

**QAZAQ AIR JSC**

Financial Statements  
for the year ended 31 December 2020

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## **Independent Auditors' Report**

To the Board of Directors and Management of QAZAQ AIR JSC

### ***Opinion***

We have audited the financial statements of QAZAQ AIR JSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

«КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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





The engagement partner on the audit resulting in this independent auditors' report is:


Mukhit Kossayev  
Certified Auditor of the Republic of  
Kazakhstan Auditor's Qualification Certificate  
No. 558 of 24 December 2003

**KPMG Audit LLC**

*State Licence to conduct audit #0000021 dated 6 December 2006 issued by the Ministry  
of Finance of the Republic of Kazakhstan 6 December 2006*

Sergey Dementyev  
General Director of KPMG Audit LLC  
acting on the basis of the Charter

23 April 2021

**QAZAQ AIR JSC**  
Statement of Financial Position as at 31 December 2020

<b>KZT'000</b>	<b>Note</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Property, plant and equipment	9	25,301,495	34,699,417
Intangible assets		24,126	24,661
Prepayments and deferred expenses	10	139,163	231,596
<b>Non-current assets</b>		<b>25,464,784</b>	<b>34,955,674</b>
<b>Inventories</b>	11	924,754	535,508
<b>Trade and other receivables</b>	12	193,806	297,614
Prepayments and deferrals	10	527,269	639,851
Cash and cash equivalents	13	1,674,646	1,402,412
<b>Current assets</b>		<b>3,320,475</b>	<b>2,875,385</b>
<b>Total assets</b>		<b>28,785,259</b>	<b>37,831,059</b>
<b>Equity</b>			
Charter capital	14	120,000	120,000
Asset revaluation reserve		-	929,803
Retained earnings		(9,892,478)	1,187,883
<b>Total equity</b>		<b>(9,772,478)</b>	<b>2,237,686</b>
<b>Liabilities</b>			
Loan from the Parent Company	15	36,801,576	31,380,594
Lease liabilities		6,087	7,493
Deferred tax liabilities	8	-	2,548,318
<b>Non-current liabilities</b>		<b>36,807,663</b>	<b>33,936,405</b>
Lease liabilities		-	14,882
Trade and other payables	16	872,601	979,194
Other taxes payable	17	65,873	137,189
Deferred income		577,407	330,684
<b>Advances received</b>		234,193	195,019
<b>Current liabilities</b>		<b>1,750,074</b>	<b>1,656,968</b>
<b>Total liabilities</b>		<b>38,557,737</b>	<b>35,593,373</b>
<b>Total equity and liabilities</b>		<b>28,785,259</b>	<b>37,831,059</b>

**QAZAQ AIR JSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

KZT'000	Note	2020	2019
<b>Revenue and other income</b>			
Revenue from passenger transportation	5	7,614,544	8,009,289
Other income	5	37,463	14,028
<b>Total revenue and other income</b>		<b>7,652,007</b>	<b>8,023,317</b>
<b>Operating expenses</b>			
Employee costs	6(a)	(2,828,178)	(1,785,853)
Depreciation and amortisation		(2,438,813)	(3,831,328)
Fuel		(2,162,930)	(2,247,880)
Engineering and maintenance	6(b)	(1,329,256)	(1,914,240)
Handling, landing fees and route charges	6(c)	(1,105,012)	(958,731)
Passenger service	6(d)	(609,073)	(545,120)
Provided staff costs	6	(34,340)	(877,142)
Insurance		(345,693)	(267,376)
Information technology		(288,962)	(230,176)
Transport, accommodation and subsistence costs		(263,657)	(254,600)
Training costs		(199,671)	(199,001)
Property lease cost		(139,570)	(156,596)
Consultancy, legal and professional fees		(36,275)	(174,577)
Selling costs		(29,127)	(81,967)
Aircraft licenses		(70,906)	(47,474)
Other		(145,490)	(194,448)
<b>Total operating expenses</b>		<b>(12,026,953)</b>	<b>(13,766,509)</b>
<b>Operating loss before impairment loss</b>		<b>(4,374,946)</b>	<b>(5,743,192)</b>
Impairment loss on property, plant and equipment	9	(5,813,581)	-
<b>Operating loss</b>		<b>(10,188,527)</b>	<b>(5,743,192)</b>
Finance income	7	60,103	255,311
Finance costs	7	(5,024,582)	(2,630,328)
Other income and expense		(11,181)	15,061
Net foreign exchange (loss)/gain		(68,137)	17,294
<b>Loss before income tax</b>		<b>(15,232,324)</b>	<b>(8,085,854)</b>
Income tax benefit	8	2,675,985	875,348
<b>Loss for the period</b>		<b>(12,556,339)</b>	<b>(7,210,506)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
(Loss)/income from revaluation of property, plant and equipment		(1,162,254)	1,162,254
Income tax benefit/(expense)		232,451	(232,451)
<b>Other comprehensive income for the year, net of income tax</b>		<b>(929,803)</b>	<b>929,803</b>
<b>Total comprehensive income for the year</b>		<b>(13,486,142)</b>	<b>(6,280,703)</b>

These financial statements were approved by management on 23 April 2021 and were signed on its behalf by:

Plamen Atanasov Tzvetkov  
Chairman of the Management Board



Sholpan Yesbayeva  
Acting Chief Accountant

**QAZAQ AIR JSC**  
Statement of Changes in Equity for the year ended 31 December 2020

<b>KZT'000</b>	<b>Share capital</b>	<b>Asset revaluation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2019</b>	<b>120,000</b>	-	<b>(4,376,021)</b>	<b>(4,256,021)</b>
<b>Total comprehensive loss</b>				
Loss for the year	-	-	(7,210,506)	(7,210,506)
<b>Other comprehensive income</b>				
Gain from revaluation of property, plant and equipment, net of income tax	-	929,803	-	929,803
<b>Total comprehensive income for the year</b>	-	<b>929,803</b>	<b>(7,210,506)</b>	<b>(6,280,703)</b>
Recognition of discount on the loan provided by the Parent Company, net of tax (Note 15)	-	-	12,774,410	12,774,410
<b>Total transactions with owners of the Company</b>	-	-	<b>12,774,410</b>	<b>12,774,410</b>
<b>Balance at 31 December 2019</b>	<b>120,000</b>	<b>929,803</b>	<b>1,187,883</b>	<b>2,237,686</b>
<b>At 1 January 2020</b>	<b>120,000</b>	<b>929,803</b>	<b>1,187,883</b>	<b>2,237,686</b>
<b>Total comprehensive income</b>				
Loss for the year	-	-	(12,556,339)	(12,556,339)
<b>Other comprehensive income</b>				
(Loss)/from revaluation of property, plant and equipment	-	(929,803)	-	(929,803)
<b>Total comprehensive income for the year</b>	-	<b>(929,803)</b>	<b>(12,556,339)</b>	<b>(13,486,142)</b>
<b>Transactions with owners of the Company</b>				
Recognition of discount on the loan provided by the Parent Company, net of tax (Note 15)	-	-	1,475,978	1,475,978
<b>Total transactions with owners of the Company</b>	-	-	<b>1,475,978</b>	<b>1,475,978</b>
<b>Balance at 31 December 2020</b>	<b>120,000</b>	-	<b>(9,892,478)</b>	<b>(9,772,478)</b>

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 34.



**QAZAQ AIR JSC**  
Statement of Cash Flows for the year ended 31 December 2020

<b>KZT'000</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	8,595,085	9,045,391
Cash paid to suppliers	(7,644,870)	(9,060,442)
Cash paid to employees	(2,494,881)	(1,490,391)
Cash paid for other taxes	(409,797)	(1,019,052)
Other receipts	-	11,480
<b>Cash flows used in operations before interest and income tax paid</b>	<b>(1,954,463)</b>	<b>(2,513,014)</b>
Interest received, net of tax	50,305	37,718
<b>Net cash flows used in operating activities</b>	<b>(1,904,158)</b>	<b>(2,475,296)</b>
 <b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(12,856)	(12,516,635)
Acquisition of intangible assets	(5,480)	(5,030)
<b>Net cash flow used in investing activities</b>	<b>(18,336)</b>	<b>(12,521,665)</b>
 <b>Cash flows from financing activities</b>		
Proceeds from loan from the Parent Company	2,242,644	40,618,755
Payments on loan from the Parent Company	-	(3,282,389)
Lease payments, including interest paid	-	(22,222,805)
<b>Net cash flows from financing activities</b>	<b>2,242,644</b>	<b>15,113,561</b>
 <b>Net increase in cash and cash equivalents</b>	<b>320,150</b>	<b>116,600</b>
Cash and cash equivalents at 1 January	1,402,412	1,197,967
Effect of foreign exchange differences	(47,916)	87,845
<b>Cash and cash equivalents at 31 December (Note 13)</b>	<b>1,674,646</b>	<b>1,402,412</b>

## 1. Reporting entity

### (a) Organisation and operations

QAZAQ AIR JSC (the “Company”) is a joint stock company as defined in the Civil Code of the Republic of Kazakhstan. The Company was established as a joint stock company on 1 April 2015 by Board of the Directors Resolution of Samruk-Kazyna National Welfare Fund JSC #117 dated 30 January 2015.

The sole shareholder of the Company is Samruk-Kazyna National Welfare Fund JSC (“the Parent Company”) which is owned by the Government of the Republic of Kazakhstan. The Company’s principal activity is the provision of scheduled domestic air services.

The Company operated its first flight on 27 August 2015, a Bombardier Q-400 NextGen service from Almaty to Nur-Sultan. As at 31 December 2020 the Company operated five De Havilland Dash 8 Q400 NextGen turboprop aircraft purchased during 2019. Two of the five aircraft were purchased directly from aircraft manufacturer, while the other three aircraft were purchased as a result of modification of operating lease agreements. The modification represents transaction of termination of operating lease agreements with the lessor and simultaneous purchase of aircraft from the owner of an aircraft.

The Company’s registered office is: 119 Kabanbai Batyr Avenue, Yessil district, Nur-Sultan, Kazakhstan.

### (b) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstan Tenge. These developments are further increasing the level of uncertainty in the Kazakhstan business environment.

The financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The actual future business environment may differ from management’s assessment.

## 2. Basis of accounting

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### (b) Going concern

The accompanying financial statements of the Company have been prepared on a going concern basis, which assumes that the Company will be able to realise assets and meet its obligations in the normal course of business. The Company was established in 2015 and is currently in a development phase being dependent upon continuous financial support from the Parent Company.

For the year ended 31 December 2020, the Company incurred a net loss of KZT 12,556,339 thousand (2019: KZT 7,210,506 thousand).

The continued development of the Company’s operations would require additional capital or loan contributions from the Parent Company, since per management’s assessment of the development plan, which was approved by the Board of Directors, the Company will not generate positive results from its operations in nearest three years. The Parent Company has committed to provide the Company with such financial and other support as is necessary to permit the Company to continue in operational existence in the foreseeable future. As a result, management has concluded that no material uncertainty exists in relation to the Company’s ability to continue as going concern.

As a result of the coronavirus global outbreak and introduction of the state of emergency in Kazakhstan, the Company had to cease its regular flights for the period from 22 March 2020 till the May 1, 2020, followed by a phased restoration. During 2020 no additional cash was injected to the Company, except for scheduled loans from the Parent Company to cover losses incurred during the downtime; it was provided at the expense of timely cost optimisations and quick recovery after renewal of the operating activity. Based on the second half results of 2020, the Company carried 36% more passengers compared to the second half of 2019.

In addition, the significant devaluation of the national currency exchange rate in 2020 had a minor impact on the Company due to the earlier measures taken to restructure the lease and maintenance agreements and terminate the flight crew outsourcing agreements. The Parent company has approved the payment of compensation for financial losses resulting from the COVID-19 coronavirus pandemic, which is provided in the first quarter of 2021. Based on these events the Management of the Company concluded that as at the date of approval of these financial statements the application of going concern assumption remained unchanged.

### 3. Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Tenge (“KZT”), which is the Company’s functional currency and the currency in which these financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.

### 4. Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, except for calculation of provision for maintenance mentioned, is included in Note 8 – recognition of deferred tax assets and liabilities.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 2(b).

#### *Measurement of fair value*

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### **Revaluation of property, plant and equipment**

Starting from 1 January 2019, property, plant and equipment of the Company falling to the “Aircraft” group are presented in the financial statements at revalued cost, which represents fair value of the item at the date of revaluation, net of subsequently accumulated depreciation and impairment losses.

Increase in fair value of aircraft is recognised in other comprehensive income and accumulated in equity in the property, plant and equipment revaluation reserve. Decrease in carrying amount of aircrafts as a result of revaluation is charged to expenses of the period. Decrease recognised in other comprehensive income reduces the amount of positive revaluation previously accumulated in equity.

In 2019 the Company acquired the ownership of three aircraft previously held by the Company on lease terms. In the Company's accounts, the value of purchased aircraft was recognised at the cost of the right-of-use assets under a lease agreement in accordance with IFRS 16. As the carrying amount of these aircrafts at 31 December 2019 was lower than their fair value of acquisition, the Company recognised a positive revaluation of the aircraft less income tax in the amount of KZT 929,803 thousand.

Revalued aircraft represent one class of assets under IFRS 13 on the basis of the nature, characteristics and risks inherent in the asset. The inputs for determining the fair values of aircraft are classified as Level 3 in the fair value hierarchy (unobservable inputs).

In 2020, in accordance with the report of the independent valuation of the market value of aircraft based on the global benchmarks of the analytical agencies IBE and Ascend, which presented a significant decrease in value of aircraft due to the effect of COVID-19, the Company recognised decrease in fair value of aircraft in the amount of KZT 6,975,835 thousand as at 31 December 2020. As a result, the impairment expenses of KZT 5,813,585 thousand were recognised in the statement of profit or loss, less previously recognised positive revaluation in equity of KZT 929,803 thousand (Note 9).

## **5. Revenue and other income**

<b>KZT'000</b>	<b>2020</b>	<b>2019</b>
<b>Passenger revenue</b>		
Scheduled passenger transport	7,525,015	7,936,127
<i>including:</i>		
- <i>fuel surcharge</i>	795,067	698,610
- <i>airport surcharge</i>	349,057	347,607
- <i>excess baggage</i>	86,240	41,323
Charter flights	89,529	73,162
<b>Total revenue from contracts with customers</b>	<b>7,614,544</b>	<b>8,009,289</b>
<b>Other income</b>		
Other income	37,463	14,028
	<b>37,463</b>	<b>14,028</b>
	<b>7,652,007</b>	<b>8,023,317</b>

For the year ended 31 December 2020, passenger revenue from domestic flights comprised more than 99% (31 December 2019: 99%) of the total passenger revenue.

During the year ended 31 December 2020 there was no revenue from transactions with a single customer that accounts for 10% and more of the total revenue (2019: none).

The Company deals with the large ticket sales agencies. Tickets are usually sold on a prepayment basis every month. Due to the short-term nature of the Company's performance obligations, the opening balance of deferred income of KZT 330,684 thousand was fully recognised as revenue during 2020.

## 6. Operating expenses

### (a) Employee costs

'000 KZT	2020	2019
Wages and salaries of operational personnel	2,137,911	1,062,821
Wages and salaries of administrative personnel	472,920	424,121
Wages and salaries of sales personnel	76,516	81,891
Social tax and social contributions	140,831	217,020
	<b>2,828,178</b>	<b>1,785,853</b>

Maintenance expenses represent expenses incurred for services provided by the Contractor which comprise regular aircraft inspections and current repairs at the Company's location.

The number of employees as at 31 December 2020 was 279 employees (31 December 2019: 271 employees). In 2020, the airline company stopped outstaffing of flying personnel and transferred the external pilots to its own staff.

### (b) Engineering and maintenance

'000 KZT	2020	2019
Spare parts pool and maintenance	836,659	403,016
Line Maintenance	347,578	588,220
Technical maintenance – variable lease payments	-	481,345
C-check	-	216,452
Engines lease and overhaul costs	-	164,343
CAMO management	-	112,500
Technical maintenance – provision	-	(112,597)
Other	145,019	60,961
	<b>1,329,256</b>	<b>1,914,240</b>

### (c) Handling, landing fees and route charges

'000 KZT	2020	2019
Landing fees	362,574	344,089
Ground handling	306,920	217,819
Aero navigation	176,539	162,660
Security	153,211	159,114
De-icing liquids	105,768	75,049
	<b>1,105,012</b>	<b>958,731</b>

### (d) Passenger service

'000 KZT	2020	2019
Airport charges	442,855	404,803
Catering	125,826	101,763
Other	40,392	38,554
	<b>609,073</b>	<b>545,120</b>

### (e) Provided staff costs

'000 KZT	2020	2019
Provided staff costs	34,340	792,100
Withholding income tax on provided staff	-	85,042
	<b>34,340</b>	<b>877,142</b>

## 7. Finance income and costs

'000 KZT	2020	2019
<b>Finance income</b>		
Interest income on bank deposits	60,103	53,108
Reversal of an impairment loss and writing-off of discount on guarantee deposits for leased aircraft	-	188,631
Unwinding of discount on guarantee deposits	-	13,572
	<b>60,103</b>	<b>255,311</b>
<b>Finance costs</b>		
Unwinding of discount on loan from the Parent Company and interest expense accrued	5,023,311	2,169,648
Interest expense on lease liabilities	1,271	460,680
	<b>5,024,582</b>	<b>2,630,328</b>

## 8. Income tax benefit

The Company's applicable tax rate is the income tax rate of 20% for Kazakhstan companies.

'000 KZT	2020	2019
<b>Current tax expense</b>		
Current period	8,877	8,082
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(2,684,862)	(1,251,130)
Underprovided in prior years	-	367,700
	<b>(2,684,862)</b>	<b>(883,430)</b>
	<b>(2,675,985)</b>	<b>(875,348)</b>

### Deferred income tax related to items recognised in other comprehensive income during the year

Deferred tax on revaluation of assets	(232,451)	232,451
<b>Income tax expense recognised directly in other comprehensive income</b>	<b>(232,451)</b>	<b>232,451</b>

### Reconciliation of effective tax rate:

	2020		2019	
	'000 KZT	%	'000 KZT	%
<b>Loss before income tax</b>	<b>(15,232,324)</b>	<b>100</b>	<b>(8,085,854)</b>	<b>100</b>
Income tax using the Company's domestic tax rate	(3,046,465)	20.0	(1,617,171)	20.0
Tax effect of non-deductible expenses	210,189	(1.4)	105,126	(1.3)
Change in recognised deductible temporary differences due to write-down of deferred tax assets	-	-	260,915	(3.2)
Withholding tax on interest income	8,877	(0.1)	8,082	(0.1)
Underprovided in prior years	-	-	367,700	(4.5)
Unrecognised tax loss	151,414	(1.0)	-	-
	<b>(2,675,985)</b>	<b>17.5</b>	<b>(875,348)</b>	<b>10.9</b>

### Movement in temporary differences during the year:

'000 KZT	1 January 2020	Recognised in profit or loss	Recognised in equity	31 December 2020
Tax loss carry-forwards	5,988,950	1,417,915	-	7,406,865
Loan from the Parent Company	(6,784,818)	901,865	(368,995)	(6,251,948)
Trade and other payables	16,758	6,965	-	23,723
Other taxes payable	4,226	2,056	-	6,282
Intangible assets	1,560	184	-	1,744
Property, plant and equipment	(1,776,236)	357,019	232,451	(1,186,766)
Right-of-use assets	(3,233)	2,116	-	(1,117)
Lease liabilities	4,475	(3,258)	-	1,217
	<b>(2,548,318)</b>	<b>2,684,862</b>	<b>(136,544)</b>	<b>-</b>

'000 KZT	1 January 2019	Recognised in profit or loss	Effect of the adoption of IFRS 16	Recognised in equity	31 December 2019
Tax loss carry-forwards	3,801,591	2,187,359	-	-	5,988,950
Loan from the Parent Company	(4,004,307)	413,092	-	(3,193,603)	(6,784,818)
Provisions	173,674	(173,674)	-	-	-
Trade and other payables	15,596	1,162	-	-	16,758
Other taxes payable	4,778	(552)	-	-	4,226
Intangible assets	1,318	242	-	-	1,560
Property, plant and equipment	(1,833)	(1,541,952)	-	(232,451)	(1,776,236)
Other accruals	2,070	(2,070)	-	-	-
Right-of-use assets	-	2,212,639	(2,215,872)	-	(3,233)
Lease liabilities	-	(2,212,816)	2,217,291	-	4,475
	<b>(7,113)</b>	<b>883,430</b>	<b>1,419</b>	<b>(3,426,054)</b>	<b>(2,548,318)</b>

Accumulated tax losses of KZT 37,034,325 thousand as at 31 December 2020 (31 December 2019: KZT 29,944,750 thousand) expire in ten years from the origination date. Accumulated tax losses of KZT 487,618 thousand expire in 2025. The Company has not recognised deferred tax asset on tax loss of KZT 757,070 thousand because it is not probable that future taxable profit will be available against which the Company can realise unutilised tax losses. During 2019 and 2020, the Company has fully recognised deferred tax assets due to origination of a deferred tax liability arising on the loan from Parent Company, which was recognised in equity. Deferred tax assets have not been recognised in respect of these items in prior years because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

## 9. Property, plant and equipment

'000 KZT	Vehicles	Machinery and equipment	Computers and office equipment	Right-of-use assets	Aircraft	Total
<i>Cost/Revalued amount</i>						
<b>Balance at 1 January 2019</b>	<b>31,869</b>	<b>15,812</b>	<b>99,998</b>	<b>11,132,197</b>	<b>-</b>	<b>11,279,876</b>
Additions and lease modification	-	1,840	10,960	11,024,543	15,445,658	26,483,001
Revaluation of variable lease payments that depend on an index or a rate (Note 20)	-	-	-	(282,114)	-	(282,114)
Internal transfers	-	-	-	(21,759,385)	21,759,385	-
Disposals	-	-	(294)	-	-	(294)
Revaluation	-	-	-	-	1,341,855	1,341,855
<b>Balance at 31 December 2019</b>	<b>31,869</b>	<b>17,652</b>	<b>110,664</b>	<b>115,241</b>	<b>38,546,898</b>	<b>38,822,324</b>
Balance at 1 January 2020	31,869	17,652	110,664	115,241	38,546,898	38,822,324
Additions and lease modification	-	-	12,856	-	-	12,856
Disposals	-	-	(5,624)	(104,655)	-	(110,279)
Revaluation	-	-	-	-	(1,341,855)	(1,341,855)
<b>Balance at 31 December 2020</b>	<b>31,869</b>	<b>17,652</b>	<b>117,896</b>	<b>10,586</b>	<b>37,205,043</b>	<b>37,383,046</b>
<i>Accumulated depreciation</i>						
<b>Balance at 1 January 2019</b>	<b>(16,361)</b>	<b>(5,391)</b>	<b>(44,583)</b>	<b>(52,839)</b>	<b>-</b>	<b>(119,174)</b>
Charged for the year	(4,780)	(1,726)	(21,050)	(2,937,112)	(859,717)	(3,824,385)
Internal transfers	-	-	-	2,890,876	(2,890,876)	-
Disposals	-	-	253	-	-	253
Revaluation	-	-	-	-	(179,601)	(179,601)
<b>Balance at 31 December 2019</b>	<b>(21,141)</b>	<b>(7,117)</b>	<b>(65,380)</b>	<b>(99,075)</b>	<b>(3,930,194)</b>	<b>(4,122,907)</b>
Balance at 1 January 2020	(21,141)	(7,117)	(65,380)	(99,075)	(3,930,194)	(4,122,907)
Charged for the year	(4,780)	(1,847)	(21,529)	(10,579)	(2,394,061)	(2,432,796)
Disposals	-	-	3,477	104,655	-	108,132
Impairment loss, including write-off against revaluation reserve in the amount of KZT 179,601 thousand	-	-	-	-	(5,633,980)	(5,633,980)
<b>Balance at 31 December 2020</b>	<b>(25,921)</b>	<b>(8,964)</b>	<b>(83,432)</b>	<b>(4,999)</b>	<b>(11,958,235)</b>	<b>(12,081,551)</b>
<i>Carrying amount</i>						
<b>Balance at 31 December 2019</b>	<b>10,728</b>	<b>10,535</b>	<b>45,284</b>	<b>16,166</b>	<b>34,616,704</b>	<b>34,699,417</b>
<b>At 31 December 2020</b>	<b>5,948</b>	<b>8,688</b>	<b>34,464</b>	<b>5,587</b>	<b>25,246,808</b>	<b>25,301,495</b>



Carrying amount of aircraft, if it were subsequently stated at cost, net of accumulated depreciation, is as follows:

<b>'000 KZT</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Cost	37,205,043	37,205,043
Accumulated depreciation	(6,144,654)	(3,750,593)
Impairment loss	(5,813,581)	-
<b>Residual value</b>	<b>25,246,808</b>	<b>33,454,450</b>

Property, plant and equipment, except for aircraft, are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any.

To prepare the financial statements for 2020 in compliance with the Company's accounting policy, the Company has measured the fair market value of its owned assets — five DHC-8 400 aircrafts. To measure the market value, the Company engaged an independent appraiser Russel Bedford, which holds a certificate of membership in Chamber of Appraisers Self-Regulating Organisation "Association of Appraisers of Kazakhstan" No.00143. The fair market value was based on global indicatives of the analytical agencies IBE and Ascend, according to which decrease in value of the said aircraft by 20-25% was due to the effect of COVID-19 pandemic that made airlines suspend operation of up to 50% of the world aircraft fleet. According to the independent appraiser's report, the Company recognised decrease in fair value of aircrafts in the amount of KZT 6,975,835 thousand as at 31 December 2020. The Company wrote-off the revaluation of KZT 929,803 thousand recognised in 2019 in equity, net of income tax, and recognised impairment loss of KZT 5,813,585 thousand in the statement of profit or loss (Note 4).

During 2019 the Company purchased three aircraft that the Company previously held under lease agreement. In the Company's accounting records, the value of purchased aircraft was recognised according to value of right-of-use assets under lease agreement in compliance with IFRS 16. As carrying amount of the aircrafts as at 31 December 2019 was lower than their fair value of acquisition, the Company recognised positive revaluation of aircraft, net of income tax of KZT 929,803 thousand.

As at 31 December 2020, all aircrafts of the Company with carrying amount of KZT 25,246,808 thousand served as collateral for loans from the Parent Company for acquisition of aircrafts (2019: KZT 34,616,704 thousand).

## 10. Prepayments and deferred expenses

<b>'000 KZT</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><i>Non-current</i></b>		
Deferred expenses on employees training	139,163	231,596
	<b>139,163</b>	<b>231,596</b>
<b><i>Current</i></b>		
Deferred expenses	224,093	254,808
Prepayments for goods	221,353	243,556
Prepayments for services	64,081	123,745
Other taxes prepaid	17,742	17,742
	<b>527,269</b>	<b>639,851</b>

Deferred expenses comprise employees training costs incurred by the Company, which are reimbursable by employees under their individual employment contracts if an employee has not worked for the Company during a period of time after finishing the training course. The average period is 2-4 years. The Company amortises such costs over such employment period on a straight-line basis, that represents management's estimate of a minimum period over which the Company would get benefits from employees working for the Company.

## 11. Inventories

'000 KZT	31 December 2020	31 December 2019
Spare parts	578,916	120,118
Aviation fuel	332,256	329,557
Uniform	33,600	26,669
Other materials	39,651	59,164
	<b>984,423</b>	<b>535,508</b>
Provision for inventories write-off	(59,669)	-
	<b>924,754</b>	<b>535,508</b>

## 12. Trade and other receivables

'000 KZT	31 December 2020	31 December 2019
Value added tax receivable	149,656	288,796
Receivables from employees	36,506	5,476
Trade receivables	7,644	3,342
	<b>193,806</b>	<b>297,614</b>

The Company's exposure to credit and currency risks and risk of impairment related to financial assets are disclosed in Note 18.

## 13. Cash and cash equivalents

'000 KZT	31 December 2020	31 December 2019
Short-term deposits with local banks	1,101,832	1,072,112
Current accounts with local banks	572,304	329,392
Cash on hand	723	1,086
	<b>1,674,859</b>	<b>1,402,590</b>
Loss allowance	(213)	(178)
	<b>1,674,646</b>	<b>1,402,412</b>

The Company's exposure to credit and currency risks and risk of impairment losses related to financial assets are disclosed in Note 18.

## 14. Equity

### (a) Charter capital

'000 KZT	31 December 2020	%	31 December 2019	%
Samruk-Kazyna National Welfare Fund JSC	120,000	100	120,000	100

As at 31 December 2020 and 2019, the Company's share capital comprised 120,000 authorised, issued and fully paid ordinary shares with a par value of KZT 1,000 per share.

### (b) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. As at 31 December 2020 the Company had negative retained earnings of KZT 9,892,478 thousand (31 December 2019: retained earnings of KZT 1,187,883 thousand).

The Company has not declared dividends during the year ended 31 December 2020 (2019: the Company has not declared dividends).

**(c) Assets revaluation reserve**

During 2019, the Company purchased five aircraft. For two new aircraft no revaluation surplus was recorded as these aircraft were purchased directly from the aircraft manufacturing company. In 2019 the Company purchased three aircraft that the Company previously held under lease agreement. In the Company's accounting records, the value of purchased aircraft was recognised according to value of right-of-use assets under lease agreement in compliance with IFRS 16. As carrying amount of the aircraft as at 31 December 2019 was lower than their fair value of acquisition, the Company recognised positive revaluation of aircraft, net of income tax, of KZT 929,803 thousand.

In 2020, as a result of revaluation, value of aircraft was decreased by KZT 6,975,835 thousand (Notes 4, 9). The Company recognised decrease of KZT 1,162,254 thousand before income tax in other comprehensive income. The balance of loss on revaluation of assets of KZT 5,813,581 thousand was recognised in profit or loss.

**15. Loan from the Parent Company**

'000 KZT	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Non-current</i>		
Samruk-Kazyna National Welfare Fund JSC	36,287,584	31,269,681
Interest payable	<u>513,992</u>	<u>110,913</u>
	<b><u>36,801,576</u></b>	<b><u>31,380,594</u></b>

In 2015, the Company received an interest-free financial aid of KZT 4,728,637 thousand from its sole shareholder – Sovereign Wealth Fund “Samruk-Kazyna” JSC - for replenishment of working capital with maturity in June 2016. The financial aid was received by several tranches and was repayable by means of issue of 4,728,637 ordinary shares at par value of KZT 1,000 per share by the Company. The Company recognised the received financial aid as additional paid-in capital.

The contractual terms for repayment of the provided facility were modified in April 2016 in order to extend the term of repayment of the financial aid until 31 December 2016 and introduce an option for the Parent Company to demand the repayment of the financial aid by cash upon its maturity. As a result, the Company reclassified the financial aid of KZT 4,728,637 thousand from additional paid-in capital to liabilities. In accordance with the addendum signed the amount of the financial aid has also increased to KZT 13,303,706 thousand.

In March 2017, the Company signed a loan agreement with the Parent Company, which provided for converting the initial interest-free financial aid of KZT 13,303,706 thousand into a loan facility with maturity on 31 December 2017.

In March 2017, the Company also signed an additional loan agreement with the Parent Company of KZT 6,523,227 thousand with maturity on 31 December 2017. The purpose of the loan is financing Company's operating activities. The loan amount under the contract was increased to KZT 11,566,489 thousand in December 2017 and to KZT 15,084,419 thousand in December 2018. In accordance with the Addendum signed in November 2019, the loan amount was increased to KZT 18,927,888 thousand.

During 2020, as a part of this credit line, the Company received additional 11 tranches in the amount of KZT 2,242,644 thousand.

In December 2017, the maturity of the loan facilities was extended until 31 December 2018.

In December 2018, the maturity of the loan facilities was extended until 31 December 2030.

The contractual terms of loans for financing of operating activities of the Company includes the option of partial conversion to the equity based on Parent Company's decision.

On 6 December 2017, the Company signed with the Parent Company an interest-free financial aid agreement for KZT 2,987,209 thousand with a maturity of one year from the date of agreement for the purpose of financing advance payments for two new aircraft of Q400 model to Bombardier Inc. In December 2018, the repayment term of the financial aid was extended until 5 December 2019. In March 2019, the financial aid was repaid from the funds received under the loan agreement signed in February 2019.

In February 2019, the Company signed a loan agreement with the Parent Company for the amount of KZT 16,000,000 thousand with a maturity of 12 years. The intended purpose of loan received is purchasing two new aircraft of Q400 model of the company Bombardier Inc. Aircraft were purchased in April and June 2019, respectively. The loan received under the contract was secured by two purchased aircraft. This loan was initially recognised at fair value using a market interest rate.

In addition, in October 2019, the Company signed a loan agreement with the Parent Company for the amount of KZT 21,000,000 thousand with maturity of 15 years. The intended purpose of the loan received is purchasing three new aircraft of Q400 model, which were previously leased under operating lease contracts. The aircraft were acquired in October 2019. The loan received under the contract was secured by three purchased aircraft. The loan was initially recognised at fair value using a market interest rate.

The resulted discount of KZT 1,844,973 thousand on loans and tranches received in 2020 (2019: KZT 15,968,013 thousand) net of corresponding deferred tax of KZT 368,995 thousand (2019: KZT 3,193,603 thousand) was recognised directly in equity. Corresponding finance costs during the period ended 31 December 2020 amounted to KZT 5,023,311 thousand (2019: KZT 2,169,648 thousand).

At initial recognition all loans were recognised at fair value using a market interest rate.

### Reconciliation of movements of liabilities to cash flows arising from financing activities

<b>'000 KZT</b>	<b>Loan from the Parent Company</b>
<b>Balance at 1 January 2020</b>	<b>31,380,594</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	2,242,644
<b>Total changes from financing cash flows</b>	<b>2,242,644</b>
<b>Other changes</b>	
Interest expense	513,992
Unwinding of discount on loan from the Parent Company	4,509,319
Recognition of discount on loan from the Parent Company	(1,844,973)
<b>Total other changes</b>	<b>3,178,338</b>
<b>Balance at 31 December 2020</b>	<b>36,801,576</b>
<b>'000 KZT</b>	<b>Loan from the Parent Company</b>
<b>Balance at 1 January 2019</b>	<b>7,839,728</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	40,618,755
Repayment of borrowings	(3,282,389)
<b>Total changes from financing cash flows</b>	<b>37,336,366</b>
<b>Other changes</b>	
Interest expense	107,054
Unwinding of discount on loan from the Parent Company	2,065,459
Recognition of discount on loan from the Parent Company	(15,968,013)
<b>Total other changes</b>	<b>(13,795,500)</b>
<b>Balance at 31 December 2019</b>	<b>31,380,594</b>

## 16. Trade and other payables

<b>'000 KZT</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade payables	608,019	841,911
Wages and salaries payable to employees	238,160	131,743
Other	26,422	5,540
	<b>872,601</b>	<b>979,194</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 18.

## 17. Other taxes payable

'000 KZT	<u>31 December 2020</u>	<u>31 December 2019</u>
Personal income tax	24,763	21,591
Withholding income tax	14,308	36,242
Other taxes	26,802	79,356
	<u><b>65,873</b></u>	<u><b>137,189</b></u>

## 18. Fair values and risk management

### (a) Accounting classifications and fair values

Management believes that the fair value of the Company's financial assets and liabilities approximates their carrying amounts. The basis for determining fair values is disclosed below.

Management categorises the fair value of the Company's financial assets and liabilities into Level 2 of the fair value hierarchy.

### (b) Measurement of fair values

The estimated fair values of all financial assets and liabilities, which is determined for disclosure purposes, are calculated using discounted cash flow techniques based on estimated future cash flows and market rate of interest at the reporting date.

### (c) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

#### (i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

#### (ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, guarantee deposits and bank balances.

The carrying amount of financial assets represents the maximum credit risk exposure.

#### Exposure to credit risk

The maximum exposure to credit risk related to the Company's trade receivables, guarantee deposits, restricted cash, cash and cash equivalents with the banks at the reporting date was as follows:

'000 KZT	<u>Carrying amount</u>	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade receivables	7,644	3,342
Cash in banks	1,673,923	1,401,326
	<u><b>1,681,567</b></u>	<u><b>1,404,668</b></u>

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. 100% of the Company's trade receivables as at 31 December 2020 and 31 December 2019 is attributable to domestic customers. As at 31 December 2020 there was no significant concentration of credit risk in respect of trade receivables (Note 12) (31 December 2019: none).

A summary of the Company's exposure to credit risk for trade and other receivables is as follows:

'000 KZT	31 December 2020	31 December 2019
	Not credit-impaired	Not credit-impaired
Customers less than five years' trading history with the Company	7,644	3,342
<b>Total gross carrying amount</b>	<b>7,644</b>	<b>3,342</b>

#### **Expected credit loss assessment for corporate customers as at 1 January and 31 December 2020**

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about counterparties) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agency Standard & Poor's.

#### **Cash and cash equivalents**

As at 31 December 2020, the Company held cash and cash equivalents of KZT 1,673,923 thousand (2019: KZT 1,401,326 thousand). The cash and cash equivalents are held with banks and financial institutions, which are rated 'BB' to 'BB+' based on rating agency Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured based on expected credit losses over the contractual maturities and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

#### **(iii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### **Exposure to liquidity risk**

The following are the contractual maturities of financial liabilities of the Company at the reporting date. The amounts are gross and undiscounted, and exclude the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### **31 December 2020**

'000 KZT	Carrying amount	Contractual cash flows	Less than 2 months	Less than 12 months	Less than 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	608,019	608,019	608,019	-	-	-
Loan from the Parent Company	36,801,576	68,061,318	-	-	-	68,061,318
Lease liabilities	6,087	7,358	-	-	-	7,358
	<b>37,415,682</b>	<b>68,676,695</b>	<b>608,019</b>	<b>-</b>	<b>-</b>	<b>68,068,676</b>

#### **31 December 2019**

'000 KZT	Carrying amount	Contractual cash flows	Less than 2 months	Less than 12 months	Less than 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	841,911	841,911	841,911	-	-	-
Loan from the Parent Company	31,380,594	65,304,682	-	-	-	65,304,682
Lease liabilities	22,375	24,307	10,328	7,230	6,749	-
	<b>32,244,880</b>	<b>66,170,900</b>	<b>852,239</b>	<b>7,230</b>	<b>6,749</b>	<b>65,304,682</b>

**(iv) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company does not buy or sell derivatives in order to manage market risks. The Company does not apply hedge accounting in order to manage volatility in profit or loss.

**Currency risk**

The Company is exposed to currency risk on cash and cash equivalents, guarantee deposits and purchases that are denominated in a currency other than the functional currency of the Company, primarily the US dollar (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**Exposure to currency risk**

The Company's exposure to foreign currency risk was as follows:

	31 December 2020		31 December 2019	
	USD-denominated	GBP-denominated	USD-denominated	GBP-denominated
'000 KZT				
Cash and cash equivalents	556,860	-	302,069	12,526
Trade payables	(311,514)	-	(661,067)	(15,721)
<b>Net exposure</b>	<b>245,346</b>	<b>-</b>	<b>(358,998)</b>	<b>(3,195)</b>

The following exchange rates have been applied during the year:

in KZT	Average exchange rate	Reporting date spot rate	Average exchange rate	Reporting date spot rate
		31 December 2020		31 December 2019
	2020		2019	
USD 1	413.36	420.71	382.87	382.59
GBP 1	530.21	571.16	488.73	503.41

**Sensitivity analysis**

A reasonably possible strengthening/weakening of the USD, as indicated below, against all other currencies at 31 December 2020 and 31 December 2019 would have affected profit and loss net of taxes by the amounts shown below. Changes in foreign exchange rates would have no effect on equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 KZT	KZT strengthening		KZT weakening	
	USD	GBP	USD	GBP
<b>31 December 2020</b>	<b>14%</b>	<b>14%</b>	<b>11%</b>	<b>11%</b>
Profit/(loss)	(27,479)	-	21,590	-
<b>31 December 2019</b>	<b>12%</b>	<b>12%</b>	<b>9%</b>	<b>9%</b>
Profit/(loss)	34,464	307	(25,848)	(230)

**(v) Interest rate risk**

The Company was not exposed to interest rate risk at 31 December 2020 and 31 December 2019.

**(d) Master netting or similar agreements**

The Company may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amounts receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Company may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Kazakhstan civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand.

**(e) Capital management**

The Company does not operate formal capital management policies. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company is not subject to externally imposed capital requirements.

**19. Contingencies****(a) Insurance**

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company has a full coverage of a mandatory insurance as declared by the laws of the Republic of Kazakhstan. Currently, the Company is not exposed to the risk of loss of high value assets as the Company has concluded contracts of voluntary aircraft insurance. The Company holds policies of voluntary aircraft insurance against all risks of property damage of the aircraft and of the third party liability, as well as policies of voluntary aircraft insurance against risk of war and associated risks.

**(b) Taxation contingencies**

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**20. Related parties****(a) Parent and ultimate controlling party**

The Company's immediate parent company is Samruk-Kazyna National Welfare Fund JSC, which is owned by the Government of the Republic of Kazakhstan.

**(b) Transactions with key management personnel*****Key management remuneration***

Key management received the following remuneration during the year, which is included in personnel costs (Note 6):

<b>'000 KZT</b>	<b>2020</b>	<b>2019</b>
Salaries and bonuses	273,297	209,793
Contributions to the State Pension Fund	1,610	7,360
Social contributions	13,236	20,163
	<b>288,143</b>	<b>237,316</b>



(c) **Other related party transactions**

(i) **Expenses**

'000 KZT	<u>Transaction value</u> <b>2020</b>	<u>Outstanding balance</u> <b>2020</b>	<u>Transaction value</u> <b>2019</b>	<u>Outstanding balance</u> <b>2019</b>
<b>Purchase of goods and services:</b>				
Samruk-Kazyna National Welfare Fund				
JSC subsidiaries	116,032	1,035	399,134	319
State-owned companies	226,765	18,939	186,917	9,610
	<b>342,797</b>	<b>19,974</b>	<b>586,051</b>	<b>9,929</b>

(ii) **Loans**

'000 KZT	<u>Transaction value</u> <b>2020</b>	<u>Outstanding balance</u> <b>2020</b>	<u>Transaction value</u> <b>2019</b>	<u>Outstanding balance</u> <b>2019</b>
<b>Loans received, net of repayments during the year</b>				
Sovereign Wealth Fund "Samruk-Kazyna"				
JSC	2,242,644	36,287,584	37,336,366	31,269,681
Accrued interest	-	513,992	-	110,913
	<b>2,242,644</b>	<b>36,801,576</b>	<b>37,336,366</b>	<b>31,380,594</b>

Related parties comprise the shareholder of the Company and all other companies in which this shareholder has a controlling interest. These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not related.

**Transactions with government-related entities**

The Company transacts with a number of entities that are controlled by the Government of Kazakhstan. The Company applies the exemption in IAS 24 *Related Party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities.

The Company transacts with a number of entities that are related to the Government of Kazakhstan. These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not government-related.

## 21. Basis of measurement

The financial information is prepared on the historical cost basis, except for aircraft which are measured at fair value at each reporting date.

## 22. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) **Revenue**

**Passenger revenue**

The Company identifies two performance obligations – passenger transportation and charter flights. Ticket sales are reported as revenue at a point in time when performance obligation related to passenger transportation service has been satisfied. The cost of tickets sold and still valid but not used by the reporting date is recognised as deferred (unearned) passenger transportation revenue. This item is reduced either when the Company performs the transportation service or when the passenger requests a refund for the ticket. Certain portion of revenue from unused tickets is recognised at the actual flight date in the amount presuming that the probability that a customer will claim the Company to perform its obligations for the service is remote.

**(b) Finance income and finance costs**

Finance costs comprise interest income and foreign currency gains and losses. Interest income or expense is recognised using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

**(c) Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Company's entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss.

**(d) Employee benefits****(i) Defined contribution plans**

The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to employees. In accordance with the state pension and social security legislation, the Company withholds pension contributions from employees' salaries and pays it into pension funds. Once the pension contributions have been paid, the Company has no further pension obligations. Upon retirement of employees, all pension payments are administered by the pension fund directly.

**(ii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(e) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in-first-out principle except for fuel and de-icing fluids, which are based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(g) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment, excluding aircraft, are measured at cost less accumulated depreciation and impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Aircraft are measured at fair value less accumulated depreciation and impairment losses recognised after 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 increase on aircraft is recognised directly in 'revaluation surplus' caption in other comprehensive income.

However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on aircraft is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

**(ii) Subsequent expenditure**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of items of property, plant and equipment are as follows:

- Aircraft (excluding separate asset components) 25 years;
- Vehicles 5-10 years;
- Office equipment and furniture 4-7 years;
- Other 4-8 years.

A separate asset component of an aircraft is amortised over the average expected useful life between major overhauls which is based on flight hours or cycles.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(h) Intangible assets**

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(i) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

**(ii) Amortisation**

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of intangible assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of intangible assets for the current and comparative periods are as follows:

- Software 3-10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(i) Deferred expenses**

The training costs are classified by the Company as a prepayment of its expenses and are amortised on a straight-line basis over a period, during which the Company has a right to oblige these expenses become payable by the employees, should such employees terminate his/her employment.

**(j) Financial instruments**

**(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

**Financial assets**

A financial asset is classified as measured at amortised cost on initial recognition.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

#### **Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

#### **Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

#### Financial assets – Subsequent measurement and gains and losses

<b>Financial assets measured at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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#### (iii) *Modification of financial assets and financial liabilities*

##### **Financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- the change in the currency of a financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

##### **Financial liabilities**

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**(iv) Derecognition**

**Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(v) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(vi) Share capital***Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(k) Impairment****(i) Non-derivative financial assets***Financial instruments*

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for guarantee deposits, trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;



- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-offs*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(i) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

#### *As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 23. Subsequent events

On 18 January 2021, the Company signed Addendum No.5 to Loan Agreement No.656-и dated 29 March 2017 according to which the credit line was increased to KZT 23,122,136 thousand. In February 2021, the Company received KZT 1,244,241 thousand as part of this credit line.

Between January and April the Company received KZT 280,185 thousand under credit line No.1025 dated 24 October 2019.

During the period from 15 - 19 February 2021, Aviation Administration of Kazakhstan JSC made an inspection of the Company. As a result of the inspection, Aviation Administration of Kazakhstan JSC concluded that the Company can be allowed to perform seasonal/irregular domestic and commercial air transport operations in the Republic of Kazakhstan and to ensure that identified deficiencies are further eliminated. The Company has provided the Corrective Action Plan to eliminate deficiencies according to which the Company undertakes to eliminate all deficiencies by 20 May 2021. As at the date of approval of these financial statements, the Company is in the process of implementing the Corrective Action Plan.