Kazakhstan Electricity Grid Operating Company JSC

Unaudited interim condensed consolidated financial statements

As at and for the three months ended on 31 March 2022

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

In thousands of tenge	**Note**	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	**964.430.589**	976.001.316
Intangible assets		**3.300.304**	3.165.491
Advances paid for non-current assets	6	**10.630.448**	5.431.849
Investments in associates		**2.319.869**	2.278.332
Long-term receivables from related parties	25	**605.124**	634.192
Other financial assets, non-current portion	10	**32.442.898**	32.309.237
		1.013.729.232	1.019.820.417
Current assets			
Inventory	7	**3.445.657**	2.590.383
Trade accounts receivable	8	**21.612.047**	12.991.260
VAT recoverable and other taxes prepaid		**3.649.014**	3.231.654
Prepaid income tax		**238.485**	817.245
Other current assets	9	**2.352.194**	974.072
Other financial assets, current portion	10	**33.187.805**	40.187.573
Restricted cash	11	**803.627**	670.902
Cash and cash equivalents	12	**15.010.936**	11.933.828
		80.299.765	73.396.917
Total assets		**1.094.028.997**	1.093.217.334

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2022

In thousands of tenge	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Equity and liabilities			
Equity			
Equity	13	**126.799.554**	126.799.554
Treasury shares	13	**(930)**	(930)
Asset revaluation reserve	13	**569.841.045**	569.845.780
Retained earnings		**49.021.625**	40.492.413
		745.661.294	737.136.817
Non-current liabilities			
Loans, non-current portion	14	**32.602.830**	35.639.645
Bonds, non-current portion	15	**117.173.708**	117.142.516
Deferred tax liability	24	**149.358.927**	151.470.158
Non-current accounts payable	16	**4.146.691**	5.972.684
Other non-current liabilities		**171.628**	171.628
		303.453.784	310.396.631
Current liabilities			
Loans, current portion	14	**13.505.520**	13.854.307
Bonds, current portion	15	**7.744.733**	4.562.983
Trade and other accounts payable, current portion	16	**12.706.144**	18.512.531
Contract obligations		**1.464.065**	2.064.346
Government grant, current portion		**11.453**	18.325
Lease liabilities, current portion		**-**	111.895
Taxes payable other than income tax	17	**3.575.440**	2.403.728
Income tax payable		**619.926**	–
Other current liabilities	18	**5.286.638**	4.155.771
		44.913.919	45.683.886
Total liabilities		**348.367.703**	356.080.517
Total equity and liabilities		**1.094.028.997**	1.093.217.334
Book value per ordinary share (in Tenge)	13	**2.855**	2.823

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

Managing Director for Finance and Accounting A. Akimbayeva

Chief Accountant D. Mukanova

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

In thousands of tenge	Note	For the three months ended 31 March 2022 (unaudited)	31 March 2021 (unaudited)
Income	19	**54.820.479**	45.167.795
Cost of services	20	**(41.056.454)**	(24.352.489)
Gross profit		**13.764.025**	20.815.306
G&A	21	**(1.904.913)**	(1.714.037)
Selling expenses		**(62.893)**	(83.137)
(Loss from) / reversal of impairment		**87.243**	(90.957)
Operating profit		**11.883.462**	18.927.175
Finance income	22	**1.101.030**	1.488.793
Financial expenses	22	**(2.848.462)**	(2.962.633)
Foreign exchange gain/(loss), net	23	**(653.821)**	562.515
Share in profit/(loss) of associate		**41.537**	129.383
(Accrual)/reversal of provision for expected credit losses		**8.616**	(244.304)
Other income		**967.578**	2.817.442
Other expenses		**(102.485)**	(125.384)
Profit before taxation		**10.397.455**	20.592.987
Income tax expenses	24	**(1.872.978)**	(3.296.456)
Profit for the year from continuing operations		**8.524.477**	17.296.531
Discontinued operations			
Profit (loss) after tax from discontinued operations		**-**	(3.942.287)
Profit for the period		**8.524.477**	13.354.244
Earnings per share			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent company (in tenge)	13	**32.79**	51.36

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

Managing Director for Finance and Accounting A. Akimbayeva

Chief Accountant D. Makanova

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2022

In thousands of tenge	**For the three months ended 31 March 2022 (unaudited)**	For the three months ended 31 March 2021 (unaudited)
I. CASH FLOWS FROM OPERATIONS		
1. Cash inflow, total	**53.327.278**	90.812.753
including:		
sales of goods and services	51.956.206	89.153.465
other revenue	372.541	421.600
advances received from buyers, customers	589.507	663.532
insurance contract receipts	–	–
interest received	301.314	475.573
other receipts	107.710	98.583
2. Cash outflows, total	**34.583.038**	63.536.986
including:		
Payments to suppliers for goods and services	18.432.436	48.831.672
advances to suppliers for goods and services	1.195.495	426.592
payroll expenses	3.834.715	3.618.420
interest paid	330.817	538.140
insurance contract payments	–	–
income tax and other payments to the national budget	9.409.223	8.921.274
Other payments	1.380.352	1.200.888
3. Net cash flow from operations	**18.744.240**	27.275.767
II. CASH FLOWS FROM INVESTMENTS		
1. Cash inflow, total	**26.166.889**	42.214.630
including:		
sale of property, plant and equipment	1.140.145	49.124
sale of intangible assets	–	–
sale of other long-term assets	–	–
sale of equity instruments of other organizations (other than subsidiaries) and share of ownership in joint ventures	–	–
sale of debt instruments of other organizations	5.000.000	27.210.921
compensation for loss of control over subsidiaries	–	–
withdrawal of cash deposits	19.909.761	14.811.231
sale of other financial assets	–	–
futures and forward contracts, options and swaps	–	–
dividends received	–	–
interest received	–	–
other receipts	116.983	143.354

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

2. Cash outflows, total	**34.588.222**	50.528.118
including:		
purchase of property, plant and equipment	19.823.357	17.634.656
purchase of intangible assets	17.675	23.521
purchase of other long-term assets	–	–
purchase of equity instruments of other organizations (other than subsidiaries) and share of ownership in joint ventures	–	–
purchase of debt instruments of other organizations	-	16.728.100
purchase of control over subsidiaries	–	–
placement of cash deposits	14.747.190	16.141.841
purchase of other financial assets	–	–
lending	–	–
futures and forward contracts, options and swaps	–	–
investments in associates and subsidiaries	–	–
Other payments	–	–
3. Net cash flow from investments	**(8.421.333)**	(8.313.488)
III. CASH FLOWS FROM FINANCING ACTIVITIES	–	–
1. Cash inflow, total	-	8.649.305
including:		
issue of shares and other financial instruments	-	8.649.305
loans received	–	–
interest received	–	–
other receipts	–	–
2. Cash outflows, total	**6.827.674**	6.708.689
including:		
repayment of borrowings	6.715.779	6.544.031
interest paid	–	–
dividends paid	–	–
payments to shareholders on shares of the organization	–	–
other disposals	111.895	164.658
3. Net cash flow from financing activities	**(6.827.674)**	1.940.616
IV. Tenge impact of FX rates	**(385.783)**	(160)
V. The impact of changes in the carrying amount of cash and cash equivalents	**(32.342)**	(6.409)
VI. Increase +/- decrease in cash	**3.077.108**	20.896.326
VII. Cash and cash equivalents as of the beginning of the reporting period	**11.933.828**	21.867.205
VIII. Cash and cash equivalents as of the end of the reporting period	**15.010.936**	42.763.531

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

Managing Director for Finance and Accounting A. Akimbayeva

Chief Accountant D. Mukanova

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

In KZT thousands	*Charter capital*	Treasury *shares*	Asset revaluation *reserve*	Retained earnings *profit*	*Total*
As on 1 January 2021	**126.799.554**	**(930)**	**309.836.582**	**65.921.264**	**502.556.470**
Profit for the reporting period	**–**	**–**	**–**	**13.354.244**	**13.354.244**
Total comprehensive income	**–**	**–**	**–**	**13.354.244**	**13.354.244**
Transfer of assets revaluation surplus (Note 13)	**–**	**–**	**(10.456)**	**10.456**	**–**
As on 31 March 2021	**126.799.554**	**(930)**	**309.826.126**	**79.285.964**	**515.910.714**
As on 1 January 2022	**126.799.554**	**(930)**	**569.845.780**	**40.492.413**	**737.136.817**
Profit for the reporting period	**–**	**–**	**–**	**8.524.477**	**8.524.477**
Total comprehensive income	**–**	**–**	**-**	**8.524.477**	**8.524.477**
Transfer of assets revaluation surplus (Note 13)	**–**	**–**	**(4.735)**	**4.735**	**–**
As on 31 March 2022	**126.799.554**	**(930)**	**569.841.045**	**49.021.625**	**745.661.294**

The accounting policies and explanatory notes on pages 7 to 42 are an integral part of these consolidated financial statements.

Managing Director for Finance and Accounting — *A. Akimbayeva*

Chief Accountant — *D. Mukanova*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

1. GENERAL INFORMATION

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

As at 31 March 2022 the Company’s major shareholder was Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the “NES”), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As of 31 March 2022, and 31 March 2021 the Company has stakes in the following companies:

		Percentage of ownership	
Companies	**Activities**	**31 March 2022**	31 March 2021
Energoinform JSC (“Energoinform”)	Maintenance of the KEGOC’s IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP (“RFC” LLP) (Note 26)	Centralized sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralized provision of services to ensure the readiness of electricity capacity to bear the power load of capacity market.	**–**	100%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

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

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

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

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

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

These interim condensed consolidated financial statements were approved by the Chairman of the Management Board and Chief Accountant of the Company on 4 May 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") (IAS) 34 Interim Financial Statement as issued by the International Accounting Standards Board ("IASB").

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

The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as going concern.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2. BASIS OF PREPARATION (continued)

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

The amendments include the following practical expedients:

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

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

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

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

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

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

The finance management and external values discusses the major assumptions used in the valuations.

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

Foreign currency transactions

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

Exchange rate as at the end of the period (to Tenge)	**31 March 2022**	31 December 2021
1 USD	**466.31**	431.80
1 Euro	**517.98**	489.10
1 RUB	**5.70**	5.76

Average exchange rate in the reporting period (to Tenge)	**31 March 2022**	31 December 2021
1 USD	**457.12**	426.03
1 Euro	**512.54**	504.04
1 RUB	**5.34**	5.78

Property, plant and equipment

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

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

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

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

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

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

Land is not depreciated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Intangible assets

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

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

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

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

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Investments in an associate

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

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

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

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment

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

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

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

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

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

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

Financial instruments − initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition

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

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

Recognition of expected credit losses

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

Impairment

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

- Disclosures for significant assumptions *(Note 4)*;
- Trade receivables and other current and financial assets including cash and cash equivalents (*Notes 8, 9, 10, 11, 12*).

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Subsequent measurement

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

Borrowings and bonds- issued

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

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

Trade and other payables

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

Derecognition

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

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Revenue recognition

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

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

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

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

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

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

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

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

Trade receivables

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

Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

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

Borrowing costs

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

Lease

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

The Group as a lessee

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

i) Right-of-use assets

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

- Software – 5 years

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

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

ii) Lease liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

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

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

Pension obligations

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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

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

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

Dividends

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

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

Revaluation of property, plant and equipment

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

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

Following the results of 2021, the Committee, after introducing amendments to the current legislation in terms of clarifying the level of profit included in the tariffs, by a decision dated August 16, 2021, approved the tariffs for the Company's regulated services for the transmission of electricity, technical dispatching and the organization of balancing the production and consumption of electricity with a gradual annual growth levels for five year period (October 1, 2021 to September 30, 2026). The observed increase in the cost of materials and equipment, as well as the depreciation of the national currency – tenge led to an increase in the cost of most assets and inclusion in other comprehensive income of the revaluation results in the amount of 325.744.754 thousand tenge and the corresponding deferred tax liability in the amount of 65.148.951 thousand tenge, as well as an increase in the value of certain previously depreciated assets included in profit or loss in the amount of 2.869.512 thousand tenge and decrease in the value of certain assets included in profit or loss in the amount of 10.813.536 thousand tenge. The approval of new tariffs for regulated services for 5-year period confirmed the recoverability of the cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revaluation of property, plant and equipment (continued)

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

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

As a result of the assessment, the amount of 873.182.745 thousand tenge was recognized as a fair value of NES assets as at 1 December 2021.

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

Discount rate (WACC)	10,77%
Long term growth rate	3,7%
Average remaining useful life of the primary asset	40 лет

An increase in the discount rate by 0,5% or a reduction in long term growth rate by 0,5% would result in a decrease in the fair value of Group’s property, plant and equipment for approximately 61.627.776 thousand tenge or 47.408.662 thousand tenge, respectively.

Taxes

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

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

Fair value of financial instruments

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

Bonds DSFK

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

Management of the Group believes that at 31 March 2022 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 March 2022, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 March 2022, the Group revalued the fair value of the bonds at a discount rate of 13,0%, which represents the market discount rate as at 31 March 2022 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Control over a subsidiary

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

Estimated allowance for expected credit losses on receivables

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

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

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

5. OPERATING SEGMENTS INFORMATION

Geographic information

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

	For the three months ended	
In thousands of tenge	**31 March 2022**	31 March 2021
Revenue from Kazakhstan customers	**48.758.680**	40.830.761
Revenue from Russian customers	**5.823.748**	3.717.831
Revenue from Uzbekistan customers	**238.051**	585.388
Revenue from Kyrgys customers	**-**	33.815
Total revenue per interim consolidated statement of comprehensive income	**54.820.479**	45.167.795

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

For the three months ended 31 March 2022 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to 6.514.660 thousand tenge and includes revenue from electricity transmission and the provision of related support (for the three months ended 31 March 2021: 6.095.924 thousand tenge).

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

During the three months ended 31 March 2022 the Group acquired assets with a total cost of 4.690.417 thousand tenge (for the three months ended 31 March 2021: 6.242.042 thousand tenge). Acquisitions were mainly represented by capital expenditures under the projects "Strengthening the electrical network of the Western zone of the UPS of Kazakhstan. Construction of power grid facilities", "Reconstruction of 220-500 kV overhead lines of the branches of KEGOC JSC" and "Strengthening the external power supply scheme for the city of Turkestan. Construction of power grid facilities".

Depreciation for the three months ended 31 March 2022 amounted to 16,012,381 thousand tenge (for the three months ended 31 March 2021: 8.387.901 thousand tenge)

Capitalized costs on issued bonds

During the year ended 31 March 2022 the Group capitalized the cost of coupon interest on issued bonds amounted to 718.505 thousand tenge less investment income (31 March 2021 year: 453.560 thousand tenge) *(Note 15)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the projects: "Strengthening the electrical network of the Western zone of the UPS of Kazakhstan. Construction of power grid facilities", "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches", "Strengthening of the external power supply scheme of Turkestan. Construction of power grid facilities".

Advances paid for non-current assets

As at 31 March 2022 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project "Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities", "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches".

7. INVENTORIES

In thousands of tenge	**31 March 2022**	31 December 2021
Raw and other materials	**1.909.857**	1.390.943
Spare parts	**1.604.494**	1.175.291
Fuel and lubricants	**88.204**	87.850
Other inventories	**245.629**	274.285
Less: allowance for obsolete inventories	**(402.527)**	(337.986)
	3.445.657	2.590.383

Movement in the allowance for obsolete inventories was as follows:

In thousands of tenge	**2022**	2021
As on 1 January	**337.986**	363.273
Accrual	**84.860**	21.933
Reversal	**(14.741)**	(20.874)
Write-off	**(5.578)**	-
31 March	**402.527**	364.332

8. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**31 March 2022**	31 December 2021
Trade accounts receivable	**23.919.219**	15.265.245
Less: allowance for expected credit losses and impairment	**(2.307.172)**	(2.273.985)
	21.612.047	12.991.260

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

In thousands of tenge	**31 March 2022**	31 December 2021
Beginning	**2.273.985**	2.902.262
Accrual	**270.773**	822.705
Reversal	**(114.540)**	(105.756)
Write-off	**(123.006)**	-
End	**2.307.172**	3.619.211

As at 31 March 2022 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of 1.785.756 thousand tenge (31 December 2021: 1.583.830 thousand tenge).

As at 31 March 2022 provision for debts from National Electric Grids of Uzbekistan JSC amounted to 1.623.924 thousand tenge (31 December 2021: 1.503.743 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade account receivables				
			Days past due			
In thousands of Tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
31 March 2022						
Percentage of expected credit losses	**9.65%**	**0.47%**	**11.31%**	**29.91%**	**54.43%**	**99.76%**
Estimated total gross carrying amount in case of default	**23.919.219**	**21.031.044**	**662.483**	**94.364**	**44.813**	**2.086.515**
Expected credit losses	**(2.307.172)**	**(98.114)**	**(74.945)**	**(28.227)**	**(24.391)**	**(2.081.495)**
	21.612.047	**20.932.930**	**587.538**	**66.137**	**20.422**	**5.020**
31 December 2021						
Percentage of expected credit losses	14.90%	0.69%	10.01%	31.06%	54.95%	98.73%
Estimated total gross carrying amount in case of default	15.265.245	12.610.051	390.392	108.326	34.134	2.122.342
Expected credit losses	(2.273.985)	(87.068)	(39.084)	(33.651)	(18.756)	(2.095.426)
	12.991.260	12.522.983	351.308	74.675	15.378	26.916

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	**31 March 2022**	31 December 2021
Tenge	**20.128.783**	11.902.968
Russian Rouble	**1.415.048**	1.008.648
US Dollars	**68.216**	79.644
	21.612.047	12.991.260

9. OTHER CURRENT ASSETS

In thousands of Tenge	**31 March 2022**	31 December 2021
Advances paid for goods and services	**1.734.335**	491.362
Other receivables for property, plant and equipment and constructions *(Note 25)*	**399.974**	399.974
Deferred expenses	**357.365**	201.238
Loans receivable from employees	**469**	469
Other	**364.321**	366.962
Less: provision for expected credit losses and impairment	**(504.207)**	(485.933)
	2.352.194	974.072

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

In thousands of Tenge	**2022**	2021
At 1 January	**485.933**	608.794
Charge	**32.946**	91.992
Reversal	**(7.433)**	(3.940)
Write-off	**(7.166)**	(7.657)
At 31 March	**504.270**	689.189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER FINANCIAL ASSETS

In thousands of Tenge	**31 March 2022**	31 December 2021
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.111.973**	30.144.252
Bank deposits	**23.323.990**	26.529.980
Notes of the National Bank of the Republic of Kazakhstan	**8.889.296**	13.646.481
Placements with Eximbank Kazakhstan	**2.211.970**	2.308.946
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.994.886**	1.850.569
Placements with DeltaBank	**1.230.000**	1.230.000
Placements with Kazinvestbank	**1.201.850**	1.201.850
Interest accrued on Samruk-Kazyna bonds	**1.071.833**	254.333
Interest accrued on Ministry of Finance Eurobonds of the Republic of Kazakhstan	**38.464**	18.305
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2.211.970)**	(2.308.946)
Less: provision for impairment of placements with DeltaBank	**(1.230.000)**	(1.230.000)
Less: provision for impairment of placements with Kazinvestbank	**(1.201.850)**	(1.201.850)
Less: provision for expected credit losses	**(135.813)**	(261.528)
	65.294.629	72.182.392
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**336.074**	314.418
	336.074	314.418
Total other financial assets	**65.630.703**	72.496.810
Other current financial assets	**33.187.805**	40.187.573
Other non-current financial assets	**32.442.898**	32.309.237
Total other financial assets	**65.630.703**	72.496.810

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

In thousands of tenge	**2022**	2021
As on 1 January	**5.002.324**	5.174.037
Accrual	**25.447**	212.274
Reversal	**(248.138)**	(89.813)
Written off	**-**	-
31 March	**4.779.633**	5.296.498

Bonds of Samruk-Kazyna JSC

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

Bank Deposits

As at 31 March 2022 and 31 December 2021 the deposits include accrued interest income in the amount of 20.100 thousand tenge and 67.429 thousand tenge, respectively.

Notes of the National Bank of the Republic of Kazakhstan

During the 2021 year the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Kazakhstan Stock Exchange in general amount of 66.747.566 thousand tenge (2020: 117.199.634 thousand tenge). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the period ended 31 March 2021 amounted to 5.000.000 thousand tenge (2021: 78.930.920 thousand tenge). During the year ended 31 March 2022 the Group capitalized the amortization of the discount of 242.815 thousand tenge *(Note 22)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10 OTHER FINANCIAL ASSETS (continued)

Placements with Eximbank Kazakhstan JSC

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank Kazakhstan of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%, which represents 2.930.115 thousand tenge.

During the three months ended 31 March 2022 the Liquidation Committee of Eximbank Kazakhstan made payment to the Group in the amount of 267 thousand US dollars (equivalent to 115.985 thousand tenge as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4.368 thousand US dollars (equivalent of 1.816.832 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the three months ended 31 March 2022, Special Financial Company DSFK LLP redeemed bonds of 999 thousand tenge.

As at 31 March 2022, the Group reassessed the fair value of bonds and increased their carrying amount to 336.039 thousand tenge, recognizing gain from revaluation of financial instruments in the amount of 22.622 thousand tenge as finance income in the interim consolidated statement of comprehensive income (three months ended on 31 March 2021: 33.184 thousand tenge) *(Note 22).*

Other financial assets were represented in the following currencies:

In thousands of tenge	**Interest rate**	**31 March 2022**	31 December 2022
Tenge	0.01 – 9.15%	**40.447.670**	44.550.133
USD	1 – 3.875%	**25.183.033**	27.946.677
		65.630.703	72.496.810

11. RESTRICTED CASH

in KZT thousand	**31 March 2022**	31 December 2021
Cash reserved for return as contractors' collaterals	**803.922**	671.160
Less: provision for expected credit losses	**(295)**	(258)
	803.627	670.902

During 2022 and 2021 interest was not charged on restricted cash.

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

In thousands of tenge	**2022**	2021
As on 1 January	**258**	698
Accrual	**39**	8
Reversal	**(2)**	(2)
31 March	**295**	704

As at 31 March 2022 and 31 December 2021, restricted cash, including funds expected to be redeemed, was denominated in the following currencies:

In thousands of tenge	**31 March 2022**	31 December 2021
KZT	**803.627**	670.902
	803.627	670.902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CASH AND CASH EQUIVALENTS

In thousands of tenge	**31 March 2022**	31 December 2021
Short-term deposits, in KZT	**8.604.053**	9.992.991
Current accounts with banks, in foreign currencies	**5.706.276**	168.534
Current accounts with banks, in KZT	**719.770**	1.760.179
Cash on hand in tenge	**12.843**	11.788
Cash on special accounts in tenge	**1.111**	1.111
Less: provision for expected credit losses	**(33.117)**	(775)
	15.010.936	11.933.828

As at 31 March 2022, the Group placed short-term deposits with maturity up to 3 months, with banks at 7,5-12,5% per annum (2021: 7.5-8.5% per annum).

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

In thousands of tenge	**2022**	2021
As on 1 January	**775**	9.165
Accrual	**32.342**	6.598
Reversal	**-**	(189)
31 March	**33.117**	15.574

As at 31 March 2022 and 31 December 2021, cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	**31 March 2022**	31 December 2021
KZT	**9.306.143**	11.765.355
USD	**5.415.726**	168.094
RUB	**288.669**	**–**
EUR	**1**	1
Other	**397**	378
	15.010.936	11.933.828

13. EQUITY

As at 31 March 2022 and 31 December 2021 share capital of the Group comprised of 260.000.000 shares for the total amount of 126.799.554 thousand tenge that were issued and fully paid.

Treasury shares

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

Dividends

In May 2021, shareholders approved the distribution of dividends for the second half of 2020. The dividends to be paid amounted to 19.502.496 thousand tenge for all common shareholders of the Group, which is equal to 75,01 tenge per ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

In November 2021, shareholders approved the distribution of 80% of net profit for first half of 2021. Amount to be paid was 22.027.082 thousand tenge for all common shareholders of the Group, which is equal to 84,72 tenge per ordinary share. The total amount of dividends paid during 2021 was 41.529.578 thousand tenge.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259.998.610 shares during the period ended 31 March 2022 (for the period ended 31 December 2021: 259.998.610 shares). For the period ended 31 March 2022 and 2021, basic and diluted earnings per share were 32,79 tenge and 51,36 tenge, respectively.

Book value per share

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

In thousands of tenge	**31 March 2022**	31 December 2021
Total assets	**1.094.028.997**	1.093.217.334
Less: intangible assets	**(3.300.304)**	(3.165.491)
Less: total liabilities	**(348.367.703)**	(356.080.517)
Net assets	**742.360.990**	733.971.326
Number of ordinary shares	**260.000.000**	260.000.000
Book value per ordinary share, KZT	**2.855**	2.823

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 December 2021 (previous revaluation was held as at 1 October 2018) *(Note 6)*. Transfer of asset revaluation surplus into retained earnings, upon disposal of PP&E and transfer of NES assets into other classes of PPE for the three months ended 31 March 2022, amounted 4.735 thousand tenge (for the three months ended 31 March 2021: 10.456 thousand tenge).

14. BORROWINGS

In thousands of tenge	**31 March 2022**	31 December 2020
The International Bank for Reconstruction and Development (IBRD)	**37.162.005**	36.708.534
The European Bank for Reconstruction and Development (EBRD)	**8.946.345**	12.785.418
	46.108.350	49.493.952
Less: current portion of loans repayable within 12 months	**(13.505.520)**	(13.854.307)
	32.602.830	35.639.645

As at 31 March 2022 and 31 December 2021 the accrued and unpaid interest payable amounted to 122.373 thousand tenge and 196.888 thousand tenge, respectively. As at 31 March 2022 and 31 December 2021 the unamortized portion of loan origination fees amounted to 231.014 thousand tenge and 244.426 thousand tenge respectively.

Loans were denominated in the following currencies

In thousands of tenge	**31 March 2022**	31 December 2021
US dollar	**37.162.005**	36.708.534
EUR	**8.946.345**	12.785.418
	46.108.350	49.493.952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS (continued)

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

In 2005 for the purpose of implementation of the Phase II of the “Construction of the second North-South 500 kW Electricity Transmission line”, the Group received a credit line facility of 100.000 thousand US dollars provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of 1.918 thousand US dollars was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 March 2022 and 31 December 2021 are 4.117 thousand US dollars (equivalent to 1.768.967 thousand tenge) and 8.195 thousand US dollars (equivalent to 3.538.547 thousand tenge), respectively.

Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2

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

Two credit-line facilities of 127.500 thousand euros and 75.000 thousand euros from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 March 2022 and 31 December 2021 are 17.252 thousand euros (equivalent to 8.936.086 thousand tenge) and 25.878 thousand euros (equivalent to 12.656.781 thousand tenge), respectively.

Moinak Electricity Transmission Project

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of 48.000 thousand US dollars was opened for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is LIBOR US dollar rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of 3.274 thousand US dollars was cancelled since the amount of actual expenses incurred during the project was less than expected. The outstanding balances as at 31 March 2022 and 31 December 2021 are 27.954 thousand US dollars (equivalent to 13.035.144 thousand tenge) and 29.072 thousand US dollars (equivalent to 12.553.276 thousand tenge), respectively.

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

In 2010 for the realization of the project “Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW” the Group received a credit line facility of 78.000 thousand US dollars from IBRD for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR US dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount 6.644 thousand US dollars has been cancelled since the amount of actual costs was less than expected costs. The outstanding balances as at 31 March 2022 and 31 December 2021 are 48.165 thousand US dollars (equivalent to 22.460.075 thousand tenge) and 48.165 thousand US dollars (equivalent to 20.792.886 thousand tenge), respectively.

15. BONDS PAYABLE

In thousands of tenge	**31 March 2022**	31 December 2021
Nominal value of bonds issued	**118.800.000**	118.800.000
Accrued coupon interest	**7.744.733**	4.562.983
Less: discount on issued bonds	**(1.548.125)**	(1.577.690)
Less: transaction costs	**(78.167)**	(79.794)
	124.918.441	121.705.499
Less: current portion of bonds repayable within 12 months	**(7.744.733)**	(4.562.983)
	117.173.708	117.142.516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BONDS PAYABLE (continued)

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

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of 47.500.000 thousand tenge under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity of 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2018 to 26 May 2019 is 9,5% per annum. The coupon rate for the period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the period from 26 May 2019 to 26 May 2020 is 7,9% per annum. The coupon rate for the period from 26 May 2020 to 26 May 2021 is 9,3% per annum and from 26 May 2021 to 31 March 2022 is 9,9% per annum.

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

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

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to 36.300.000 thousand tenge with a fixed rate of 11.5% maturing before 2032.

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

To implement the investment projects "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches" and "Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities":

- On 28 May 2020, KEGOC's bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal value of 9.700.000 thousand tenge and 11% annual yield. The bonds were placed at a discount of 667.593 thousand tenge. As a result of trades, 89.6% of bonds were purchased by STB (second-tier banks), 9.9% − by other institutional investors, 0.5% − by other legal entities.
- On 27 January 2021, KEGOC's bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal volume of 8.869.672 thousand tenge with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of 380.267 thousand tenge. Accrued coupon interest on the date of placement amounted to 159.900 thousand tenge. As a result of trades, 22.6% of bonds were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.
- On 21 October 2021, bonds of KEGOC JSC were successfully planed on Kazakhstan Stock Exchange JSC with a nominal value 16.430.328 thousand tenge and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of 562.427 thousand tenge, accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86.7% of the bonds were purchases by Eurasian Development bank JSC and 2nd -tire banks, 13.3% - by other institutional investors.

  The maturity of the bonds above is on or before 2035/

During the period ended 31 March 2022 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of 718.505 thousand (three months ended on 31 March 2021: 453.560 thousand tenge) *(Note 22)*.

16. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 March 2022 and 31 December 2021 trade and other accounts payable:

In thousands of Tenge	**31 March 2022**	31 December 2021
Accounts payable for property, plant and equipment and construction works	**10.215.153**	19.189.917
Accounts payable for electricity purchased	**5.457.019**	3.805.412
Accounts payable for inventories, works and services	**2.276.421**	2.756.581
Less: discount	**(1.095.758)**	(1.266.695)
	16.852.835	24.485.215
Less: current portion of trade payables repayable within 12 months	**12.706.144**	18.512.531
	4.146.691	5.972.684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

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

In thousands of Tenge	**31 March 2022**	31 December 2021
Tenge	**13.659.713**	**21.907.917**
Russian rouble	**3.193.122**	**2.517.368**
US dollar	**–**	**59.930**
	16.852.835	**24.485.215**

The non-current portion of accounts payable represents payables to a related party Karabatan Utility Solutions LLP, details of which are disclosed in *Note 25*.

17. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	**31 March 2022**	31 December 2020
VAT payable	**2.993.617**	**1.373.572**
Contributions payable to pension fund	**177.199**	**340.706**
Personal income tax	**127.009**	**258.593**
Social tax	**108.001**	**230.351**
Social contribution payable	**116.450**	**114.309**
Property tax	**38.965**	**66.442**
Other	**14.199**	**19.755**
	3.575.440	**2.403.728**

18. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 March 2022**	31 December 2021
Due to employees	**4.153.067**	**3.266.946**
Other	**1.133.571**	**888.825**
	5.286.638	**4.155.771**

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

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of tenge	**31 March 2022**	**31 March 2021**
Electricity transmission	**38.347.133**	30.654.733
Technical dispatching services	**8.559.092**	7.363.347
Electricity generation and consumption balancing services	**5.323.003**	4.580.319
Sale of electricity for compensation of the interstate balances of electricity flows	**1.872.985**	1.498.144
Power regulation services	**238.051**	585.388
Revenue from sale of the purchased electricity	**-**	33.815
Miscellaneous	**480.235**	452.049
	54.820.479	45.167.795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	Units	31 March 2022	31 March 2021
Electricity transmission	MWh	**13.603.412**	12.518.509
Technical dispatching services	MWh	**27.970.890**	27.881.640
Electricity generation and consumption balancing services	MWh	**54.323.445**	53.843.372
Sale of electricity for compensation of the interstate balances of electricity flows	MWh	**190.873**	297.844
Revenue from the sale of power control services	MW	**219**	605
Revenue from sale of the purchased electricity	MWh	**-**	5.830

In thousands of tenge	31 March 2022	31 March 2021
Revenue recognition timeline		
The goods are transferred at a certain point in time	**1.872.985**	1.531.959
The services are provided over a period of time	**52.947.494**	43.635.836
Total revenue from contracts with customers	**54.820.479**	45.167.795

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

20. COST OF SALES

In thousands of tenge	31 March 2022	31 March 2021
Depreciation and amortisation	**15.979.268**	8.336.550
Technical losses of electricity	**8.059.123**	4.864.024
Costs for purchase of electricity to compensate for interstate electricity balance flows	**5.599.493**	3.873.283
Payroll expenses and other deductions associated with payroll	**5.130.319**	3.997.139
Taxes	**2.365.659**	1.414.327
Operation and maintenance costs	**1.518.896**	845.803
For the purchase of services associated with maintaining readiness of electric capacity to bear the load	**1.175.357**	-
Security expenses	**363.356**	318.863
Inventory	**173.361**	163.328
Cost of purchased electricity	**-**	30.900
Miscellaneous	**691.622**	508.272
	41.056.454	24.352.489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	**31 March 2022**	**31 March 2021**
Payroll expenses and other deductions associated with payroll	**1.080.064**	1.129.119
Depreciation and amortization	**227.003**	226.723
Consultant services	**72.448**	12.303
Taxes excluding income tax	**45.102**	19.686
Expenses for the Board of Directors	**28.120**	168
Utility service costs	**26.327**	23.766
Software maintenance expense	**17.204**	15.381
Insurance expenses	**6.585**	6.509
Materials	**5.965**	3.918
Business trip expenses	**5.866**	6.002
Charge/(reversal) for obsolete inventories (*Note* 7)	**70.119**	1.059
Miscellaneous	**320.110**	269.403
	1.904.913	1.714.037

22. FINANCE INCOME/(COSTS)

In thousands of tenge	**31 March 2022**	**31 March 2021**
Finance income		
Interest income on bank deposits and quoted bonds	**1.087.990**	1.162.868
Income from notes of the National Bank of the Republic of Kazakhstan *(Note 10)*	**242.815**	416.558
Amortization of discount on long-term receivables from related parties *(Note 25)*	**20.057**	22.725
Income from revaluation of financial instruments DSFK *(Note 10)*	**22.622**	33.184
	1.373.484	1.635.335
Less: financial income capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(272.454)**	(146.542)
	1.101.030	1.488.793

In thousands of tenge	**31 March 2022**	**31 March 2021**
Financial expenses		
Bond coupon	**3.181.750**	2.748.102
Interest on loans	**217.569**	291.644
Expenses for discounting long-term accounts payable	**202.128**	207.615
Bank security fee	**187.217**	244.453
Amortization of premium on other financial assets	**35.851**	38.368
Amortization of loan administration fee	**13.412**	11.457
Interest expenses under lease	**-**	12.148
Other expenses for bonds issued	**1.494**	8.948
	3.839.421	3.562.735
Less: financial expenses capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(990.959)**	(600.102)
	2.848.462	2.962.633

Discounting expenses are mainly represented by the amortization of the discount on long-term accounts payable to related party Karabatan utility solutions LLP (*Note 25*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FOREIGN EXCHANGE DIFFERENCE, NET

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the year ended 31 March 2022 , the Group incurred net foreign exchange loss in the amount of 653.821 thousand tenge (for the three months ended 31 March 2021 : net foreign exchange gain in the amount of 562.515 thousand tenge).

24. INCOME TAX EXPENSES

	For three months ended on	
In thousands of tenge	**31 March 2022**	31 March 2021
Current income tax:		
Current income tax expenses	**3.991.599**	3.807.334
Adjustments with respect to current income tax of previous years	**(7.390)**	100
Deferred income tax:		
Deferred tax expenses	**(2.111.231)**	(510.978)
Total profit tax expenses reported in the interim consolidated statement of comprehensive income	**1.872.978**	3.296.456

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

In thousands of tenge	**31 March 2022**	31 December 2021
Deferred tax assets	**-**	-
Deferred tax liability	**(149.358.927)**	(151.470.158)
Net deferred tax liabilities	**(149.358.927)**	(151.470.158)

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

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

25. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties as of 31 March 2022 and 31 March 2021 are presented as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2022	**8.278.710**	**1.897.770**	**666.041**	**183.429**
Sale of services	2021	7.362.211	1.668.865	685.240	136.298
	2022	**–**	**–**	**–**	**–**
Sale of land plots	2021	2.182.037	–	–	–
	2022	**6.801.877**	**481.411**	**–**	**21.553**
Purchase goods and services	2021	5.299.161	451.595	–	21.997
Amortization of discount on long-term	**2022**	**20.057**	–	–	–
receivables	2021	22.725	**–**	**–**	**–**
Amortization of discount on long-term	2022	**170.938**	–	–	–
accounts payable	2021	204.883	–	–	–

Receivables and payables as of 31 March 2022 and 31 December 2021 from transactions with related parties are as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2022	**1.091.018**	**–**	**–**	**–**
Advances given for non-current assets	2021	2.182.037	–	–	–
Current trade accounts receivables for	**2022**	**3.503.364**	**705.905**	**113.152**	**50.151**
the sale of services	2021	2.171.300	280.180	146.229	39.473
Accounts receivable for sale of property,	**2022**	**785.250**	**–**	**–**	**–**
plant and equipment	2021	814.315	–	–	–
	2022	**5.981.055**	**–**	**–**	**–**
Accounts payables for property complex	2021	8.169.055	–	–	–
Current trade and other accounts	**2022**	**3.587.324**	**370.005**	**8.869**	**8.414**
payable for the services purchased	2021	1.831.950	175.735	–	8.596
	2022	**–**	**–**	**–**	**–**
Lease payables	2021	111.895	–	–	–

Revenue and cost of sales, trade accounts receivable and payable

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

25 .TRANSACTIONS WITH RELATED PARTIES (continued)

Sale of land plots

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

In January 2022, Samruk-Kazyna Construction JSC made a partial payment for the land plot in the amount of 1.091.017 thousand tenge.

Other accounts receivable

As of 31 March 2022, the Group had accounts receivable for the sale of property plant and equipment to related party Balkhash TES JSC in the amount of 220.494 thousand tenge (as of 31 December 2021: 220.494 thousand tenge). In accordance with sale agreement, Balkhash TES JSC had to pay the outstanding balance till the end of 2018, however, as of 31 December 2021 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TES, the management of the Group decided to accrue a 100% provision for receivable in 2018.

Total amount of ECL on trade accounts receivable of related party amounted to 88.282 thousand tenge as of 31 March 2022.

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in the amount of 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group will pay by equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best estimate of the market rate by the Group's Management. As of 31 March 2022, discount on accounts payable of Karabatan Utility Solutions LLP amounted to 1.095.758 thousand tenge.

As of 31 March 2021, the amount of payable net of the discount was 5.981.055 thousand tenge, of which 4.146.691 thousand tenge were included within long-term payables from related parties. During the period ended 31 March 2022, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of 170.938 thousand tenge.

Lease payables

In 2017, the Group signed long-term agreement with related party Samruk-Kazyna Business Service LLP on provision of rights of use on software. As of 31 March 2022, the lease payables of the Group are null due to repayment (as of 31 December 2021: 111.895 thousand tenge).

Other

The amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan as of 31 March 2022 amounted to 37.266.842 thousand tenge (as of 31 December 2021: 37.835.274 thousand tenge).

Compensation to key management personnel and all other related expenses (taxes, deductions, sick leave, holiday pay, material assistance, etc.) included in payroll expenses in the accompanying condensed interim consolidated statement of comprehensive income amounted to 72.354 thousand tenge for the period ended 31 March 2022 (for the three months ended 31 March 2021: 35.651 thousand tenge).

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

26. COMMITMENTS AND CONTINGENCIES

Operating environment

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

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

26. COMMITMENTS AND CONTINGENCIES

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

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2021.

Terms of loan agreements

The Group has entered into loan agreements with the EBRD and IBRD of which the total principal amount is 80.236 thousand US dollars and 17.251 thousand euros as of 31 March 2022. In accordance with loan agreements between Group and creditors, the Group must comply with the following covenants:

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

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

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

The management believes that the Group complied with all loan covenants with EBRD and IBRD as of 31 March 2022 and 31 March 2021. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that gain and loss from foreign exchange meets the definition of non-cash transaction and shall be excluded form calculation of EBITDA as provided in the loan agreement. As of 31 March 2022, the Group excluded from EBITDA foreign exchange loss of 653.821 thousand tenge for the period ended 31 March 2022 (for the year ended 31 March 2021 : foreign exchange gain of 562.515 thousand tenge). Also, the management of the Group believes that it complied with covenants of issued bonds.

Insurance

As of 31 March 2021, the Group insured production assets with a cost of 221.316.260 thousand tenge. The specified amount does not include the result of the revaluation of NES assets carried as of 1 December 2021, since the procedure for concluding an insurance contract was carried out before 1 December 2021. In the event of an insured event, the insurance payment is made within the insured amount. The Group did not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

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

26. COMMITMENTS AND CONTINGENCIES (continued)

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

As of 31 March 2022, capital commitments under the contracts entered by the Group under the investment plan amounted to 100.950.878 thousand tenge (31 December 2021: 100.950.878 thousand tenge).

In 2020-2021, due to the unstable epidemiological situation and the introduction of sanitary measures almost everywhere, it was objectively difficult to organize and ensure the timely completion of construction and installation works in full, as part of the capital investment plan.

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction in shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of basic power equipment and, accordingly, the timing of contractual obligations of a capital nature. In addition, there is a possibility of fluctuations in the value of contractual obligations, the main reason for which is the impact of a possible change in the exchange rates of the national currency.

Activity regulation

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

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

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

These tariffs on regulated services of KEGOC JSC are determined in accordance with requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan “On natural monopolies”, in accordance with which the funds allocated for the implementation of the approved investment program (amortized contributions and profits) are excluded from the current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment program.

Activity regulation (continued)

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

1) transmission of electric energy:
   - from 1 October 2021 to 30 September 2022 – 2.797 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 2.848 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 3.004 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 3.106 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 3.134 tenge/kWh (excluding VAT).
2) technical dispatching of supply to the grid and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.306 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.314 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.333 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.348 tenge/kWh (excluding VAT);

- from 1 October 2025 to 30 September 2026 – 0.355 tenge/kWh (excluding VAT).

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

30. SUBSEQUENT EVENTS

N/a