days.

As at 31 December 2020 and 2019, trade and other payables are denominated in KZT.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	2020	2019
Revenue from the sale of services to ensure the readiness of electricity capacity to bear the power load	**88,953,245**	71,093,278
Income from sale of purchased electricity on renewable energy sources	**87,179,203**	40,837,478
Revenue from implementation of pre-project technical documentation on the solar power plant pilot project for RES bidding with documentation	**–**	33,450
	176,132,448	111,964,206

For the year ended 31 December 2020, revenue from one customer, subsidiaries of the Samruk-Kazyna group amounted to 39,605,958 KZT 39,605,958 thousand (2019: KZT 12,672,174 thousand), which represents 22% of total revenue of the Company (2019: 11%).

During 2020 and 2019, the Company sold all goods and services in the Republic of Kazakhstan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Timing of revenue recognition is as follows:

In thousands of tenge	2020	2019
Timing of revenue recognition		
At a point in time	**87,179,203**	40,870,928
Over time	**88,953,245**	71,093,278
Total revenue from contracts with customers	**176,132,448**	111,964,206

12. COST

In thousands of tenge	2020	2019
Expenses for maintaining readiness of electricity capacity to bear the power load	**80,381,919**	58,282,988
Cost of purchased electricity on renewable energy sources	**84,752,982**	41,435,133
Costs balancing of electricity production and consumption	**249,262**	118,641
Cost of pre-project technical documentation	**–**	27,875
Expenses for organising and holding of centralised electricity capacity bidding	**1,140**	1,140
	165,385,303	99,865,777

13. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2020	2019
Payroll expenses and other deductions associated with payroll	**224,209**	214,762
Accrual of provision for unused vacations and bonuses	**110,272**	38,542
Fines and penalties	**106,392**	–
Lease expenses	**58,212**	39,923
Depreciation and amortisation	**13,105**	12,384
Telecommunication services	**10,462**	8,610
Cost of office equipment servicing	**5,553**	11,668
Consulting services	**3,450**	3,491
Business trip expenses	**2,777**	6,573
Insurance expenses	**1,634**	3,942
Procurement costs	**1,442**	923
Bank charges	**1,383**	961
Materials	**1,310**	5,232
Repair expenses	**1,160**	2,788
Training expenses	**998**	1,952
Other	**13,254**	10,910
	555,613	362,661

14. INCOME TAX EXPENSE

In thousands of tenge	2020	2019
Current income tax		
Current income tax expense	**2,699,997**	2,502,873
Adjustment of prior years income tax	**(411,724)**	–
Deferred tax		
Deferred tax benefit	**(106,216)**	(49,676)
Total income tax expenses recorded in profit and loss	**2,182,057**	2,453,197

In 2020 and 2019, the income tax rate in the Republic of Kazakhstan was 20%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. INCOME TAX EXPENSE (continued)

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

In thousands of tenge	2020	2019
Income before income tax expense	**11,407,256**	12,236,550
Tax at statutory income tax rate of 20%	**2,281,451**	2,447,310
Interest income from securities	(121,000)	–
Non-deductible expenses	21,606	5,887
Income tax expenses recorded in profit and loss	**2,182,057**	2,453,197

Below is the tax effect on major temporary differences that result in origination of deferred tax assets and liabilities as at 31 December 2020 and 2019:

	Statement of financial position		Statement of comprehensive income	
In thousands of tenge	**31 December 2020**	31 December 2019	**2020**	2019
Accrued liabilities	**15,974**	6,419	**9,554**	3,787
Deferred income	**2,746**	3,335	**(589)**	(589)
Trade accounts receivable	**144,664**	48,017	**96,647**	46,660
Taxes	**550**	677	**(127)**	444
Property, plant and equipment	**(4,282)**	(5,012)	**731**	(626)
Net deferred tax assets	**159,652**	53,436		
Deferred tax benefit			**106,216**	49,676

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.

15. 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.

The following table provides the total balances of transactions with related parties as at 31 December 2020 and 31 December 2019 and for the years then ended:

In thousands of tenge	Year	Sales to related parties	Purchases from related parties	Trade receivables from related parties	Trade payables to related parties
Parent – KEGOC	**2020**	**4,570,460**	**308,294**	**525,546**	**24,135**
	2019	3,401,035	158,564	639,501	–
Subsidiaries of KEGOC	**2020**	**–**	**4,004**	**–**	**335**
	2019	–	11,766	–	1,190
Subsidiaries of Samruk-Kazyna	**2020**	**39,605,958**	**42,453,003**	**6,317,223**	**10,087,364**
	2019	12,672,174	21,135,121	1,524,247	3,851,528
Samruk-Kazyna associates	**2020**	**5,318,856**	**1,812,323**	**506,092**	**335,336**
	2019	13,202,540	13,765,582	1,153,294	1,146,275

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 2020 (2019: 2 persons). For the years ended 31 December 2020 and 2019, the remuneration of key management personnel included in administrative expenses in the accompanying statement of comprehensive income was KZT 34,377 thousand and KZT 33,430 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 acvts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial liabilities include trade accounts payable. The main purpose of these financial liabilities is financing of the Company's operations. The Company has trade receivables, short-term deposits, cash that arise directly from its operations.

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

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 Company is exposed to credit risk from its operating activities, primarily trade receivables and from its financing activities, short-term deposits, cash and cash equivalents *(Note 5, 7, 8)*. 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 value of financial assets recognised in the financial statements of the Company less ECL allowance reflects the maximal extent of the Company's 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 5, 7, 8)*. 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.

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.

In thousands of tenge	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2020						
Trade accounts payable	–	**26,969,198**	–	–	–	**26,969,198**
Other current liabilities	–	**93,244**	–	–	–	**93,244**
	–	**27,062,442**	–	–	–	**27,062,442**
As at 31 December 2019						
Trade accounts payable	–	14,786,273	–	–	–	14,786,273
Other current liabilities	–	42,375	–	–	–	42,375
	–	14,828,648	–	–	–	14,828,648

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISL MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments

As at 31 December 2020, the carrying value of financial assets and liabilities approximates their fair value due to the short-term nature of these financial instruments.

During 2020, the Company acquired short-term notes of the National Bank of the Republic of Kazakhstan, income from changes in the value of financial instruments for 2020 amounted to KZT 605,004 thousand.

As at 31 December 2020 and 2019, the Company did not have any financial instruments classified as financial instruments of 1, 2 or 3 levels.

For the years ended 31 December 2020 and 2019 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

17. CONTINGENT LIABILITIES

Taxes

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 opinions on IFRS approach regarding revenue, expenses and other accounts of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law 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 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 2020.

As at 31 December 2020, 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.

Contractual liabilities

As at 31 December 2020, the Company has 130 contracts with existing electricity producers, which use renewable energy sources (solar energy, wind and water energy): 32 agreements with hydroelectric power plants; 38 agreements with solar power plants, 55 agreements with wind power plants and 5 agreements with biological power plants. 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 organisation. The Company has an obligation to purchase all of the electricity produced by these power plants. As at 31 December 2020, the Company has a contractual obligation from 1 to 15 years.

In 2020, the Company concluded 61 contracts with contingent consumers for the sale of electricity generated by facilities using renewable energy sources. Among them: 47 contracts in Zone 1 and 14 contracts in Zone 2.

As at 31 December 2020, the Company concluded 250 contracts with consumers of services ensuring the readiness of electricity capacity to bear the power load in the electricity capacity market, including 135 contracts with energy supply organisations, 29 contracts with energy transmission organisations, and 86 contracts with consumers.

51 contracts were signed with 34 energy producing organisations for the purchase of services to maintain readiness of electricity capacity: including 2 contracts with energy producing organisations under investment agreements, 19 contracts with energy producing organisations that comprise heat and power plants, 30 contracts with energy producing organisations based on the results of centralised bidding.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CONTINGENT LIABILITIES (continued)

Contractual liabilities (continued)

Tariff on sale of electricity from renewable energy sources

The tariff on sale of electricity, produced by the renewable energy sources, to conditional consumers is calculated in accordance with the "Rules for determining the tariff for the support of renewable energy sources", approved by Order of the Minister of Energy of the Republic of Kazakhstan dated 20 February 2015 No. 118 and the "Rules for pricing in socially significant markets", approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017 No. 36. The tariff on sale of electricity include the costs of the Accounting and Finance Center for the purchase of electricity, produced by the renewable energy facilities, the costs of services for the organization of balancing the production and consumption of electricity, the costs of forming a reserve fund and the costs associated with the activities of the Accounting and Finance Center for the Support of Renewable Energy Resource.

Tariffs on sale of electricity, produced by the renewable energy sources for 2020 by Areas:

- Area 1
    - from 1 January to 30 June – 34.62 KZT per kWh;
    - from 1 July to 31 December – 36.47 KZT per kWh;
- Area 2
    - from 1 January to 31 December – 24.46 KZT per kWh.

The management believes that during 2020, the calculation and application of tariffs for the support of renewable energy sources, as well as the calculation and application of the indexation of fixed tariffs at which the Accounting and Finance Center buys electricity from renewable energy sources was carried out properly and in accordance with applicable norms and legislative acts.

Tariffs for the provision of services to ensure the readiness of electricity capacity to bear the power load

Tariff for the provision of services to ensure the readiness of electricity capacity to bear the power load is calculated in accordance with the *Rules for Calculating and Placing a Price on the Internet Resource by a Single Buyer for the Service to Ensure the Readiness of Electricity Capacity to Bear the Power Load*, approved by the Order of the Minister of Energy of the Republic of Kazakhstan No. 685 dated 3 December 2015. Calculation of the price for the service to ensure the readiness of electricity capacity to bear the power load for the upcoming calendar year is carried out by the Company on the basis of:

1) The weighted average price for the service to maintain the readiness of electricity capacity, which was formed based on the results of centralised electricity capacity bidding;
2) The weighted average price for the service to maintain readiness of electricity capacity of all contracts for the purchase of service to maintain the readiness of electricity capacity, concluded by a single buyer with the winners of tenders for the construction of generating units that are being put into operation, with existing energy producing organisations that have concluded an investment agreement for modernisation, expansion, reconstruction and (or) renewal with the authorised body, as well as with existing energy producing organisations that include thermal power plants;
3) Forecast requests for consumption of energy supply and transmission organisations and consumers who are subjects of the wholesale market;
4) Forecast demand for electricity capacity for the upcoming and subsequent calendar years.

Before 1 December Company annually publishes on its Internet resource the price for the service to ensure the readiness of electric power to bear the load for the coming calendar year, together with confirming calculations. The price for the service to ensure the readiness of electric power to bear the load for 2020 is 799,869 KZT / MW* month (excluding VAT) (2019: 613,413 KZT / MW* month (excluding VAT).

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CONTINGENT LIABILITIES (continued)

Impact of changes in legislation on "Capacity Market" type of activity

The order of the Minister of Energy of the Republic of Kazakhstan No. 361 dated 8 November 2019 introduced amendments and additions to the order No. 152 dated 27 February 2015 *On Approval of the Rules for Organisation and Functioning of the Electricity Capacity Market* (the "Rules"). One of the additions to the Rules was to introduce changes in the application of the coefficient k8 (the value of k8 before 1 January 2020 is equal to one). As a result of changes in legislation in the financial statements for 2020, adjustments were made for December 2019.

As a result of the coefficient k8, the revenue from the provision of services for ensuring the readiness of electric capacity to bear the load decreased by KZT 1,259,214 thousand, and the cost of maintaining the readiness of electric power to bear the load increased by KZT 1,215,828 thousand for the year ended 31 December 2020

Revision of the methodology for calculating the tariff for the service for ensuring readiness of electricity capacity to bear the power load

The Ministry of Energy of the Republic of Kazakhstan has made amendments to the Law of the Republic of Kazakhstan *On Electric Power Industry* in terms of the methodology for calculating the tariff for the service to ensure the readiness of electric power. In this regard, the Ministry of Energy of the Republic of Kazakhstan has developed a draft order of the Minister of Energy of the Republic of Kazakhstan *On Amending the Order of the Minister of Energy of the Republic of Kazakhstan dated 3 December 2015 No. 685 On Approval of the Rules for Calculation and Posting on the Internet power to bear the load.* The calculation of the tariff for the service to ensure the readiness of electric power to bear the load for 2021 was made taking into account the amendments made to the legislation of the Republic of Kazakhstan.

Operating environment

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

The Kazakhstan economy has been negatively impacted by a drop in oil prices. The tenge interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

18. SUBSEQUENT EVENTS

There have been no significant changes since the reporting date.