“Kazakhstan Electricity Grid Operating Company” JSC

Interim consolidated financial statements

As at and for the six months ended 30 June 2018
with independent auditor’s report

CONTENTS

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«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» гимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Independent auditor's report

To the Shareholders of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the interim consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiaries ("the Group"), which comprise the interim consolidated statement of financial position as at 30 June 2018, and the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and notes to the interim consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018 and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

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Key audit matter	*How our audit addressed the key audit matter*
Recoverability of funds placed with "Eximbank Kazakhstan" JSC	
The measurement of cash and deposit held with "Eximbank Kazakhstan" JSC was the most significant matter in our audit taking into account its amount, management judgement involved and financial difficulties which "Eximbank Kazakhstan" JSC faced, as a result of which on 28 May 2018 on the basis of the Resolution of the Board of the National Bank of the Republic of Kazakhstan it was decided to suspend the Bank's license in terms of opening deposits, bank accounts of individuals from May until August 2018. The Group's disclosure in respect of the measurement of financial assets is included in *Note 4* to the interim consolidated financial statements, and cash and cash equivalents and other financial assets disclosures are included in *Note 11* and *Note 13* to the interim consolidated financial statements, respectively.	We analyzed available information on financial situation of "Eximbank Kazakhstan" JSC, additional clarifications from the Group's management and evaluated the management assumptions used in measurement of assets placed with the bank. In addition, we analyzed management assumptions used in the determination of the amount of allowance for doubtful financial assets in relation to alternative methods of the financial assets recovery. We have also analyzed uncertainties impacting classification of these assets as at reporting date. We assessed the information disclosed in the interim consolidated financial statements in respect of the funds placed with "Eximbank Kazakhstan" JSC.

Responsibilities of management and the Audit Committee for the Interim Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

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

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

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor Qualification Certificate No.
МФ - 0000172 dated 23 December 2013

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

7 August 2018

Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

In thousands of tenge	**Notes**	**30 June 2018**	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	6	**538,442,851**	535,294,178
Intangible assets		**1,251,465**	1,038,637
Advances paid for non-current assets	6	**4,501,034**	742,325
Deferred tax asset	26	**851**	2,252
Investments in associate	7	**1,140,577**	782,081
Long-term receivables from related parties	27	**969,942**	1,009,981
Other financial assets, non-current portion	11	**25,318,228**	1,091,823
Other non-current assets		**9,665**	17,129
		571,634,613	539,978,406
Current assets			
Inventories	8	**2,992,840**	1,875,434
Trade accounts receivable	9	**9,325,845**	7,764,693
VAT recoverable and other prepaid taxes		**151,481**	961,745
Income tax prepaid		**43,760**	1,584,041
Other current assets	10	**1,128,547**	652,589
Other financial assets, current portion	11	**25,744,848**	25,107,392
Restricted cash	12	**3,619,777**	3,445,617
Cash and cash equivalents	13	**25,761,763**	47,577,783
		68,768,861	88,969,294
Total assets		**640,403,474**	628,947,700

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Notes	30 June 2018	31 December 2017
Equity			
Share capital	14	**126,799,554**	126,799,554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**220,847,141**	220,858,720
Other reserves	14	**(107,698)**	(170,701)
Retained earnings		**41,544,381**	26,680,917
		389,082,448	374,167,560
Non-current liabilities			
Borrowings, non-current portion	15	**60,801,604**	64,229,182
Bonds payable, non-current portion	16	**83,654,641**	83,649,023
Deferred tax liability	26	**66,283,328**	66,666,573
Trade and other accounts payable, non-current portion	17	**–**	298,327
Government grant, non-current portion		**87,043**	100,786
Finance lease obligations, non-current portion	27	**183,390**	8,961
		211,010,006	214,952,852
Current liabilities			
Borrowings, current portion	15	**9,945,370**	9,502,895
Bonds payable, current portion	16	**3,928,122**	4,407,719
Trade and other accounts payable, current portion	17	**17,715,178**	18,763,337
Construction obligation	18	**683,430**	683,430
Non-contractual obligations		**2,019,645**	2,048,415
Government grant, current portion		**27,487**	27,487
Finance lease obligations, current portion	27	**35,985**	3,996
Taxes payable other than income tax	19	**2,512,589**	958,525
Income tax payable		**1,337,455**	5,385
Dividends payable		**170**	87
Other current liabilities	20	**2,105,589**	3,426,012
		40,311,020	39,827,288
Total liabilities		**251,321,026**	254,780,140
Total equity and liabilities		**640,403,474**	628,947,700
Book value per ordinary share (in tenge)	14	**1,492**	1,435

Chairman of the Management Board _______________ Kazhiyev B.T.

Acting Chief Accountant _______________ Kabysh T.A.

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

In thousands of tenge	Notes	For the three months ended 30 June **2018**	For the three months ended 30 June 2017	For the six months ended 30 June **2018**	For the six months ended 30 June 2017
Revenue	21	**42,863,762**	36,363,657	**87,021,188**	74,369,717
Cost of sales	22	**(22,751,975)**	(20,708,583)	**(45,544,595)**	(40,848,779)
Gross profit		**20,111,787**	15,655,074	**41,476,593**	33,520,938
General and administrative expenses	23	**(3,453,694)**	(2,728,547)	**(6,637,030)**	(6,278,158)
Selling expenses		**(55,964)**	(47,834)	**(117,410)**	(100,055)
(Reversal)/accrual of impairment loss of property plant and equipment		**3,623**	(4,884)	**159,988**	(20,686)
Operating profit		**16,605,752**	12,873,809	**34,882,141**	27,122,039
Finance income	24	**1,716,324**	966,858	**2,555,594**	1,682,440
Finance costs	24	**(1,538,438)**	(1,129,402)	**(2,102,053)**	(2,057,054)
Foreign exchange loss, net	25	**(2,146,500)**	(4,088,970)	**(590,123)**	(1,457,840)
Share of income of an associate	7	**290,708**	159,399	**358,496**	146,197
Other income		**51,054**	61,335	**122,229**	105,210
Other expenses		**(64,682)**	(58,569)	**(105,219)**	(90,837)
Provision on funds placed with Delta Bank JSC and Kazinvestbank JSC		**–**	(1,265,467)	**–**	(1,934,340)
Loss from change of provision under IFRS 9	9, 10, 11, 12, 13	**(1,775,314)**	–	**(2,127,909)**	–
Profit before tax		**13,138,904**	7,518,993	**32,993,156**	23,515,815
Income tax expense	26	**(2,783,491)**	(1,815,875)	**(6,821,255)**	(5,539,786)
Profit for the reporting period		**10,355,413**	5,703,118	**26,171,901**	17,976,029
Total comprehensive income		**10,355,413**	5,703,118	**26,171,901**	17,976,029
Earnings per share					
Basic and diluted profit for the period attributable to ordinary equity holders (in tenge)	14	**39.31**	21.94	**100.66**	69.14

Chairman of the Management Board _______________ *Kazhiyev B.T.*

Acting Chief Accountant _______________ *Kabysh T.A.*

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

In thousands of tenge	Notes	For the six months ended 30 June 2018	30 June 2017
Operating activities			
Profit before tax		**32,993,156**	23,515,815
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**11,578,834**	11,435,145
Finance costs	24	**2,102,053**	2,057,054
Finance income	24	**(2,555,594)**	(1,682,440)
Foreign exchange loss, net	25	**590,123**	1,457,840
Loss: (change reserve under IFRS 9)		**2,128,060**	1,962,370
(Reversal)/accrual of provision for obsolete inventories	23	**(76,314)**	21,024
(Reversal)/accrual of property, plant and equipment impairment	6	**(159,988)**	20,686
Share of income of an associate	7	**(358,496)**	(146,197)
Income from government grants		**(13,743)**	–
Loss from disposal of property, plant and equipment and intangible assets		**–**	48,328
Interest income from other financial assets		**–**	(30,248)
Working capital adjustments			
Change in inventories		**(1,041,092)**	(875,733)
Change in trade accounts receivable		**(1,948,461)**	5,063,104
Change in VAT recoverable and other prepaid taxes		**814,501**	169,489
Change in other current assets		**(284,904)**	(169,910)
Change in trade and other accounts payable		**1,326,740**	771,128
Change in non-contractual liabilities		**(28,770)**	531,007
Change in taxes payable other than income tax		**1,554,063**	(1,783,694)
Change in other current liabilities		**(1,520,884)**	(1,148,827)
Cash flows received from operating activities		**45,099,284**	41,215,941
Interest paid		**(1,160,212)**	(1,978,394)
Coupon interest paid		**(5,235,133)**	(8,835,000)
Income tax paid		**(3,966,443)**	(1,867,308)
Interest received		**2,179,571**	2,761,411
Net cash flows received from operating activities		**36,917,067**	31,296,650
Investing activities			
Withdrawal of bank deposits		**21,278,343**	52,490,895
Placement of bank deposits		**(21,137,658)**	(37,134,293)
Purchase of bonds of Samruk-Kazyna	11	**(25,543,322)**	–
Change in restricted cash		**(174,454)**	8,497,724
Proceeds from sale of property, plant and equipment and intangible assets		**102,607**	116,912
Purchase of property, plant, equipment		**(17,429,209)**	(30,978,935)
Purchase of intangible assets		**(20,831)**	(1,099)
Return of project funds used to purchase fixed assets	6	**299,103**	–
Repayment of loans given to employees		**4,524**	4,518
Repurchase of DSFK bonds by the issuer	11	**5,367**	–
Reclassification of funds placed with Delta Bank JSC and Kazinvestbank JSC		**–**	(1,299,720)
Net cash flows used in investing activities		**(42,615,530)**	(8,303,998)

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

As at 30 June 2018

In thousands of tenge	Notes	For the six months ended 30 June 2018	30 June 2017
Financing activities			
Dividends paid		**(10,433,661)**	(7,313,523)
Repayment of borrowings		**(4,315,045)**	(17,536,754)
Net cash flows used in financing activities		**(14,748,706)**	(24,850,277)
Net change in cash and cash equivalents		**(20,447,169)**	(1,857,625)
Net foreign exchange difference		**(105,575)**	55,556
Effect of adoption of IFRS 9 in cash and cash equivalents	13	**(43,225)**	–
Accrual of allowance for impairment under IFRS 9 on cash and cash equivalents	13	**(1,220,051)**	–
Cash and cash equivalents as at 1 January		**47,577,783**	32,055,378
Cash and cash equivalents as at 30 June	13	**25,761,763**	30,253,309

Chairman of the Management Board _______________ *Kazhiyev B.T.*

Acting Chief Accountant _______________ *Kabysh T.A.*

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2018

In thousands of tenge	Share capital	Asset revaluation reserve	Treasury shares	Other reserves	Retained earnings	Total
As at 1 January 2017	126,799,554	220,890,374	(930)	(170,701)	14,565,773	362,084,070
Profit for the period	–	–	–	–	17,976,029	17,976,029
Total comprehensive income	–	–	–	–	17,976,029	17,976,029
Dividends *(Note 14)*	–	–	–	–	(7,313,761)	(7,313,761)
Transfer of asset revaluation reserve *(Note 14)*	–	(9,064)	–	–	9,064	–
As at 30 June 2017	126,799,554	220,881,310	(930)	(170,701)	25,237,105	372,746,338
As at 1 January 2018	**126,799,554**	**220,858,720**	**(930)**	**(170,701)**	**26,680,917**	**374,167,560**
Effect of adoption of IFRS 9 *(Note 2)*	**–**	**–**	**–**	**–**	**(886,271)**	**(886,271)**
The balance at 1 January 2018, restated in accordance with IFRS 9	**126,799,554**	**220,858,720**	**(930)**	**(170,701)**	**25,794,646**	**373,281,289**
Profit for the period	**–**	**–**	**–**	**–**	**26,171,901**	**26,171,901**
Total comprehensive income	**–**	**–**	**–**	**–**	**26,171,901**	**26,171,901**
Dividends *(Note 14)*	**–**	**–**	**–**	**–**	**(10,433,745)**	**(10,433,745)**
Amortization of other reserves *(Note 14)*	**–**	**–**	**–**	**63,003**	**–**	**63,003**
Transfer of asset revaluation reserve *(Note 14)*	**–**	**(11,579)**	**–**	**–**	**11,579**	**–**
At 30 June 2018	**126,799,554**	**220,847,141**	**(930)**	**(107,698)**	**41,544,381**	**389,082,448**

Chairman of the Management Board *Kazhiyev B.T.*

Acting Chief Accountant *Kabysh T.A.*

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

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

As of 30 June 2018, 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.

On 19 December 2014 the Company placed 25,999,999 ordinary shares (10 percent minus one share) at 505 tenge per share on the Kazakhstan Stock Exchange under the “People’s IPO” programme.

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 30 June 2018 and 31 December 2017 the Company has stakes in the following subsidiaries:

		Percentage of ownership	
Company	**Activities**	**30 June 2018**	31 December 2017
Energoinform JSC	Maintenance of the KEGOC’s IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan	**100%**	100%

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

The Group’s operating activities are regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272-I *On Natural Monopolies and Regulated Markets* (the “Law”) as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group’s electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the “Committee”).

The Company’s registered office is located at 59 Tauelsyzdyk Str., Astana, 010000, the Republic of Kazakhstan.

These interim consolidated financial statements were signed by the Chairman of the Management Board and Acting Chief Accountant on 7 August 2018.

2. BASIS OF PREPARATION

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (the “IASB”).

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.

2. BASIS OF PREPARATION (continued)

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that 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; and
- The ability to use its power over the investee to affect its returns.

As a rule, it is assumed that most of the voting rights stipulate the presence of control. To confirm this assumption and if the Group has less of the majority of voting rights or similar rights with respect to the investment object, the Group takes into account all relevant facts and circumstances when assessing the availability of authority with respect to this investment object:

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, in accordance with IFRS requirements, as would be required if the Group had directly disposed of the related assets or liabilities.

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective from 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group adopted IFRS 15 using the full retrospective method retrospectively to recognize the cumulative effect of the original application of this standard as an adjustment to the balance of retained earnings at the beginning of the annual reporting period that includes the date of initial application.

The Group provides services for the transmission, technical dispatching and balancing of electricity production and consumption in Kazakhstan. Activities are carried out through separate identifiable contracts with customers.

Due to regulation by the state, these contracts are typical, and as a result of entering into these agreements, "KEGOC" JSC has only duties related to ensuring equal conditions for all consumers and provision of services. However, "KEGOC" JSC does not have the authority to guarantee or negotiate special conditions. Despite the fact that the planned volumes of regulated services rendered by "KEGOC" JSC are fixed by the annex to the concluded contracts, the actual figures may significantly differ from the contractual, therefore the Group recognizes revenue on a monthly basis based on the actual indications of the metering devices reflected in the document "Actual Balance of production-consumption of electric energy in the wholesale electricity market of the Republic of Kazakhstan", compiled by the National Dispatch Center of the system operator. Actual volumes of provision of regulated services directly depend only on the state of demand for electricity, that is, on the economic condition of the Republic of Kazakhstan, the increase/decrease in electricity consumption of large electricity consumers, weather conditions, etc. These factors are external and do not depend on the "KEGOC" JSC activities.

Therefore, "KEGOC" JSC recognizes revenue from regulated services on a monthly basis based on actual metering devices, which is in accordance with the requirements of IFRS 15, consequently, revenue recognition in accordance with IFRS 15 did not result in changes in records.

The activities of "Accounting and Finance Center for the support of renewable energy resources" LLP are driven by the Decree of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Resources*, while the contracts for "Accounting and Finance Center for the support of renewable energy resources" LLP are typical and fix only the obligations for monthly invoicing and quarterly reconciliation checks. "Accounting and Finance Center for the support of renewable energy resources" LLP does not generate a principal-agent relationship, since when concluding contracts for the purchase and sale of electricity all risks and benefits pass from the seller of electricity to "Accounting and Finance Center for the support of renewable energy resources" LLP and from "Accounting and Finance Center for the support of renewable energy resources" LLP to the end user. Transition to revenue recognition in accordance with IFRS 15 did not cause changes in accounting for "Accounting and Finance Center for the support of renewable energy resources" LLP.

Contracts of "Energoinform" JSC, in addition to contracts for the provision of contractual works, require the fixing of the monthly cost of services, which is defined as 1/12 of the annual cost of services. Revenues are recognized in the amount of this monthly service cost. Revenue under contracts for contracting works is recognized as the acts of the services rendered (works performed) are signed. The contract for the provision of contractual works contain warranty conditions, according to which "Energoinform" JSC is obliged to carry out a gratuitous correction of errors, defects and other inconsistencies of the technical specification fixed by the contract. According to the current accounting procedures, these guarantees have the nature of a contingent liability and are not recognized in records, which corresponds to IFRS 15. Thus, in general, the procedure for recognizing the revenue of "Energoinform" JSC complies with the requirements of IFRS 15.

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Therefore, the existing procedure for recognizing the Group's revenue meets the requirements of IFRS 15, the Group does not have any impact from the adoption of IFRS 15.

IFRS 9 Financial Instruments

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

The Group adopted IFRS 15 using the full retrospective method retrospectively to recognize the cumulative effect of the original application of this standard as an adjustment to the balance of retained earnings at the beginning of the annual reporting period that includes the date of initial application.

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

In thousands of tenge	**Adjustments**
Assets	
Non-current assets	
Long-term receivables from related parties	**(99)**
Other financial assets, non-current portion	**(257,730)**
	(257,829)
Current assets	
Trade accounts receivable	**(113,156)**
Other current assets	**(62)**
Other financial assets, current portion	**(385,590)**
Restricted cash	**(86,409)**
Cash and cash equivalents	**(43,225)**
	(628,442)
Total assets	**(886,271)**
Equity and liabilities	
Equity	
Retained earnings	**(886,271)**
	(886,271)
Total equity and liabilities	**(886,271)**

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

IFRS 9 requires the Group to record an allowance for ECLs for all financial assets not held at FVPL.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

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

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

The Group considers a financial asset in default when contractual payment 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.

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

The interim consolidated statement of changes in equity reflects the effect of IFRS 9 adoption on retained earnings as at 1 January 2018 of KZT 886,271 thousand.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim consolidated financial statements, as the current activities of the Group comply with the requirements of clarification.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements, as the current activities of the Group comply with the requirements of clarification.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards issued but not yet effective

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

IFRS 16 Leases

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

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a new comprehensive standard for financial reporting for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. When IFRS 17 enters into force, it will replace IFRS 4 *Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (that is, life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of organization that issues them, as well as certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope of application. The main purpose of

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 is to provide a model for accounting for insurance contracts, which is more efficient and consistent for insurers. Unlike IFRS 4, which is mainly based on previous local accounting policies, IFRS 17 provides a comprehensive model for accounting for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation in investment income (variable compensation method);
- Simplified approach (award-based approach) mainly for short-term contracts.

IFRS 17 becomes effective for accounting periods beginning on or after 1 January 2021, and comparative information is required. Earlier application is permitted provided that the organization also applies IFRS 9 and IFRS 15 at the date of the first application of IFRS 17 or before it. This standard is not applicable to the Group.

Current versus non-current classification

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

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- 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, available for sale ("AFS") financial assets at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

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

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

Exchange rate as at the end of the period (to KZT)	**30 June 2018**	31 December 2017
USD 1	**341.08**	332.33
EUR 1	**397.26**	398.23
RUR 1	**5.44**	5.77

	For the six months ended	
Average exchange rate for the six months (to KZT)	**30 June 2018**	30 June 2017
USD 1	**326.53**	318.69
EUR 1	**395.39**	344.87
RUR 1	**5.50**	5.50

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
Constructions	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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Land is not depreciated.

Due to changes in the National Classifier of Fixed Assets of the Republic of Kazakhstan effective from 1 January 2015, "NES Machinery and equipment" class has been separated from "NES constructions" class. Therefore, the Group renamed "NES constructions" into "NES assets" for the purposes of financial statements.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amounts of the carrying values 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 amortisation and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 20 years.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the intangible asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future economic benefit and is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Investments in 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 amortised nor individually tested for impairment.

The interim 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.

Unrealised 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 interim 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 value, then recognized the loss as "Share of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

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

Financial assets at initial recognition are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

A financial asset is measured at amortized cost if two criteria are met:

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

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

The Group's financial assets not carried at amortized cost are stated at fair value.

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

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

The Group accounts for financial assets at fair value through profit or loss, except when they are carried at amortized cost or at fair value through other comprehensive income.

Subsequent measurement

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

Derecognition

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

- The rights to receive cash flows from the asset have expired;
- The 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.

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 asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment of financial assets

Recognition of expected credit losses

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost and at fair value through other comprehensive income in the amount equal to the expected credit losses for the entire period if the credit loss from the initial recognition significantly increased. The Group does not reduce the carrying amount of a financial asset measured at fair value through other comprehensive income, but recognizes the provision as part of other comprehensive income.

In determining whether there is a significant increase in the credit risk for a financial asset since its initial recognition, the Group is guided by changes in the risk of default during the life of the loan instrument, rather than changes in the amount of expected credit losses.

If the terms of the contractual cash flows for the financial asset were revised or modified and the recognition of the financial asset was not terminated, the Group assesses whether the credit risk of the financial instrument has changed significantly by comparing:

1) assessment of the risk of default as of the reporting date (based on modified contractual terms);

2) assessment of the risk of default upon initial recognition (on the basis of initial unmodified contractual terms).

If there is no significant increase in credit risk, the Group recognizes the estimated provision for losses on the financial asset in an amount equal to the 12-month expected credit losses, except for:

1) acquired or created credit-depreciated financial assets;

2) trade receivables or contractual assets arising from transactions related to the scope of IFRS 15 "Revenue under contracts with customers"; and

3) trade receivables on lease.

For financial assets in items (1) - (3), the Group estimates the provision for losses in the amount of expected credit losses for the entire period.

If in the previous reporting period the Group has estimated the provision for losses on the financial instrument in an amount equal to the expected credit losses for the entire period, but as of the current reporting date determines that there is no significant increase in credit risk, the Group should estimate the estimated reserve in the amount equal to 12-month expected credit losses.

The Group recognizes as an impairment gain or loss the amount necessary to adjust the allowance for losses up to the amount of expected credit losses at the balance sheet date.

For purchased or created credit-discounted financial assets, the Group recognizes favorable changes in the expected credit losses for the entire period in order to recover the impairment loss even if the expected credit losses for the entire period are less than the expected credit losses that were included in the estimated cash flows upon initial recognition .

Estimation of expected credit losses

The Group estimates the expected credit losses on the financial instrument in a manner that reflects:

1) unbiased and weighted, taking into account the probability, the amount determined by assessing the range of possible outcomes;

2) the time value of money;

3) justified and verifiable information about past events, current conditions and forecast future economic conditions available at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment of financial assets (continued)

Estimation of expected credit losses (continued)

The maximum period considered in estimating the expected credit losses is the maximum period under the contract (subject to the extension options) during which the Group is exposed to credit risk.

For financial instruments that include both a loan and an unused loan commitment component, the contractual ability of the Group to claim repayment of the loan and to annul the unused loan commitment component does not limit the Group's exposure to the risk of credit losses by the contractual notice period. For such financial instruments, the Group assesses credit losses for the entire period of exposure to credit risk, and the expected credit losses.

To achieve the objective of recognizing the expected credit losses for the entire period due to a significant increase in credit risk since initial recognition, it may be necessary to assess the significant increase in credit risk on a group basis, for example, by analyzing information indicating a significant increase in the credit risk of a group or subgroup of financial instruments . This ensures that the Group achieves the objective of recognizing the expected credit losses for the entire period in case of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the "IBRD") and European Bank for Reconstruction and Development (the "EBRD"), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. 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.

Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

The Group recognizes revenue to reflect the provision of promised services to customers in the amount of reimbursement that the Panel expects to be eligible for in exchange for the goods or services in question.

The Group, in recognition of revenue, carries out 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 the price of the transaction;

4) the distribution of the price of the transaction between certain duties to be performed under the contract;

5) recognition of proceeds at the time (or as far as) the performance of the obligation to be performed under the contract.

Revenue from rendering of services is recognised 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 recognised 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.*

Interest income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised 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 determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the interim consolidated statement of comprehensive income 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 KZT 212,130 per month (2017: KZT 183,443) to accumulative pension funds. Pension fund payments are withheld from employees’ salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

- 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 recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Dividends

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

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

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

Revaluation of property, plant and equipment

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

The Group performed revaluation of NES assets as at 1 June 2014. Fair value of NES assets was determined by using the cost approach. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost). 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.

The appraised current replacement cost has been further compared to the recoverable amount identified based on discounted cash flows model. The cash flows are derived from the budget for the next 5 (five) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

As a result of the assessment, the amount of KZT 415,708,160 thousand was recognised as a fair value as of 1 June 2014.

In assessment of the fair value in 2014 the following main assumptions have been applied:

Discount rate (WACC)	11.61%
Long-term growth rate	2.88%
Remaining useful life of the primary asset	40 years

An increase in the discount rate of 0.5% or a 0.5% decrease in the long-term growth rate will result in a decrease in the fair value of the Group's property, plant and equipment by approximately KZT 9,089,485 thousand or KZT 9,602,177 thousand, respectively.

As of 30 December 2017, management of the Group conducted an analysis of the relevance of the results of revaluation of assets. The value of NES assets was analyzed taking into account the movement of the price index in construction according to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan. This analysis showed insignificant increase in the value of NES assets.To confirm the results of the analysis and determine the absence of impairment NES assets, the Group calculated the recoverable amount of the assets using the discounted cash flow model.

In estimating the fair value in 2017, the following key assumptions were applied:

Discount rate (WACC)	12.55%
Long-term growth rate	5.55%

The calculation of the assumptions was based on the methodology applied by the appraiser in 2014. The Group's development plan, approved for a five-year period and revised every year, was the main source of information for estimating cash flows, as it contains projections for the volume of electricity transmission, revenues, expenses and capital expenditures of the Group. Various assumptions, such as projections of the level of tariffs for regulated services and inflation rates, take into account existing prices, the projected exchange rates of foreign currencies, other macroeconomic factors and historical trends and fluctuations. The estimated cash flows were limited to 2028. Costs before 2028 were projected on the basis of the Group's budget and development plan, as well as current estimates of the Group's management about potential changes in operating and capital expenditures. The post-forecast cost is estimated by applying the estimated long-term growth rate of 5.55%.

Thus, the Group's assets do not show any signs of impairment, while the size of the asset growth estimated by the index method comprises insignificant amount. The management of the Group believes that the fair value of the assets of the NES is approximately equal to their carrying value as of 30 June 2018.

The Group is currently carrying out a technical inventory of fixed assets, which may entail the restructuring of fixed assets. Based on the results of the technical inventory, a revaluation of fixed assets will be carried out with the involvement of an external appraiser.

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

Taxes

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

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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

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

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the 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 interim consolidated financial statements.

Bonds issued

In 2016 under the government program "Nurly Zhol", the Group issued coupon bonds at Kazakhstan Stock Exchange JSC to finance the project "Construction of 500 kW line Ekibastuz – Semey – Ust-Kamenogorsk" and "Construction of 500 kW line Semey – Aktogay – Taldykorgan – Alma" *(Note 16).*

The coupon interest rate of issued financial instruments is variable and consists of two parts: the inflation rate and fixed margin of 2.9% per annum. Inflation rate is an increase/decrease in the consumer price index published by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan within the last 12 (twelve) months preceding the 2 (two) months before the start date of the new coupon period. The value of the upper inflation limit is set at 16%, lower – 5%. The coupon rate for the first tranche of coupon bonds for the second period was 10.6%, respectively. The coupon rate for the second tranche and the third tranche is 11.5% and 9.5%, respectively.

According to the estimates of the management, coupon rate corresponds to the market rate. As the market rate in relation to the duration of debt financing, at the end of the treatment period repayment of the nominal amount of the bonds can serve as an interest rate on long-term coupon bonds by the Ministry of Finance of the Republic of Kazakhstan – MEUZHKAM. These bonds also consist of two parts: the consumer price index and a fixed margin of 0.1%. Unlike the bonds MEUZHKAM, the Group's bonds are not secured, so the difference in the amount of fixed margin is due to the risk premium. Thus, the nominal value of issued bonds has been recognized as the fair value.

Bonds of Special financial company DSFK

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

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

Fair value of financial instruments (continued)

Bonds of Special financial company DSFK (continued)

Management of the Group believes that at 30 June 2018 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. Fair value of the guarantee was identified using discount rate of 12.6% that deemed to be a market rate, at 30 June 2018.

Bonds of Samruk-Kazyna JSC

During May-June 2018, the Group purchased coupon bonds of Samruk-Kazyna JSC with a nominal value of KZT 26,000,000 thousand at JSC Kazakhstan Stock Exchange. The bonds were classified as carried at amortized cost and recognized at fair value using a discount calculated at a market rate of 8.4%.

5. OPERATING SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organized into one business unit, operating a Kazakhstan electricity grid for rendering services of electricity transmission, technical dispatch of electricity supply to the network and consumption of electricity, balancing of electricity generation and consumption. This operating segment represents the only reportable segment of the Group.

Geographic information

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

In thousands of tenge	**For the six months ended 30 June 2018**	30 June 2017
Revenue from Kazakhstan customers	**83,183,527**	69,600,010
Revenue from Russian customers	**3,612,798**	4,454,538
Revenue from Uzbekistan customers	**204,505**	291,861
Revenue from Kyrgyzstan customers	**20,358**	23,308
Total revenue per interim consolidated statement of comprehensive income	**87,021,188**	74,369,717

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

For the six months ended 30 June 2018 the revenue from one consumer of the Group – Samruk-Energo amounted to KZT 18,369,972 thousand, arising from electricity almassion, technical dispatch and balancing of electricity production and consumption services (for the six months ended 30 June 2017: KZT 16,877,123 thousand).

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

In thousands of tenge	Land	Buildings	NES assets	Vehicles and other property, plant and equipment	Construction-in-progress	Total
Cost						
At 1 January 2017	1,539,573	13,768,082	819,098,860	37,636,022	53,698,670	925,741,207
Additions	7,448	1,137	11,833	453,786	14,030,867	14,505,071
Transfers	5,856	30,653	352,592	(123,943)	(265,158)	–
Disposals	–	(4,429)	(61,249)	(185,350)	(11,898)	(262,926)
Transfers to intangible assets	–	–	–	–	(234)	(234)
At 30 June 2017	1,552,877	13,795,443	819,402,036	37,780,515	67,452,247	939,983,118
At 1 January 2018	**1,737,558**	**13,807,910**	**844,259,049**	**38,997,861**	**83,208,832**	**982,011,210**
Additions	**5,778**	**–**	**–**	**450,150**	**14,273,249**	**14,729,177**
Transfers	**–**	**(9,269)**	**784,364**	**85,937**	**(861,032)**	**–**
Disposals	**–**	**–**	**(167,714)**	**(273,990)**	**–**	**(441,704)**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(2,106)**	**(2,106)**
Refunds on the project	**–**	**–**	**(299,103)**	**–**	**–**	**(299,103)**
At 30 June 2018	**1,743,336**	**13,798,641**	**844,576,596**	**39,259,958**	**96,618,943**	**995,997,474**
Accumulated depreciation and impairment						
At 1 January 2017	–	(1,797,663)	(402,376,114)	(20,263,429)	(389,611)	(424,826,817)
Charge for the period	–	(141,073)	(9,932,370)	(1,167,805)	–	(11,241,248)
Transfers	–	507	(493)	(14)	–	–
Disposals	–	2,932	38,837	183,654	10,903	236,326
Reversal of impairment	–	–	–	–	(20,686)	(20,686)
At 30 June 2017	–	(1,935,297)	(412,270,140)	(21,247,594)	(399,394)	(435,852,425)
At 1 January 2018	**–**	**(2,076,307)**	**(421,939,104)**	**(22,165,404)**	**(536,217)**	**(446,717,032)**
Charge for the period	**–**	**(139,657)**	**(10,044,206)**	**(1,199,884)**	**–**	**(11,383,747)**
Transfers	**–**	**270**	**(974)**	**704**	**–**	**–**
Disposals	**–**	**–**	**113,806**	**272,362**	**–**	**386,168**
Reversal of impairment	**–**	**–**	**–**	**–**	**159,988**	**159,988**
At 30 June 2018	**–**	**(2,215,694)**	**(431,870,478)**	**(23,092,222)**	**(376,229)**	**(457,554,623)**
Net book value						
At 1 January 2017	1,539,573	11,970,419	416,722,746	17,372,593	53,309,059	500,914,390
At 30 June 2017	1,552,877	11,860,146	407,131,896	16,532,921	67,052,853	504,130,693
At 1 January 2018	**1,737,558**	**11,731,603**	**422,319,945**	**16,832,457**	**82,672,615**	**535,294,178**
At 30 June 2018	**1,743,336**	**11,582,947**	**412,706,118**	**16,167,736**	**96,242,714**	**538,442,851**

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

In thousands of tenge	**30 June 2018**	31 December 2017
Cost	**293,040,670**	292,153,754
Accumulated depreciation	**(98,475,093)**	(93,709,808)
Net carrying amount	**194,565,577**	198,443,946

As at 30 June 2018 and 31 December 2017 fully amortised property, plant and equipment (at cost), that are still in use amounted to KZT 10,881,432 thousand and KZT 9,811,707 thousand, respectively.

Capitalized borrowing costs

During six months ended 30 June 2018 the Group capitalized the cost of coupon interest on bonds (less investment income) amounted to KZT 3,848,093 thousand (for the six months ended 30 June 2017: KZT 2,680,028 thousand) *(Note 16).*

Refund of the project

During the six months of 2018, funds were returned from suppliers for construction and services under the project "Construction of 500 kW line Ekibastuz – Shulbinskaya GES (Semey) – Ust'-Kamenogorsk" line in the amount of KZT 299,103 thousand. The Group adjusted the value of the assets of the NES accordingly.

NOTES TO THE INTERIM 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 project "Construction of 500 kW line Shulbinskaya GES (Semey) – Aktogay – Taldykorgan – Alma".

Advances paid for non-current assets

As at 30 June 2018 advances paid for non-current assets mainly represent prepayments made to suppliers for construction work related to the project "Construction of 500 kW line Shulbinskaya GES (Semey) − Aktogay − Taldykorgan − Alma" (as at 31 December 2017: the advanced paid for non-current assets mainly represent prepayments made to suppliers for construction work related to the project "Construction of 500 kW line Ekibastuz − Shulbinskaya GES (Semey) − Ust'-Kamenogorsk" and "Construction of 500 kW line Shulbinskaya GES (Semey) − Aktogay − Taldykorgan − Alma").

7. INVESTMENTS IN ASSOCIATE

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

In thousands of tenge	**30 June 2018**	31 December 2017
Statement of financial position		
Current assets	**7,491,884**	6,491,949
Non-current assets	**19,590,413**	19,202,560
Current liabilities	**(758,468)**	(1,790,165)
Non-current liabilities	**(20,620,944)**	(19,993,941)
Net assets	**5,702,885**	3,910,403

In thousands of tenge	**30 June 2018**	31 December 2017
Group's share in net assets	**1,140,577**	782,081
Carrying amount of the investment	**1,140,577**	782,081

In thousands of tenge	**30 June 2018**	30 June 2017
Statement of comprehensive income		
Revenue	**3,987,689**	3,531,902
Net profit/(loss)	**1,792,482**	730,985
Group's share in the profits of Batys Transit	**358,496**	146,197

As of 30 June 2018 and 31 December 2017 the associate had no contingent liabilities or capital commitments.

8. INVENTORIES

In thousands of tenge	**30 June 2018**	31 December 2017
Spare parts	**1,666,737**	1,299,634
Raw and other materials	**1,403,790**	1,060,824
Fuel and lubricants	**456,631**	147,297
Other inventory	**45,052**	23,363
Less: allowance for obsolete inventories	**(579,370)**	(655,684)
	2,992,840	1,875,434

8. INVENTORIES (continued)

Movement in the allowance for obsolete inventories was as follows:

In thousands of tenge	**2018**	2017
At 1 January	**655,684**	642,717
Charge for the period *(Note 23)*	**2,381**	21,024
Reversal *(Note 23)*	**(78,695)**	–
At 30 June	**579,370**	663,741

9. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**30 June 2018**	31 December 2017
Trade accounts receivable	**11,117,517**	9,174,896
Less: allowance for doubtful accounts receivable	**(1,791,672)**	(1,409,589)
Less: discount of accounts receivable	**–**	(614)
	9,325,845	7,764,693

Movement in the allowance for doubtful receivables was as follows:

In thousands of tenge	**2018**	2017
At 1 January	**1,409,589**	2,653,416
Effect of adoption of IFRS 9 *(Note 2)*	**113,156**	–
Charge for the period	**453,647**	1,084,440
Reversal	**(184,720)**	(598,292)
Write-off	**–**	(1,623)
At 30 June	**1,791,672**	3,137,941

As of 30 June 2018 trade receivables included receivables from the consumer “Uzbekenergo” JSC in the amount of KZT 1,250,193 thousand (31 December 2016: KZT 1,229,827 thousand).

The ageing analysis of trade receivables is as follows:

In thousands of tenge	**Total**	**Neither past due nor impaired**	**Neither past due but impaired**	**Past due, impaired: 30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
30 June 2018	**9,325,845**	**–**	**8,566,311**	**218,885**	**223,010**	**26,747**	**290,892**
31 December 2017	7,764,693	7,285,148	–	262,541	81,974	49,289	85,741

As of June 30, 2018, the reserve for arrears from “Uzbekenergo” JSC amounted to KZT 1,188,254 thousand tenge.

Trade receivables were denominated in the following currencies:

In thousands of tenge	**30 June 2018**	31 December 2017
Tenge	**8,621,916**	7,099,960
Russian rouble	**641,990**	591,967
US dollars	**61,939**	72,766
	9,325,845	7,764,693

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER CURRENT ASSETS

In thousands of tenge	**30 June 2018**	31 December 2017
Advances paid for goods and services	**623,572**	329,372
Other receivables for property, plant and equipment and constructions	**400,083**	399,974
Deferred expenses	**190,011**	3,628
Loans receivable from employees	**7,712**	13,652
Other	**340,012**	318,608
Less: discount of other current assets	**(423,283)**	(394,078)
Less: allowance for impairment of other current assets	**(9,560)**	(18,567)
	1,128,547	652,589

Changes in the provision for impairment of other current assets are as follows:

In thousands of tenge	**2018**	2017
At 1 January	**394,078**	198,448
Effect of adoption of IFRS 9 *(Note 2)*	**62**	–
Charge for the period	**38,643**	38,959
Reversal	**(9,500)**	(11,847)
Utilized	**–**	(2,090)
At 30 June	**423,283**	223,470

11. OTHER FINANCIAL ASSETS

In thousands of tenge	**30 June 2018**	**31 December 2017**
Other long-term financial assets		
Bonds of Samruk-Kazyna	**25,077,631**	–
Bonds of Special financial company DSFK	**240,597**	223,554
Bonds of Batys Transit	**–**	868,269
	25,318,228	1,091,823
Other short-term financial assets	**24,603,057**	22,466,094
Bank deposits	**1,280,640**	1,282,483
Funds placed with Kazinvestbank JSC	**1,230,000**	1,297,742
Funds placed with Delta Bank JSC	**1,023,240**	2,658,640
Funds placed with Eximbank Kazakhstan JSC	**927,941**	–
Bonds of Batys Transit	**463,667**	–
Interest accrued on bonds of Samruk-Kazyna	**19,135**	65,405
Interest accrued on bonds of Batys Transit	**(1,280,640)**	(1,282,483)
Less: allowance for impairment of funds with KazInvestBank JSC	**(1,230,000)**	(1,230,000)
Less: allowance for impairment of funds with Delta Bank JSC	**(713,667)**	–
Less: allowance for impairment of funds with batys Transit	**(548,906)**	–
Less: discount on funds placed with Eximbank Kazakhstan JSC	**(29,619)**	(150,489)
	25,744,848	25,107,392
Total other financial assets	**51,063,076**	26,199,215

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

In thousands of tenge	**2018**	2017
At 1 January	**2,512,483**	645,891
Effect of adoption of IFRS 9 *(Note 2)*	**643,320**	–
Accrual for the period	**933,607**	1,934,334
Reversal	**(316,197)**	(67,742)
At 30 June	**3,773,213**	2,512,483

11. OTHER FINANCIAL ASSETS (continued)

Bonds of Samruk-Kazyna JSC

During May-June 2018, the Group purchased coupon bonds of Samruk-Kazyna JSC with a nominal value of KZT 26,000,000 thousand at JSC Kazakhstan Stock Exchange. The bonds were classified as carried at amortized cost and recognized at fair value. The estimated discount value for purchased bonds was KZT 1,068,648 thousand, of which KZT 613,921 thousand was recognized by the Group as financial expenses. During the six months ended 30 June 2018, the amortization of the discount amounted to 146,279 thousand tenge.

Bonds of Special financial company DSFK LLP

In April 2018 Special Financial Company LLP DSFK redeemed bonds with the value of 5.367 thousand tenge.

As the Group does not hold bonds to obtain all contractual cash flows as of 30 June 2018, the Group reclassified them from those measured at amortized cost to fair value through profit or loss. As of 30 June 2018, the Group re-estimated the fair value of the bonds and increased their book value to 240,597 thousand tenge.

Bonds of Batys Transit

In 2007-2009 the Group acquired bonds of Batys Transit JSC, an associate, an entity listed on the Kazakhstan Stock Exchange. The bonds are secured with Guarantee of the Government of Republic of Kazakhstan in accordance with guarantee agreement dated 9 January 2006. The coupon rate on the bonds is 7.3%. The bonds are classified as financial asset-held-to-maturity. During the six months ended 30 June 2018, the amortization of the discount was KZT 59,672 thousand. The bonds have maturity till 13 March 2020.

Deposits

As at 30 June 2018 and 31 December 2017 deposits include accrued interest income in the amount of KZT 122,717 thousand and KZT 187,568 thousand, respectively.

Funds placed with Eximbank Kazakhstan JSC

As at 31 December 2017, the Group's deposit in Eximbank Kazakhstan (hereinafter referred to as Eximbank) amounted to 8,000 thousand dollars (equivalent to 2,658,640 thousand tenge). According to the agreement, the deposit term expired in November 2017. The deposit was not returned to Eximbank Group. As a result of negotiations with Eximbank representatives and the analysis conducted, the Group management concluded that the funds are fully recoverable and will be returned within one year. In this regard, as of December 31, 2017, the Group assessed the impact of the temporary factor and recognized a discount of KZT 150,489 thousand. During the six months ended 30 June 2018, the Group amortized the discount in the amount of KZT 120,870 thousand

On 21 May 2018 Eximbank Kazakhstan transferred a deposit of 5,067 thousand US dollars (equivalent 1,728,344 thousand tenge) from a savings account to a current account.

On 28 May 2018, by the decision of the Board of the National Bank of the Republic of Kazakhstan, it was decided to suspend the Bank's license in terms of accepting deposits, opening bank accounts of individuals from May until August 2018. In this regard, the Group estimated the recoverability of the deposit, which was retained as part of other financial assets, in the amount of 3,000 thousand US dollars (equivalent 1,023,240 thousand tenge) and accrued a provision of 72%, which is 713,667 thousand tenge.

11. OTHER FINANCIAL ASSETS (continued)

Funds placed with Eximbank Kazakhstan JSC (continued)

Other short-term financial assets were denominated in the following currencies:

In thousands of tenge	**Interest rate**	**30 June 2018**	31 December 2017
Tenge	10-12%	**32,584,661**	12,272,354
US dollars	1-3%	**18,478,415**	13,926,861
		51,063,076	26,199,215

12. RESTRICTED CASH

In thousands of tenge	**30 June 2018**	31 December 2017
Cash on reserve accounts	**2,563,864**	2,409,232
Cash on debt service accounts	**932,882**	877,554
Restricted cash for return of guarantee obligations	**201,818**	158,831
Less: allowance for impairment of cash	**(78,787)**	**–**
	3,619,777	3,445,617

As at 30 June 2018 and 31 December 2017 restricted cash represents cash held on a debt service account and reserve account.

According to the terms of the loan agreements with IBRD and EBRD, the Group's creditors, the Group accumulates cash on a special debt service bank account opened with Kazakhstan bank during the semi-annual period preceding the scheduled date of payment of principal, interest and commission fees related to the IBRD and EBRD loans.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of Group's loans *(Note 15)*, the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans.

The movements in the provision for cash and cash equivalents are as follows:

In thousands of tenge	**2018**	2017
At 1 January	**–**	–
Effect of adoption of IFRS 9 *(Note 2)*	**86,409**	–
Accrual for the period	**39,133**	–
Reversal	**(46,755)**	–
At 30 June	**78,787**	–

As at 30 June 2018 and 31 December 2017, restricted cash was denominated in the following currencies:

In thousands of tenge	**30 June 2018**	31 December 2017
US dollar	**3,420,523**	3,286,786
Tenge	**199,254**	158,831
	3,619,777	3,445,617

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	**30 June 2018**	31 December 2017
Short-term deposits	**20,441,281**	37,158,812
Current accounts with banks, in tenge	**4,674,678**	3,854,403
Cash in Eximbank Kazakhstan	**1,728,344**	–
Current accounts with banks, in foreign currencies	**176,559**	6,556,281
Cash on hand	**4,076**	8,110
Cash at special accounts	**101**	177
Less: allowance for impairment of cash in Eximbank	**(1,242,679)**	–
Less: allowance for impairment of cash	**(20,597)**	–
	25,761,763	47,577,783

Cash in Eximbank Kazakhstan

On 21 May 2018, Eximbank Kazakhstan transferred a deposit of 5,067 thousand US Dollars (equivalent 1,728,344 thousand tenge) from a savings account to a current account. On 28 May 2018, by the decision of the Board of the National Bank of the Republic of Kazakhstan, it was decided to suspend Eximbank Kazakhstan license in terms of accepting deposits, opening bank accounts of individuals from May until August 2018. In this regard, the Group accrued a provision of KZT 1,242,679 thousand (72% of the total cash). Currently, against Eximbank Kazakhstan, the National Bank is audited, after which the Group expects to recover its cash.

At 30 June 2018 and 31 December 2017, the Group placed short-term deposits with banks at 7-10% per annum.

The movements in the provision for cash and cash equivalents are as follows:

In thousands of tenge	**2018**	2017
At 1 January	**–**	–
Effect of adoption of IFRS 9 *(Note 2)*	**43,225**	–
Accrual for the period	**1,389,857**	–
Reversal	**(169,806)**	–
At 30 June 2018	**1,263,276**	–

At 30 June 2018 and 31 December 2017, cash and cash equivalents were stated in the following currencies:

In thousands of tenge	**30 June 2018**	31 December 2017
Tenge	**23,856,860**	41,021,502
US dollar	**1,899,682**	6,553,858
Euro	**3,753**	**–**
Russian rouble	**1,176**	2,132
Others	**292**	291
	25,761,763	47,577,783

14. EQUITY

As 30 June 2018 and 31 December 2017 share capital of the Company comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

The Group placed 25,999,999 common shares at a price of KZT 505 at the Kazakhstan stock exchange under the People’s IPO program. On 19 December 2014 the contribution to share capital of KZT 13,129,999 thousand was received. As of 30 June 2018 and 31 December 2017 authorized capital is presented net of the cost of the consulting services related to the issue of shares under People’s IPO of KZT 692,568 thousand.

Treasury shares

In November 2016 the Group reacquired on the open market its issued shares in amount of 1,390 shares for the total amount of KZT 930 thousand.

14. EQUITY (continued)

Dividends

On May 12, 2017, the annual General Meeting of Shareholders approved the allocation of 50% of net income for 2016 minus the amount of net income distributed for the first half of 2016. The amount payable equaled KZT7,313,761 thousand to all holders of common shares of KEGOC JSC, which is equal to KZT28.13 per one common share.

On May 2018 on the annual General shareholders meeting it was approved to distribute 70% of net profit received as a result of 2017 year (less net profit received as a result of 1st half-year of 2017). Amount to be paid comprises KZT 10,433,745 thousand to all ordinary shareholders of KEGOC JSC, which is 40.13 tenge per ordinary share.

Earnings per share ("EPS")

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of ordinary shares outstanding during the period. The Group had weighted average ordinary shares outstanding in the amount of 259,998,610 shares during the six months ended 30 June 2018 (for the six months ended 30 June 2017: 259,998,610 shares). For the six months ended 30 June 2018 and 30 June 2017 basic and diluted earnings per share comprised 100.66 tenge and 69.14 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 thousand tenge	**30 June 2018**	31 December 2017
Total assets	**640,403,474**	628,947,700
Less: intangible assets	**(1,251,465)**	(1,038,637)
Less: total liabilities	**(251,321,026)**	(254,780,140)
Net assets	**387,830,983**	373,128,923
Number of ordinary shares	**260,000,000**	260,000,000
Book value per ordinary share, tenge	**1,492**	1,435

Asset revaluation reserve

As at 30 June 2018 and 31 December 2017 the revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets on 1 June 2014 (the previous revaluation was made as at 1 November 2013). Transfer of asset revaluation reserve into retained earnings, upon disposal of PPE, for the six months ended 30 June 2018 amounted to KZT 11,579 thousand (for the six months ended 30 June 2017: KZT 9,064 thousand).

Other reserves

Other reserves represent accumulated reserve on available for sale investments. After initial measurement, available for sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the other reserves until the investment is derecognised. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price.

Due to a change in the fair value of the investments during the six months ended 30 June 2018, the Group reduced the reserve by KZT 63,003 thousand.

15. BORROWINGS

In thousands of tenge	**30 June 2018**	31 December 2017
International Bank of Reconstruction and Development (IBRD)	**53,437,725**	56,378,222
European Bank of Reconstruction and Development (EBRD)	**17,309,249**	17,353,855
	70,746,974	73,732,077
Less: current portion of loans repayable within 12 months	**(9,945,370)**	(9,502,895)
	60,801,604	64,229,182

As at 30 June 2018 and 31 December 2017 the accrued and unpaid interest amounts to KZT 742,303 thousand and KZT 657,683 thousand, respectively.

As at 30 June 2018 and 31 December 2017 the unamortized portion of loan origination fees amounts to KZT 330,855 thousand and KZT 339,820 thousand, respectively.

Loans were denominated in the following currencies:

In thousands of tenge	**30 June 2018**	31 December 2017
US dollars	**53,437,725**	56,378,222
Euro	**17,309,249**	17,353,855
	70,746,974	73,732,077

"Kazakhstan National Electricity Transmission Rehabilitation Project"

In 1999 the Group received the following credit line facilities for the purpose of implementation of the "Kazakhstan National Electricity Transmission Rehabilitation Project", USD 140,000 thousand from IBRD for the 20 (twenty) years period, secured by a guarantee of the Government of the Republic of Kazakhstan. The loan is repayable by annual instalments commencing 2005. An interest at LIBOR base rate plus general spread is payable semi-annually. The outstanding balances as at 30 June 2018 and 31 December 2017 are USD 19,905 thousand (equivalent to KZT 6,789,197 thousand) and USD 26,170 thousand (equivalent to KZT 8,697,076 thousand), respectively.

"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 USD 100,000 thousand 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 payable semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 30 June 2018 and 31 December 2017 are USD 36,740 thousand (equivalent to KZT 12,531,233 thousand) and USD 40,818 thousand (equivalent to KZT 13,564,953 thousand), 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:

(a) Two credit-line facilities of EUR 127,500 thousand and Euro 75,000 thousand 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 30 June 2018 and 31 December 2017 are EUR 43,130 thousand (equivalent to KZT 17,133,623 thousand) and Euro 43,130 thousand (equivalent to KZT 17,175,458 thousand), respectively;

(b) A credit line facility of EUR 47,500 thousand from EBRD for 12 (twelve) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.55% margin is payable semi-annually. The outstanding balances as at 30 June 2018 and 31 December 2017 was fully repaid;

(c) A credit line facility of EUR 5,000 thousand from EBRD for 9 (nine) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 2.75% margin is repayable semi-annually. As at 30 June 2018 and 31 December 2017 the outstanding balance was fully repaid.

15. BORROWINGS (continued)

“Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2” (continued)

In November 2013 the Group concluded additional agreement, according to which the second credit line was decreased from euro 75,000 thousand to Euro 53,443 thousand.

In December 2014 the unused part of loan from the EBRD amounted to Euro 5,028 thousand was cancelled due to the fact that actual expenses were lower than expected.

In August 2017, the Group early repaid two semi-annual principal payments under the loan in the amount of 23,751 thousand Euros (equivalent to KZT 9,405,550 million), which were scheduled to be paid in February and August 2018.

In November 2017, the Group early repaid four semiannual principal payments of the loan in the amount of 44,253 thousand Euros (equivalent to KZT 17,410,008 thousand), which were scheduled to be paid in February and August 2019 and 2020.

“Moinak Electricity Transmission Project”

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of USD 48,000 thousand 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 USD LIBOR 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 USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 30 June 2018 and 31 December 2017 are USD 36,899 thousand (equivalent to KZT 12,585,524 thousand) and USD 38,017 thousand (equivalent to KZT 12,634,253 thousand), 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 USD 78,000 thousand 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 dollar rate plus fixed spread at 1.15% is repayable semi-annually. In July 2014, undeveloped part of the credit line from IBRD in the amount of USD 6,644 thousand has been cancelled due to the fact that the amount of actual costs incurred was less than during the project than expected costs. The outstanding balances as at 30 June 2018 and 31 December 2017 are USD 62,437 thousand (equivalent to KZT 21,295,949 thousand) and USD 64,221 thousand (equivalent to KZT 21,342,474 thousand), respectively.

“Ossakarovka Transmission Rehabilitation Project”

In 2011, for refinancing of EBRD and DBK loans received in 2004-2005 for realization of the Phases I, II and III of the “North-South Electricity Transmission Project” the Group opened the following credit lines for realization of the “Ossakarovka Transmission Rehabilitation Project”:

(a) Two credit-line facilities of USD 77,293 thousand and USD 44,942 thousand, from EBRD for a 15 (fifteen) years. An interest at the interbank six months LIBOR rate plus a 3.95% margin is payable semi-annually. The outstanding balances as at 31 December 2017 the debt under the above credit line is fully repaid and as at 31 December 2016 USD 21,997 thousand (equivalent to KZT 7,331,269 thousand);

(b) A credit-line facility of USD 17,973 thousand, from EBRD for 12 (twelve) years. An interest at the interbank six months LIBOR rate plus a 3.70% margin is payable semi-annually. The outstanding balances as at 31 December 2017 the debt under the above credit line is fully repaid and as at 31 December 2016 USD 2,776 thousand (equivalent to KZT 925,255 thousand).

In 2011, for execution of “Reconstruction of the Ossakarovka 220 kW power line” the Group received from EBRD credit lines for the amounts of USD 12,900 thousand (A2, B1b) and USD 1,900 thousand (B2b). The credit lines were provided for 12 (twelve) years, of which the first 3 (three) years is a grace period. An interest at the interbank six months LIBOR rate plus 3.95% (A2, B1b) and 3.70% (B2b) margin is payable semi-annually. As at 31 December 2017 the outstanding balance was fully repaid. The outstanding balance as at 31 December 2016 is USD 2,564 thousand (equivalent to KZT 854,678 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)

"Ossakarovka Transmission Rehabilitation Project" (continued)

In May 2014 the Group concluded supplementary agreement, according to which the undisbursed amount of the second tranche of EBRD credit line was decreased from USD 14,800 thousand to USD 11,691 thousand. In December 2016 the Group made partial repayment in the amount of USD 70,222 thousand (equivalent to 23,567,126 thousand). In January 2017 the Group made full early repayment in the amount of USD 27,337 thousand (equivalent to 9,144,553 thousand).

16. BONDS PAYABLE

In thousands of tenge	**30 June 2018**	31 December 2017
Nominal value of issued bonds	**83,800,000**	83,800,000
Accrued coupon interest	**3,928,122**	4,407,719
Less: discount on bonds issued	**(97,578)**	(101,305)
Less: transaction costs	**(47,781)**	(49,672)
	87,582,763	88,056,742
Less: current portion of bonds repayable within 12 months	**(3,928,122)**	(4,407,719)
	83,654,641	83,649,023

Under the State Program "Nurly Zhol" the Group placed two tranches of coupon bonds on JSC "Kazakhstan Stock Exchange" in order to finance the projects "Construction of 500 kW line Ekibastuz – Semey – Ust'-Kamenogorsk" and "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 KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031. The coupon rate for the second coupon period from 26 May 2017 to 26 May 2018 is 10.6% per annum. The coupon rate for the third coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum.

All bonds under this program were acquired by United Pension Saving Fund.

Bonds were issued with discount in the amount of KZT 111,945 thousand.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to KZT 36,300,000 thousand with a fixed rate of 11.5%.

The received cash has been temporarily placed on short-term bank deposits.

During the six months ended 30 June 2018 the Group capitalized in the cost of property, plant and equipment a depreciated discount of KZT 3,727 thousand (during the six months ended 30 June 2017: 3,768 thousand) and amortized transaction costs in the amount of KZT 1,891 thousand (during the six months ended 30 June 2017: 796 thousand).

During the six months ended 30 June 2018 the Group capitalized the cost of coupon interest on issued bonds, net of investment income of KZT 3,848,093 thousand (during the six months ended 30 June 2017: KZT 2,680,028 thousand).

17. LONG-TERM AND SHORT-TERM TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of tenge	**30 June 2018**	31 December 2017
Long-term accounts payable		
Accounts payable for property, plant and equipment and construction works	**–**	332,584
Less: discount on accounts payable	**–**	(34,257)
	–	298,327
Short-term accounts payable		
Accounts payable for property, plant and equipment and construction works	**9,904,821**	13,183,438
Accounts payable for electricity purchased	**6,947,403**	4,207,638
Accounts payable for inventories, works and services	**872,015**	1,372,261
Less: discount on accounts payable	**(9,061)**	–
	17,715,178	18,763,337
	17,715,178	19,061,664

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. LONG-TERM AND SHORT-TERM TRADE AND OTHER ACCOUNTS PAYABLE (continued)

As at 30 June 2018 and 31 December 2017 trade and other accounts payable are denominated in the following currencies:

In thousands of tenge	**30 June 2018**	31 December 2017
Tenge	**16,989,716**	18,020,295
Russian rouble	**714,239**	1,025,703
Euro	**11,223**	7,773
US dollar	**–**	7,893
	17,715,178	19,061,664

18. CONSTRUCTION OBLIGATIONS

On 28 November 2013 in accordance with the decision of the Board of Samruk-Kazyna, the Group is committed to build a kindergarten in Astana city and transfer it upon completion to the Akimat of Astana. In 2014, the Group has estimated the costs of building and signed a contract with the construction company. Accordingly, the Group recognized a liability for construction in total amount of KZT 683,430 thousand and the corresponding distribution to shareholders. Completion of the construction of the kindergarten is postponed in 2018.

19. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of tenge	**30 June 2018**	31 December 2017
VAT payable	**2,045,556**	118,608
Personal income tax	**123,281**	250,580
Contributions payable to pension fund	**116,592**	281,451
Social tax	**107,896**	230,499
Property tax	**74,505**	2,563
Social contribution payable	**42,310**	72,765
Other	**2,449**	2,059
	2,512,589	958,525

20. OTHER CURRENT LIABILITIES

In thousands of tenge	**30 June 2018**	31 December 2017
Due to employees	**1,842,327**	3,210,561
Other	**263,262**	215,451
	2,105,589	3,426,012

21. REVENUE

	Three months ended		**Six months ended 30 June**	
In thousands of tenge	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
Electricity transmission	**26,918,191**	22,274,165	**55,938,855**	46,206,864
Revenue from sales of purchased electricity	**6,238,110**	4,113,662	**9,950,789**	7,174,545
Technical dispatch	**5,800,377**	5,093,051	**12,414,252**	10,803,259
Balancing of electricity production and consumption	**3,908,988**	3,461,200	**8,391,698**	7,405,952
Revenue from electricity sales for compensation of the interstate balances of electricity flows	**928,616**	1,053,262	**2,000,590**	1,921,585
Revenue from power regulation services	**55,560**	84,127	**204,505**	291,861
Other	**376,291**	384,858	**745,245**	679,207
	44,226,133	36,464,325	**89,645,934**	74,483,273
Discounts to consumers	**(1,362,371)**	(100,668)	**(2,624,746)**	(113,556)
	42,863,762	36,363,657	**87,021,188**	74,369,717

21. REVENUE (continued)

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

For the six months ended 30 June 2018, the revenue from one consumer, Samruk-Energo Group, amounted to KZT 18,369,972 thousand, arising from transmission, technical dispatching and balancing services.

For the six months ended 30 June 2017, the revenue from one consumer, Samruk-Energo Group, amounted to KZT 16,877,123 thousand, arising from transmission, technical dispatching and balancing services.

22. COST OF SALES

	Three months ended		**Six months ended**	
In thousands of tenge	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
Cost of purchased electricity	**5,932,978**	4,104,696	**9,792,119**	7,080,161
Depreciation and amortization	**5,621,534**	5,551,305	**11,237,012**	11,098,613
Technical losses of electric energy	**3,727,479**	3,571,677	**9,674,294**	9,272,791
Payroll expenses and related taxes	**3,305,730**	2,930,584	**6,641,183**	5,917,023
Cost of purchased electricity for compensation of interstate balances of electricity flows	**1,975,331**	2,353,517	**4,084,595**	3,949,724
Repair and maintenance expenses	**1,060,754**	1,084,930	**2,201,299**	1,719,703
Inventories	**293,263**	300,029	**403,161**	388,410
Security services	**292,482**	265,973	**578,280**	529,270
Other	**542,424**	545,872	**932,652**	893,084
	22,751,975	20,708,583	**45,544,595**	40,848,779

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		**Six months ended**	
In thousands of tenge	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
Taxes other than income tax	**1,695,207**	1,718,611	**3,376,732**	3,496,414
Payroll expenses and related taxes	**896,236**	795,198	**1,870,548**	1,540,118
Consulting services	**318,204**	55,344	**395,428**	84,076
Depreciation and amortization	**154,061**	151,691	**312,214**	305,905
Rent expenses	**54,798**	56,929	**55,398**	57,429
Trainings	**40,074**	28,026	**60,003**	38,564
Expenses for the rights to use the software	**40,064**	7,730	**55,781**	11,174
Business trip expenses	**25,952**	29,957	**47,142**	46,747
Expenses for the Board of Directors	**25,766**	21,601	**98,913**	100,110
Utilities	**23,072**	18,138	**56,860**	47,704
Materials	**17,024**	19,128	**35,187**	34,743
Insurance	**2,044**	47,523	**38,435**	95,390
Allowance for obsolete inventories *(Note 8)*	**2,381**	17,089	**(76,314)**	21,024
(Reversal)/accrual of allowance for doubtful receivables and impairment of advances and other current assets	**–**	(470,132)	**–**	28,030
Other	**158,811**	231,714	**310,703**	370,730
	3,453,694	2,728,547	**6,637,030**	6,278,158

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. FINANCE INCOME/(COSTS)

In thousands of tenge	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Finance income				
Interest income from deposits, current accounts and bonds	**1,633,959**	1,366,839	**2,896,337**	2,867,611
Amortization of discount on other financial assets	**256,687**	–	**291,063**	–
Amortization of discount on accounts receivable	**34,020**	35,203	**68,640**	70,368
Discount on trade payable	**–**	115,859	**–**	121,790
Others	**213**	585	**6,864**	1,254
	1,924,879	1,518,486	**3,262,904**	3,061,023
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(208,555)**	(551,628)	**(707,310)**	(1,378,583)
	1,716,324	966,858	**2,555,594**	1,682,440
Finance costs				
Interest expense	**2,799,288**	2,559,032	**5,587,917**	5,481,284
Amortization of discount in trade payables	**631,546**	50,980	**650,301**	99,547
Commission on bank guarantees	**365,487**	353,355	**396,109**	386,512
Amortization of loan origination fees	**4,494**	15,603	**9,018**	147,738
Transaction costs on bonds issued	**1,037**	293	**1,659**	584
Interest expense on finance leases	**(10,386)**	–	**12,452**	–
	3,791,466	2,979,263	**6,657,456**	6,115,665
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(2,253,028)**	(1,849,861)	**(4,555,403)**	(4,058,611)
	1,538,438	1,129,402	**2,102,053**	2,057,054

25. FOREIGN EXCHANGE LOSS, NET

On 20 August 2015 National Bank of Republic of Kazakhstan and Government of Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a consequence of change of exchange rate of tenge for the six months ended 30 June 2018, the Group incurred net foreign exchange loss in the amount of KZT 590,123 thousand (for the six months ended 30 June 2017: net foreign exchange gain in the amount of KZT 1,457,840 thousand).

26. INCOME TAX EXPENSE

In thousands of tenge	Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Current income tax				
Current income tax expense	**3,069,402**	2,081,330	**7,184,707**	5,434,413
Adjustments to current income tax of the previous year	**18,394**	(13,789)	**18,392**	(13,788)
Deferred tax				
Deferred income tax expense	**(304,305)**	(251,666)	**(381,844)**	119,161
Total income tax expense reported in the interim consolidated statement of comprehensive income	**2,783,491**	1,815,875	**6,821,255**	5,539,786

The corporate income tax rate in the Republic of Kazakhstan is 20% in 2018 and 2017.

26. INCOME TAX EXPENSE (continued)

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

	Three months ended		Six months ended	
In thousands of tenge	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
Profit before income tax expense	**13,138,904**	7,518,993	**32,993,155**	23,515,815
Tax at statutory income tax rate of 20%	**2,627,781**	1,503,799	**6,598,631**	4,703,163
Accrual of provision for impairment of funds held by "Eksimbank" JSC	**391,269**	–	**391,269**	–
Adjustments to current income tax of the previous year	**18,394**	(13,788)	**18,392**	(13,788)
Accrual of provision for non-residents	**21,158**	(97,253)	**8,633**	(1,078)
Reversal / accrual under IFRS 9	**(95,850)**	–	**(26,571)**	–
Revenues from amortization of discount on other financial assets	**(51,337)**	–	**(58,879)**	–
Revenues from changes in fair value of securities	**(96,521)**	–	**(100,878)**	–
Expenses related to electricity transmission for green energy producers	**–**	74,223	**–**	126,722
Interest capitalized in the cost of property, plant and equipment	**–**	110,326	**–**	275,717
Accrual of provision on funds placed with Delta Bank JSC and Kazinvestbank JSC	**–**	253,093	**–**	386,868
Other (non-taxable income) / non-deductible expenses	**(31,403)**	(14,525)	**(9,342)**	62,182
Income tax expense reported in the profit or loss	**2,783,491**	1,815,875	**6,821,255**	5,539,786

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 June 2018 and 31 December 2017 is provided below:

	Interim consolidated statement of financial position				Interim consolidated statement of comprehensive income For the six months ended	
In thousands of tenge	**30 June 2018**	31 December 2017	30 June 2017	31 December 2016	**30 June 2018**	30 June 2017
Allowance for accounts receivable	**129,254**	98,112	13,679	91,758	**31,142**	(78,079)
Accrued liabilities	**377,586**	638,843	254,928	980,032	**(261,257)**	(725,104)
Property, plant and equipment	**(66,789,317)**	(67,401,276)	(67,194,589)	(67,878,611)	**611,959**	684,022
Deferred tax expense	**–**	–	–	–	**381,844**	(119,161)
Net deferred tax liabilities	**(66,282,477)**	(66,664,321)	(66,925,982)	(66,806,821)	**–**	–

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

In thousands of tenge	**30 June 2018**	31 December 2017
Deferred tax assets	**851**	2,252
Deferred tax liabilities	**(66,283,328)**	(66,666,573)
Net deferred tax liabilities	**(66,282,477)**	(66,664,321)

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.

27. TRANSACTIONS WITH RELATED PARTIES

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

The following table provides the balances of transactions from related parties as at 30 June 2018 and 31 December 2017:

In thousands of tenge		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna	**30 June 2018**	**3,297,891**	**2,689,328**
	31 December 2017	2,783,369	1,264,918
Associates of Samruk-Kazyna	**30 June 2018**	**767,704**	**588,103**
	31 December 2017	395,840	537,332
Entities under joint control of Samruk-Kazyna	**30 June 2018**	**228,799**	**51,829**
	31 December 2017	199,497	6,967
Associates of the Group	**30 June 2018**	**22,474**	**–**
	31 December 2017	29,140	17,194

The Group had the following transactions with related parties for the six months period ended 30 June 2018 and 2017:

In thousands of tenge		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	**2018**	**19,778,988**	**11,358,369**
	2017	18,261,936	10,717,407
Associated entities of Samruk-Kazyna	**2018**	**4,048,154**	**629,078**
	2017	3,985,898	898,404
Entities under joint control of Samruk-Kazyna	**2018**	**2,663,195**	**19,445**
	2017	2,340,636	1,627,340
Associates of the Group	**2018**	**217,030**	**3,973**
	2017	203,472	47,562

The Group’s sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services. The Group’s purchases from related parties mainly represent communication services, energy services and purchase of electricity.

As at 30 June 2018 the Group’s borrowings of KZT 53,707,901 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2017: KZT 56,657,386 thousand).

In 2007-2009 the Group acquired bonds of an associate, Batys Transit JSC, an entity listed on the Kazakhstan Stock Exchange. The bonds are classified as available for sale investments. Fair value is the price to sell an asset or transfer a liability and approximates their carrying value. As of 30 June 2018 the carrying value of Batys Transit bonds comprised KZT 927,941 thousand (31 December 2017: KZT 868,269 thousand).

As of 30 June 2018 the Group had outstanding accounts receivable from Balkhash TES JSC for the sale of property, plant and equipment in the amount of KZT 210,291 thousand (31 December 2017: KZT 201,284 thousand) presented within long-term receivables from related parties. In accordance with sales agreement Balkhash TES JSC will repay the outstanding balance in December 2018. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue impairment allowance for the receivable of 100%.

27. TRANSACTIONS WITH RELATED PARTIES (continued)

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Astana city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As of 30 June 2018 the discount on accounts receivable from Kazpost JSC comprised KZT 721,597 thousand. As of 30 June 2018 the receivable net of discount comprised KZT 1,150,314 thousand, of which KZT 969,942 thousand was accounted for within long-term receivables from related parties. For the six months ended 30 June 2018 the Group recognized income from amortization of discount on long-term receivables from Kazpost JSC in the amount of KZT 58,459 thousand (for the six months ended 30 June 2018: 62,121 thousand tenge).

In 2017, the Group entered into a long-term contract with the related company Samruk-Kazyna Business Contract LLP for granting the rights to use the software for rent. Since the rights to use the software will be transferred to the Group at the end of the contract period, the Group has recognized the finance lease liability. As of 30 June 2018, the debt was KZT 219,375 thousand.

Total compensation to key management personnel included in personnel costs in the interim consolidated statement of comprehensive income was KZT 310,540 thousand for the six months ended 30 June 2018 (for the six months ended 30 June 2017: KZT 473,511 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, issued bonds, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term and long-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

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

Interest rate risk

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

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates with all other variables held constant.

In thousands of tenge	Increase/ (decrease) in basis points*	Effect on profit before tax
For the six months ended 30 June 2018		
LIBOR	**70/(8)**	**(372,413)/42,562**
EURIBOR	**25/(1)**	**(42,834)/1,713**
For the six months ended 30 June 2017		
LIBOR	60/(8)	(352,490)/46,999
EURIBOR	12/(8)	(54,250)/36,167

* *1 basis point = 0.01%.*

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s financing activities. Also, the Group’s exposure to the risk of changes in foreign exchange rates relates to the Group’s operating activities (when revenue or expense is denominated in a different currency from the Group’s functional currency).The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and euro exchange rate, with all other variables held constant. The Group’s exposure to foreign currency changes for all other currencies is not material.

In thousands of tenge	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
At 30 June 2018		
US dollar	**10%/(10%)**	**(3,081,994)/3,081,994**
Euro	**13.5%/(9.5%)**	**(2,337,757)/1,645,088**
At 31 December 2017		
US dollar	10%/(10%)	(3,244,534)/3,244,534
Euro	13.5%/(9.5%)	(2,343,820)/1,649,355

* *In absolute terms, the increase/decrease in the exchange rate of KZT against the US dollar is 34.11/(34.11) KZT;*

** *In absolute terms, the increase/decrease in KZT exchange rate against the euro of 53.63/(37.74) KZT.*

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 9)* and from its financing activities, including deposits with banks *(Notes 11, 12* and *13)*. The Group’s exposure and the creditworthiness of its counterparties are controlled constantly. It is the Group’s policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset *(Notes 9, 11, 12* and *13).*

Book value of financial assets recognized in the consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group’s credit risk.

An impairment analysis is performed by Group management at each reporting date on an individual basis for all customers based on number of days the receivables are overdue. The calculation is based on actual incurred historical data. The maximum exposure to the credit risk is represented by the carrying value of each class of financial assets disclosed in *Note 9*. The Group does not hold collateral as security.

During 2016-2018, due to the deterioration in the quality of the loan portfolio, a number of banks in the Republic of Kazakhstan experienced financial difficulties. These banks sought help from the National Bank. Some banks were deprived of a license to conduct banking and other operations by the National Bank *(Note 11).*

The Group is exposed to credit risk from its operating activities and investing activities. With regard to investing activities, the Group mainly places deposits with Kazakhstan banks.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

In thousands of tenge	Location	Rating 2018	Rating 2017	30 June 2018	31 December 2017
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB/Stable**	BB/Negative	**16,827,684**	15,455,437
ATF Bank JSC	Kazakhstan	**B/Negative**	B3/Positive	**14,287,660**	12,748,136
BankCenterCredit JSC	Kazakhstan	**B/Stable**	B/Stable	**11,935,201**	13,354,885
ForteBank JSC	Kazakhstan	**B/Positive**	B3/Positive	**4,556,581**	19,605,491
Kazkommerts Bank JSC	Kazakhstan	**BB/Stable**	B+/Negative	**2,563,282**	2,409,507
Tsesna Bank JSC	Kazakhstan	**B+/Negative**	B+/Negative	**1,637,717**	8,361,222
Nur Bank JSC	Kazakhstan	**B-/Negative**	B-/Negative	**960,762**	968,004
EximBank Kazakhstan JSC	Kazakhstan	**Not applicable**	CCC	**765,618**	2,570,204
Kassa Nova Bank JSC	Kazakhstan	**B/Negative**	B/Negative	**301,679**	302,842
Treasury Committee of the Ministry of Finance	Kazakhstan	**Not applicable**	Not applicable	**80,383**	80,383
Eurasian Bank JSC	Kazakhstan	**B/Negative**	B/Negative	**–**	133,424
Delta Bank JSC	Kazakhstan	**Not applicable**	D	**–**	67,742
				53,916,567	76,057,277

Liquidity risk

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

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

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

In thousands of tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
At 30 June 2018						
Borrowings	**–**	**1,565,777**	**9,835,988**	**42,796,992**	**28,392,959**	**82,591,716**
Bonds payable	**–**	**–**	**3,928,122**	**–**	**83,654,641**	**87,582,763**
Trade and other accounts payable	**–**	**17,715,178**	**–**	**–**	**–**	**17,715,178**
	–	**19,280,955**	**13,764,110**	**42,796,992**	**112,047,600**	**187,889,657**
At 31 December 2017						
Borrowings	–	1,454,277	9,322,742	42,087,100	31,588,145	84,452,264
Bonds payable	–	–	4,407,719	–	83,649,023	88,056,742
Trade and other accounts payable	–	18,763,337	–	298,327	–	19,061,664
	–	20,217,614	13,730,461	42,385,427	115,237,168	191,570,670

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds issued. Capital is considered to be equal to the total liabilities and entire equity.

	30 June 2018	31 December 2017
Debt/capital	**0.25**	0.26
Long-term borrowings and long-term bonds payable	**144,456,245**	147,878,205
Short-term borrowings and short-term bonds payable	**13,873,492**	13,910,614
Debt	**158,329,737**	161,788,819
Total liabilities	**251,321,026**	254,780,140
Equity	**389,082,448**	374,167,560
Total equity and liabilities	**640,403,474**	628,947,700

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

Fair value hierarchy

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

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

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

Assets measured at fair value

In thousands of tenge	**30 June 2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Available-for-sale financial assets *(Note 11)*	**240,597**	–	**240,597**	–
Non-financial assets				
NES assets *(Note 6)*	**412,706,118**	–	–	**412,706,118**

In thousands of tenge	31 December 2017	Level 1	Level 2	Level 3
Non-financial assets				
NES assets *(Note 6)*	422,319,945	–	–	422,319,945

Liabilities for which fair values are disclosed

In thousands of tenge	**30 June 2018**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable *(Note 16)*	**87,582,763**	**87,582,763**	–	–
Borrowings *(Note 15)*	**70,746,974**	–	**70,746,974**	–
Obligations under finance leases	**219,375**	–	**219,375**	–

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed (continued)

In thousands of tenge	31 December 2017	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable *(Note 16)*	88,056,742	88,056,742	–	–
Borrowings *(Note 15)*	73,732,077	–	73,732,077	–
Obligations under finance leases	12,957	–	12,957	–

Fair values of financial instruments

As of 30 June 2018 and 31 December 2017 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and issued bonds by the Group are stated at amortized costs which approximate their fair values.

Changes in liabilities arising from financing activities

In thousand of tenge	**1 January 2018**	**Cash flows**	**Foreign exchange movement**	**New leases**	**Other**	**30 June 2018**
Borrowings	**73,732,077**	**(5,279,435)**	**1,252,853**	**–**	**1,041,479**	**70,746,974**
Bonds payable	**88,056,742**	**(5,235,133)**	**–**	**–**	**4,761,154**	**87,582,763**
Finance leases obligations	**12,957**	**(19,774)**	**–**	**209,504**	**16,688**	**219,375**
Total liabilities from financing activities	**161,801,776**	**(10,534,342)**	**1,252,853**	**209,504**	**5,819,321**	**158,549,112**

In thousand of tenge	1 January 2017	Cash flows	Foreign exchange movement	New leases	Other	30 June 2017
Borrowings	122,478,939	(19,082,921)	401,844	–	720,588	104,518,450
Bonds payable	52,620,021	(8,835,000)	–	–	4,063,176	47,848,197
Total liabilities from financing activities	175,098,960	(27,917,921)	401,844	–	4,783,764	152,366,647

29. COMMITMENTS AND CONTINGENCIES

Operating environment

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

The Kazakhstan economy has been negatively impacted by a drop in oil prices. 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 Company’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.

29. COMMITMENTS AND CONTINGENCIES (continued)

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. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes, Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2018.

Compliance with loan covenants

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") of which are effective for the amounts of 506 million US dollars and 228 million Euro *(Note 15)*. According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to 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;
- Self-financing ratio of not less than 20%;
- Debt service ratio of not less than 1.2.

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 30 June 2018 and 31 December 2017. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that foreign exchange gains and loss meet definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 30 June 2018 the Group excluded from EBITDA the foreign exchange loss of KZT 590,123 thousand incurred during the six months ended 30 June 2017.

Insurance

As at 30 June 2018, the Group insured property and equipment with the recoverable value of KZT 182,929,714 thousand. The insurance payment is limited to the carrying value of property and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or occurrence of any liabilities, no provision has been made in these interim consolidated financial statements for unexpected expenses associated with damage or loss of these assets.

Capital commitments

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 30 June 2018, the Group's outstanding contractual commitments within the frameworks of this plan amount to KZT 21,231,030 thousand (31 December 2017: KZT 21,463,464 thousand including co-financing commitments).

Due to the fact that a significant part of the plan on capital investments and, open contracts in particular, consist of equipment and spare parts purchased outside of the Republic of Kazakhstan, there is a likelihood of fluctuations in the value of contractual obligations. The main cause of these variations is the effect of changes in exchange rates caused by the transition to the regime of free-floating exchange rate in the framework of the implementation of target-based inflation.

29. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

Tariff for electricity transmission and technical dispatch services supply to the grid and electricity consumption

Following the results of 2016-2017, a report on the execution of the tariff estimate was sent to the Committee, as a result of consideration, the Committee approved temporary compensating tariffs for the regulated services of the Group:

1) With the entry into force from1 January 2018 to 30 June 2018 by:
   - transmission of electric energy in the amount of KZT 2.4957 per kWh;
   - technical dispatching of leave to the grid and consumption of electric energy in the amount of KZT 0.2489 per kWh.
2) With the entry into force from 1 July 2018 to 31 December 2017 by:
   - transmission of electric energy in the amount of KZT 2.4928 per kWh;
   - technical dispatching of supply to the grid and consumption of electric energy in the amount of KZT 0.2482 per kWh

Tariff on sale of electricity from renewable energy sources

In accordance with subparagraph 2) of paragraph 1 of Article 124-5 of the Entrepreneurship Code of the Republic of Kazakhstan from January 1, 2017, centralized purchase and sale of electric energy produced by objects for the use of renewable energy sources is attributed to socially significant markets. In this regard, the pricing procedure in calculating the tariff for the support of RES is determined by the Rules for Pricing in Publicly Significant Markets, approved by Order No. 36 of the Minister of National Economy of the Republic of Kazakhstan of February 1, 2017, and the Rules for determining the tariff for the support of renewable energy sources approved by the order of the Minister of Energy of the Republic of Kazakhstan No. 118 dated of February 20, 2015.

The tariff for electricity sales includes the cost of purchase of electricity, operating costs, cost of balancing of electricity production and consumption and income, and is calculated by the Company on a regular basis.

Management believes that in 2017 the calculation and application of tariffs for the sale and purchase of electricity from renewable energy sources is carried out properly and in accordance with the applicable rules and legislation.

30. SUBSEQUENT EVENTS

Repayment of borrowings

In July 2017 the Company made half-year repayment of the loan IBRD on the project “Construction of the Alma 500 kW substation with connection of 500,220 kW electric lines to Kazakhstan National Electricity Transmission”. There was also repayment of principal in amount of USD 1,784 thousand (equivalent to KZT 612,327 thousand) and interest in amount of USD 951 thousand (equivalent to KZT 326,490 thousand).

Repayment of other financial assets

In July 2018 LLP “Special Financial Company DSFK” made a partial repayment of the principal debt on bonds in the amount of KZT 4,473 thousand.

Capital commitments

According to the letter No. 35-17-20/8014, the Committee for the Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan, on 18 August 2018, agreed the decision of the Group to reduce, from 1 August 2018 and until the end of this year, services for the technical dispatching of leave to the network from 0.2482 to 0.237 KZT/kWh, and on organizing the balancing of production-consumption of electric energy from 0.091 to 0.088 KZT/ kWh.

This decision to reduce the maximum tariff levels of the Group was adopted within the framework of the current legislation, in order to achieve a balance of interests between consumers and the natural monopoly entity, taking into account the actual growth in the volume of services for the technical dispatching of supply to the grid and for balancing the production and consumption of electricity for the period 2018 of the year.