



**SAMRUK-ENERGY JSC**

**International Financial Reporting Standards  
Consolidated Financial Statements and Independent  
Auditor's Report**

**31 December 2016**

# Contents

## INDEPENDENT AUDITOR'S REPORT

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## *Independent auditor's report*

To the Shareholder and Board of Directors of Samruk-Energy JSC

### *Report on the audit of the consolidated financial statements*

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#### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Samruk-Energy JSC (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 31 2016;
- the consolidated statement of profit or loss and others comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the consolidated financial statements in Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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### Our audit approach

#### Overview



- Overall Group materiality: 1,195 million tenge, which represents 5% of profit before tax of the Group.
- We conducted audit work of the Company, its 9 subsidiaries and one jointly controlled entity located across Kazakhstan.
- Our audit scope addressed 90% of total assets, 90% of total revenue and 85% absolute value of net profit of the Group.
- Impairment of fixed assets and intangible assets: LLP Station Ekibastuz GRES-1 (EGRES-1), Alatau Zharyk Company JSC ("AZHK") and Almaty Power Stations ("AlES").
- Impairment of investment in JSC "Station Ekibastuz GRES-2" (EGRES-2).
- Going concern principle.
- BTPP perspectives: risk of impairment of investment and obligation to purchase shares.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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<b>Overall group materiality</b>	1,195 million tenge for 2016
<b>How we determined it</b>	5% of profit before tax.
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

### Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment of fixed assets and intangible assets: EGRES-1, AZhK and ALES.</i></p> <p>See Notes 4 of the consolidated financial statements.</p> <p>Based on the analysis performed as of 31 December 2016, management of the Group concluded that:</p> <p>a) Insufficiency of current tariffs for electricity transmission to cover the capital expenditures of AZhK is an indicator of possible impairment of fixed assets and intangible assets AZhK;</p> <p>b) Increased competition in the electricity market, lower economic growth and their possible impact on the sales growth rate and tariffs of EGRES-1 in the future, are the factors of possible impairment of fixed assets.</p> <p>c) Management has performed an impairment indicators analysis of fixed assets of ALES and concluded that no such indicators exist as of 31 December 2016.</p> <p>At the same time, as result of operations during first half of the year certain trends were observed, indicating a possible impairment of fixed assets, such as lower sales volumes of heat energy and disapproval by the competent authority of the planned increase in tariffs for heat energy in 2016.</p>	<p>The Group engaged independent experts to carry out the impairment test of fixed assets and intangible assets.</p> <p>We received, inspected and evaluated the models used by management to assess the impairment of non-financial assets and assessed the methodology and the main assumptions used in the models, and their consistency with the budgets and business plans, external information and our expertise, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment.</p> <p>Our procedures in respect of management's assessment of the impairment of fixed assets and intangible assets included:</p> <ul style="list-style-type: none"> <li>• assessment of competence, qualifications, experience and objectivity of independent experts;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the Key audit matter
<p>Also, due to the general instability on the financial market of the country, caused by decrease in commodity prices, volatility of the Tenge, increased borrowing rates and other factors, and taking into account the fact that the sensitivity analysis conducted by ALES when testing fixed assets for impairment as of 31 December 2015 showed that the test results are sensitive to certain assumptions, management of the Group, engaged an Independent expert to test for impairment the Group's investment in ALES as of 31 October 2016. For this purpose, the independent expert estimated recoverable amount of investments in accordance with IAS 36 "Impairment of Assets" by constructing a model for calculating the value in use, and concluded that no impairment exists. Management has used the results of this evaluation to confirm the absence of impairment of fixed assets of ALES.</p> <p>We paid special attention to the issue of impairment of fixed assets and intangible assets of the Group due to significance of their carrying value (778,476,909 thousands tenge as at 31 December 2016, comprising 74% of the assets of the Group), as well as due to the fact that the estimating values in use of fixed assets and intangible assets is complex as it is based on the use of significant estimates and judgments with respect to future market and economic conditions and the results of operations of the Group.</p> <p>Key assumptions used in assessing the value in use of fixed assets and intangible assets, included projected sales volumes and tariffs. In addition, key assumptions in assessing value in use were growth and discount rates.</p>	<ul style="list-style-type: none"> <li>• analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets;</li> <li>• verification of accuracy and relevance of key assumptions used by management to perform the test;</li> <li>• consideration of other input data for the models and reconciliation of them with supporting documents, such as the Development Plan and comparison of the Development Plan with actual results, where relevant;</li> <li>• making a series of inquiries with management to assess the impairment tests;</li> <li>• consideration of the potential impact of reasonably possible changes in key assumptions.</li> </ul> <p>Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IFRS (IAS) 36 "Impairment of Assets".</p> <p>As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of accrued impairment loss in the financial statements is sufficient and respective disclosures meet the requirements of IFRS (IAS) 36 "Impairment of Assets".</p>

## INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment of investment in EGRES-2</i></p> <p><i>See Note 4 of the consolidated financial statements.</i></p> <p>The construction of the third power unit of JSC "Station Ekibastuz GRES-2", which is a company jointly controlled by the Group and OJSC "Inter RAO UES", was postponed until 2026 due to a significant surplus of generating capacity in the northern zone. This fact is an indication of possible impairment of construction in progress. As of 31 December 2016 the value of construction in progress amounts to 95,000,000 thousand tenge and carrying value of the Group's investment in EGRES-2 amounts to 31,810,629 thousand tenge.</p> <p>The auditor of the financial statements of JSC "Ekibastuz GRES-2" is another independent auditor.</p> <p>We paid special attention to the issue of impairment of the investment due to significance of its carrying value and the complexity of the process of evaluating its recoverable value.</p>	<p>We have reviewed the working papers of the independent auditor of JSC "Station Ekibastuz GRES-2" and discussed the key assumptions and the methodology used in the impairment test models, made by management of EGRES-2.</p> <p>We also discussed with management of the Group and the Audit Committee plans in respect of this investment.</p> <p>We agreed with the conclusion of the Group's management that there is no necessity of impairment of this investment.</p>
<p><i>Going concern principle</i></p> <p><i>See Note 4 of the consolidated financial statements.</i></p> <p>As of 31 December 2016 the amount of current liabilities exceeded current assets by 85,200,977 thousand tenge.</p> <p>The increase of current liabilities is caused by the coming maturity of Eurobonds Samruk-Energo in December 2017. Eurobonds in the amount of 500 mln. USD or 166,645,000 thousand tenge have been classified as current liabilities at 31 December 2016.</p> <p>Thus, current liabilities in the amount of 166,645,000 thousand tenge, which is 66% of total current liabilities represent Eurobonds maturing in December 2017. At the same time trade accounts payable and other short-term payables decreased significantly.</p> <p>We also noted that the short-term liability in the amount of 5,841,514 thousand tenge, is payable to the Akimat of Almaty city, which was resolved by the signing of</p>	<p>As part of our assessment of the appropriateness of using the going concern basis in preparing the consolidated financial statements, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We have received and analyzed the future cash flows expected by management in 2017 and noted the sufficiency of cash flows to cover existing liabilities. We noted that in 2017 the Group expects to settle its short-term liabilities using positive cash flow from operating activities, as well as by refinancing Eurobonds and other short-term loans.</li> <li>• The group has hired international experts to work out the best options of refinancing debt for Eurobonds.</li> <li>• On 9 December 2016 the Group signed a loan agreement with the EBRD in the amount of 100 million euros, or</li> </ul>



## INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the Key audit matter
<p>the settlement agreement, and does not require a cash outflow according to the agreement.</p> <p>We have focused on whether the Group has sufficient cash resources to settle its obligations at maturity, and whether there is material uncertainty as to the ability of the Group to continue its work on the going concern basis.</p>	<p>35,242,000 thousand tenge to refinance Eurobonds.</p> <ul style="list-style-type: none"> <li>• The Group expects to receive more than 30,000,000 thousand tenge from the sale of assets in 2017. See Note 16 to the consolidated financial statements;</li> <li>• Private banks have expressed their readiness to provide revolving credit lines of more than 40,000,000 thousand tenge for the refinancing of Eurobonds and for other purposes;</li> <li>• In the course of our analysis, we also considered the fact that the Group has a strategic importance to ensure the reliability of the power system of the Republic of Kazakhstan.</li> </ul> <p>As a result of discussions with the management and the procedures performed, we concluded that, as of the date of approval of the consolidated financial statements, there are several options for obtaining additional funds necessary for the repayment and refinancing of Eurobonds debt, and therefore material uncertainty that may cast doubt in the Group's ability to continue operations on a going concern basis does not exist.</p>

### *Prospects for BTPP: impairment of investments and the obligation to purchase shares.*

*See Note 4 and 10 to the financial statements.*

JSC Balkhash Thermal Power Plant ("JSC BTPP") is an associated entity of the Group. The shareholders of JSC BTPP are Sanruk-Energy JSC and Samsung C&T Corporation, holding 50% minus 1 share and 50% plus 1 share, respectively.

In August 2016 Samsung C&T Corporation has officially announced that it intends to use its option to sell its shares in "BTPP" and suspend the EPC contract for the construction of the Balkhash thermal power plant. If the parties cannot come to a mutual agreement for the way forward for the joint activities then the Company will need to pay \$192 million to purchase the shares of BTPP and there is a risk of impairment of investment in BTPP.

We have received and reviewed the correspondence and other documents relating to this matter as set out in the relevant notes to the consolidated financial statements.

From this and our discussions with the management, we noted that the Group is supported by the Government of Kazakhstan to continue the negotiations with Samsung C&T Corporation, and also management of the Group and the authorized representatives of the Government have held a series of negotiations with Samsung C&T Corporation. These discussions and negotiations are still ongoing as at the date of this report.



## INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the Key audit matter
<p>This issue is very important for the Group as the carrying value of investment is material (27,570,522 thousand tenge as of 31 December 2016), and its resolution requires the full support of the Government of the Republic of Kazakhstan and "NWF" Samruk-Kazyna".</p> <p>We have focused our attention on the appropriateness of the accounting and disclosures in these IFRS financial statements in respect of this matter.</p>	<p>We received, inspected and evaluated BTPP project financial model and assessed the methodology and the main assumptions used in the model, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for project financial model.</p> <p>We noted that a key assumption in the model is the existence of a power purchase agreement concluded between BTPP and JSC «KEGOC» (the national operator of the unified power system of the Republic of Kazakhstan), according to which the power capacity payments will be made to BTPP sufficient to ensure the return on investment in the project. Tariffs used in the model were based on this power purchase agreement.</p> <p>We also noted that the key condition for project's continuation is provision of Letter of support by the Government of the Republic of Kazakhstan. Currently the negotiations are ongoing regarding the terms of letter of support for the project between the government authorities and creditors.</p> <p>We have considered the technical requirements of IFRS (IAS) 36 "Impairment of Assets", IFRS (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS (IAS) 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" with respect to the accounting treatment and disclosures for investment into BTPP and Samsung C&amp;T Corporation's put option. As result of these procedures we have not proposed any adjustments to the carrying values of investments or liabilities.</p> <p>We note that at the date of our report negotiations about the terms and conditions for continuation of the project are not finalized and, accordingly, such terms and conditions are not fixed in the form of a binding nature for all parties involved. As it is impossible to predict all future events related to all matters described above, there is no certainty that the Group will be able to fully recover the cost of investment in the future or will not incur additional liabilities.</p>

## INDEPENDENT AUDITOR'S REPORT (Continued)

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Key audit matter	How our audit addressed the Key audit matter
	We also paid attention to the disclosure in the consolidated financial statements in respect of this matter and concluded that it is appropriate

### How we determined our group audit scope

We determined the scope of our audit to ensure that we performed sufficient amount of work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls applied by the Group and the industry in which the Group operates.

The assets and operations of the Group are spread amongst 29 subjects (components), including associated companies and jointly controlled entities. Out of these, we have identified 13 components as material components, including the Company, its 9 subsidiaries, 2 jointly controlled entities, and 1 associated company. The Group engaged independent auditors for the audit of financial statements of JSC "Station Ekibastuz GRES-2", the company, jointly controlled with JSC "InterRAO" and the financial statements of BTPP JSC, associated company.

For the material components we or other independent auditors, as mentioned above, carried out a full scope audit of the financial information of the components, which the Group uses for the preparation of the consolidated financial statements. We have reviewed the working documents of other independent auditors, and discussed with them the key assumptions and methodology, received independence and compliance with IESBA Code requirements confirmations. We also discussed the key audit matters with management and the Audit Committee.

We have identified other companies of the Group as not material components, for which we carried out audit procedures for the most material line items of the financial information and general analytical procedures.

In general, the scope of our audit covered 90% of total assets, more than 90% of total revenue and 85% of the absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

### Other information

Management is responsible for the other information. The other information comprises annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after our audit report date.

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



## INDEPENDENT AUDITOR'S REPORT (Continued)

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it is provided to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we will perform on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## INDEPENDENT AUDITOR'S REPORT (Continued)

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.



## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

*PricewaterhouseCoopers LLP*

06 March 2017

Almaty, Kazakhstan

Approved by:


Dana Inkarbekova

Managing Director of PricewaterhouseCoopers LLP

(General State License of the Ministry of Finance  
of the Republic of Kazakhstan №00000005  
dated 21 October 1999)

Signed by:


Baurzhan Burkhanbekov

The engagement partner on the audit  
resulting in this independent auditor's  
report. Auditor in charge

(Qualified Auditor's Certificate  
№00000586 dated 30 October 2006)



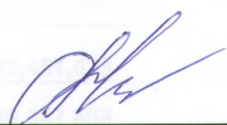
**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Financial Position**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	776,271,640	804,846,336
Investment property	9	667,785	774,702
Intangible assets	8	2,205,269	2,894,963
Exploration assets		-	13,520,805
Investments in joint ventures and associates	10	85,906,040	72,047,578
Other non-current assets	11	17,853,935	14,256,809
<b>Total non-current assets</b>		<b>882,904,669</b>	<b>908,341,193</b>
<b>Current assets</b>			
Inventories	12	9,681,538	13,777,955
Trade and other receivables	13	16,160,097	19,842,838
Other current assets	14	44,776,628	50,866,965
Income tax prepaid		1,227,286	1,534,371
Cash and cash equivalents	15	17,350,461	31,927,511
Assets of disposal group, classified as held-for-sale	16	76,947,129	-
<b>Total current assets</b>		<b>166,143,139</b>	<b>117,949,640</b>
<b>TOTAL ASSETS</b>		<b>1,049,047,808</b>	<b>1,026,290,833</b>

Signed on behalf of management on 6 March 2017 .



Kairat B. Maxutov  
Managing Director on Economy and  
Finance




Saule B. Tulekova  
Head of Accounting and Tax  
Department –  
Chief Accountant

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Financial Position (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>EQUITY</b>			
Share capital	17	373,314,888	355,650,405
Other reserves	17	127,639,376	127,578,106
Retained earnings/(accumulated deficit)		12,481,878	(3,236,425)
<b>Equity attributable to the Group's equity holders</b>		<b>513,436,142</b>	<b>479,992,086</b>
Non-controlling interest	31	3,159,992	2,528,351
<b>TOTAL EQUITY</b>		<b>516,596,134</b>	<b>482,520,437</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for liquidation of ash dump		1,473,639	1,842,401
Employee benefit obligations	18	1,087,713	1,329,840
Borrowings	19	194,444,957	340,158,800
Other non-current liabilities	20	3,594,317	4,735,410
Deferred income tax liabilities	28	80,218,904	79,404,793
<b>Total non-current liabilities</b>		<b>280,819,530</b>	<b>427,471,244</b>
<b>Current liabilities</b>			
Provision for liquidation of ash dump		163,458	120,147
Borrowings	19	193,115,643	70,844,582
Employee benefit obligations	18	107,624	122,689
Trade and other payables	21	24,136,902	43,220,687
Taxes payable and other payables to budget	28	2,532,182	1,524,428
Income tax payable	28	168,687	466,619
Liabilities of disposal group, classified as held-for-sale	16	31,407,647	-
<b>Total current liabilities</b>		<b>251,632,143</b>	<b>116,299,152</b>
<b>TOTAL LIABILITIES</b>		<b>532,451,673</b>	<b>543,770,396</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,049,047,808</b>	<b>1,026,290,833</b>

Signed on behalf of management on 6 March 2017 .

  
**Kairat B. Maxutov**  
 Managing Director on Economy and  
 Finance

  
**Saule B. Tulekova**  
 Head of Accounting and Tax Department –  
 Chief Accountant



**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Changes in Equity**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015 (restated) *</b>
Revenue	22	181,310,058	183,822,285
Cost of sales	23	(136,126,532)	(128,695,384)
<b>Gross profit</b>		<b>45,183,526</b>	<b>55,126,901</b>
Selling expense		(3,016,770)	(2,918,776)
General and administrative expenses	25	(12,826,178)	(12,198,638)
Share in profit/(loss) of joint ventures and associates	10	4,894,680	(10,172,534)
Impairment of assets		-	(3,617,282)
Finance income	26	7,658,467	2,875,911
Finance costs	27	(19,217,534)	(107,955,835)
Other income	24	1,700,500	1,713,183
Other expense		(1,958,096)	(1,689,547)
<b>Profit/(loss) before income tax</b>		<b>22,418,595</b>	<b>(78,836,618)</b>
Income tax expense	28	(6,520,991)	(4,582,802)
<b>Profit/(loss) for the year from continuing operations</b>		<b>15,897,604</b>	<b>(83,419,420)</b>
Profit for the year from discontinued operations	2	2,493,703	5,974,519
<b>Profit/(loss) for the year</b>		<b>18,391,307</b>	<b>(77,444,901)</b>
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		61,271	3,106
<b>Total comprehensive income/(loss) for the year</b>		<b>18,452,578</b>	<b>(77,441,795)</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Group		17,759,303	(77,834,968)
Non-controlling interest		632,004	390,067
<b>Profit/(loss) for the Year</b>		<b>18,391,307</b>	<b>(77,444,901)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Group		17,820,574	(77,831,862)
Non-controlling interest		632,004	390,067
<b>Total comprehensive income/(loss) for the year</b>		<b>18,452,578</b>	<b>(77,441,795)</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Changes in Equity**

<i>In thousands of Kazakhstan Tenge</i>	Note	Attributable to equity holders of the Group				Non- controlling interest	Total Equity
		Share capital	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2015</b>		<b>355,364,386</b>	<b>54,993,097</b>	<b>80,553,684</b>	<b>490,911,167</b>	<b>2,138,284</b>	<b>493,049,451</b>
Loss for the year		-	-	(77,834,968)	(77,834,968)	390,067	(77,444,901)
Other comprehensive income		-	3,106	-	3,106	-	3,106
<b>Total comprehensive loss</b>		<b>-</b>	<b>3,106</b>	<b>(77,834,968)</b>	<b>(77,831,862)</b>	<b>390,067</b>	<b>(77,441,795)</b>
Shares issuance	17	286,019	-	-	286,019	-	286,019
Acquisition of Moinak HPS		-	72,581,903	-	72,581,903	-	72,581,903
Gain from initial recognition of loan from Samruk-Kazyna		-	-	(1,174,068)	(1,174,068)	-	(1,174,068)
Other distributions to shareholder		-	-	(4,781,073)	(4,781,073)	-	(4,781,073)
<b>Balance at 31 December 2015</b>		<b>355,650,405</b>	<b>127,578,106</b>	<b>(3,236,425)</b>	<b>479,992,086</b>	<b>2,528,351</b>	<b>482,520,437</b>
Income for the year		-	-	17,759,303	17,759,303	632,004	18,391,307
Other comprehensive income		-	61,271	-	61,271	-	61,271
<b>Total comprehensive income</b>		<b>-</b>	<b>61,271</b>	<b>17,759,303</b>	<b>17,820,574</b>	<b>632,004</b>	<b>18,452,578</b>
Shares issuance	17	17,664,483	-	-	17,664,483	-	17,664,483
Disposal of Karagandagiproshakht	17	-	-	-	-	(363)	(363)
Dividends	17	-	-	(2,041,000)	(2,041,000)	-	(2,041,000)
<b>Balance at 31 December 2016</b>		<b>373,314,888</b>	<b>127,639,376</b>	<b>12,481,878</b>	<b>513,436,142</b>	<b>3,159,992</b>	<b>516,596,134</b>

The accompanying notes on pages 7 to 77 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015 (restated) *</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax of continued operations		22,418,595	(78,836,618)
Profit/(loss) before income tax of discontinued operations		3,755,707	4,797,572
Adjustments for:			
Depreciation and amortisation		46,020,214	38,954,690
Losses on disposal of property, plant and equipment and intangibles		478,581	932,943
Provision for impairment of assets		1,014,843	3,811,084
Reversal of provision for impairment of assets		(1,237,693)	(248,629)
Amortisation of income from connection of additional capacities		(342,659)	(364,926)
Finance costs		20,022,247	109,214,671
Finance income		(7,824,830)	(2,728,571)
Share in (profit)/loss of joint ventures and associates		(4,894,680)	10,172,534
Others		-	3,108
<b>Operating cash flows before working capital changes:</b>		<b>79,410,325</b>	<b>85,707,858</b>
(Increase)/decrease in trade and other receivables and other current assets		5,417,137	(4,311,947)
(Increase)/decrease in inventories		2,653,793	(340,645)
Decrease in trade and other payables		(7,980,798)	(1,084,181)
Increase/(decrease) in employee benefits payable		(377,978)	344,374
Increase in taxes payable		590,413	3,081,703
<b>Cash generated from operations</b>		<b>79,712,892</b>	<b>83,397,162</b>
Income tax paid		(3,909,204)	(4,996,199)
Interest paid		(15,058,018)	(18,815,354)
Dividends received		3,900,202	5,726,955
<b>Net cash from operating activities</b>		<b>64,645,872</b>	<b>65,312,565</b>
<b>Including net cash from operating activities of discontinued operations</b>		<b>6,275,911</b>	<b>8,117,160</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(84,357,325)	(102,282,679)
Exploration and evaluation expenditures		-	(2,486,932)
Acquisition of intangible assets		(455,474)	(718,235)
Acquisition of subsidiary, net of cash acquired		-	78,386
Acquisition of share in associates		(12,483,260)	(8,906,910)
Interest income received		3,000,681	2,793,747
Proceeds from sale of interest in joint ventures and associates		2,194,110	370,396
Proceeds from sale of subsidiaries		133,703	-
Proceeds from sale of Property, Plant and Equipment		27,747	79,204
Withdrawal of bank deposits, net		(1,909,345)	14,412,555
Bond redemption		6,724,600	-
Other		(559,551)	1,346,767
<b>Net cash used in investing activities operations</b>		<b>(87,684,114)</b>	<b>(95,313,701)</b>
<b>Including net cash (used)/from in investing activities of discontinued operations</b>		<b>(14,316,013)</b>	<b>4,934,983</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		17,664,483	-
Proceeds from borrowings		71,758,316	139,966,453
Repayment of borrowings		(77,790,112)	(96,997,848)
Income on debt securities (bonds)		-	2,543,596
Payment of principal on debt securities		-	(3,116,582)
Other receipts		30,000	-
Dividends paid to shareholders		(2,041,000)	(4,781,073)
Dividends paid to non-controlling interest holders		(193,094)	(188,476)
Other payments attributable to shareholders		(71,704)	(800,234)
Others		(160,729)	(3,770)
<b>Net cash from financing activities</b>		<b>9,196,160</b>	<b>36,622,065</b>
<b>Including net cash from financing activities of discontinued operations</b>		<b>7,976,639</b>	<b>2,603,090</b>

The accompanying notes on pages 7 to 77 are an integral part of these consolidated financial statements.

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015 (restated)</b>
Foreign exchange effect on Cash and cash equivalents		523,164	3,648,416
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13,318,918)</b>	<b>10,269,344</b>
<b>Including net (decrease)/increase in cash and cash equivalents of discontinued operations</b>		<b>(63,462)</b>	<b>15,655,233</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>31,927,511</b>	<b>21,658,167</b>
<b>Cash and cash equivalents at the beginning of the year of discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the year - end</b>		<b>18,608,593</b>	<b>31,927,511</b>
<b>Cash and cash equivalents at the year - end per consolidated statement of financial position</b>		<b>17,350,461</b>	<b>31,927,511</b>
<b>Cash and cash equivalents at the year - end of discontinued operations</b>		<b>1,258,132</b>	<b>-</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

The amounts of movement in the consolidated statement of cash flows are presented on a gross basis, including discontinued operations.

## **1 Samruk-Energy Group and Its Operations**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2016 for Samruk-Energy JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with regulations of the Republic of Kazakhstan. The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholder is Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") (Note 17).

The Company's immediate parent company is Samruk-Kazyna. The Company's ultimate controlling party is the Government of the Republic of Kazakhstan.

### ***Principal activity***

The Group's principal activities are production of electricity, heat energy, hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of power stations, leasing of property of power stations, development of the renewable energy sources and others. Principal subsidiaries, joint ventures and associates are disclosed in Note 33.

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets, the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariff is regulated based on type of energy company and regulated by the Committee on Regulation of Natural Monopolies of the Ministry of Economics of the Republic of Kazakhstan ("Committee") or by the relevant ministry - Ministry of Energy of the Republic of Kazakhstan.

Electricity tariffs for energy producers are approved by the order of the Minister of Energy #160 dated 27 February 2015 on Approval of Cap for Tariffs for the period from 2016 to 2018. Tariffs for the supply of electricity produced by objects on use of renewable energy sources are fixed and approved by the Decree of the Government of Republic of Kazakhstan according to the Renewable Energy technology (separately for wind, solar and other sources), and are subject to annual indexation. Wherein financial center acts as a buyer, and energy producing organizations act as a seller. Tariffs for transmission and distribution of electricity, production of heat energy and energy supply are regulated by Committee on Regulation of Natural Monopolies and Competition Protection of Ministry of Economics. Regulation and control are performed in accordance with the legislation.

The tariff related decisions are significantly exposed to social and political issues. Economic, social and other policies of the Government of the Republic of Kazakhstan may have the significant effect on the Group's operations.

### ***Registered address and place of business***

The registered address and place of Company's Head Office is: Kabanbai Batyr Avenue 15A, Astana, Republic of Kazakhstan.

## **2 Basis of Preparation and Significant Accounting Policies**

### ***Basis of preparation***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from those estimates.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Consolidated financial statements***

#### *(i) Subsidiaries*

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

#### *(ii) Purchases of subsidiaries from parties under common control*

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for as an adjustment to other reserves within equity.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### *(iii) Purchases and sales of non-controlling interests*

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

### *(iv) Joint ventures*

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *(v) Investment in associates*

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates..

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### *(vi) Disposals of subsidiaries, associates or joint ventures*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.



## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Foreign currency translation***

#### *(i) Functional and presentation currency*

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the parent is Tenge.

#### *(ii) Transactions and balances in foreign currency*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2016 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 333.29 (31 December 2015 : US Dollar = Tenge 340.01). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

### ***Financial instruments***

#### *(i) Key measurement terms*

Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

*Fair value* is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price

*Valuation techniques* such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

*Cost* is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

## 2 Basis of Preparation and Significant Accounting Policies (Continued)

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

### (ii) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for those with maturity greater than 12 months after the reporting period. These are classified as non-current assets.

### (iii) Financial liabilities classification

Financial liabilities of the Group include financial liabilities carried at amortised cost and related to category “other financial liabilities”.

### (iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets..

### (v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

### (vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Property, plant and equipment***

#### *(i) Recognition and subsequent measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other income or expenses.

#### *(ii) Depreciation*

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Useful lives in years</u>
Buildings and constructions	10-100
Machinery and equipment	5-40
Other	5-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### *(iii) Impairment*

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

### ***Intangible assets***

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 25 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

If the Group acquires a group of assets, which is not a business, it spreads the cost of the group between the individual identifiable assets in the group based on their relative fair values at the acquisition date.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Investment property***

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	<u>Useful lives in years</u>
Dam and hydraulic constructions	25-100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

### ***Goodwill***

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

### ***Operating leases***

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the profit or loss for the year on a straight-line basis over the period of the lease.

### ***Inventories***

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out ("FIFO") basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Trade and other receivables***

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or any other financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Prepaid taxes are stated at actual amounts paid less impairment provision.

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

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

### ***Non-current assets held for sale and disposal groups***

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale and disposal groups' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

**2 Basis of Preparation and Significant Accounting Policies (Continued)**

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

***Discontinued operations***

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan of disposal of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with an intention to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Board of Directors of the Company determines value per share and a number of shares to be issued on each individual share issue based on the statutory rules.

***Dividends***

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

***Value added tax***

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

***Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

***Provision for liquidation of ash dump***

Provision for liquidation of ash dump is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump liquidation costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated liquidation costs is based on the net present value of estimated future costs. Ash dump liquidation provision does not include any additional obligations which are expected to arise from future disturbance. Provision are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals. Estimated liquidation costs of dismantling of infrastructure are added to the cost of an item of property plant and equipment.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting liquidation of waste polygons.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each reporting period. The amortisation of the discount is shown as a finance cost.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Employee benefits***

#### *(i) Long-term employee benefits*

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit or loss and other comprehensive income for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of defined benefit obligations are recognised in profit or loss and other comprehensive income for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

#### *(ii) Staff costs and related contributions*

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group withholds those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan and transfer to JSC "Unified Accumulative Pension Fund ("ENPF"). For those employees, not covered by Collective Labour Agreement payments, upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by ENPF.

### ***Borrowings***

Borrowings are carried at amortised cost using the effective interest method

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Group records gain on origination directly in equity as a capital contribution to the Group. The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.



## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Trade and other payables***

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

### ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate.

### ***Revenue recognition***

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from sale of electricity and transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by the Government.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time proportion basis using the effective interest method.

### ***Exploration assets***

Exploration assets are measured at cost less provision for impairment, where required.

#### ***(i) Recognition and subsequent measurement***

Exploration includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These assets are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Exploration assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

Acquisition costs include the cost of the subscription bonus and other costs incurred to acquire subsurface rights.

Administrative expenses (office rent, office motor vehicles, administrative personnel) that are not directly attributable to the exploration and evaluation activities are expensed as incurred.

An exploration asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. Once commercial reserves are found, exploration assets are transferred to development tangible and intangible assets and amortised using the unit-of-production method based on proved and probable reserves.

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### *(ii) Impairment of exploration assets*

Exploration assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment testing for evaluation assets is generally undertaken upon the existence of one or more of the following facts and circumstances (the list is not exhaustive):

- the period for which the Group entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

### **Offsetting**

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

### **Segment reporting**

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result or assets are ten percent or more of all the segments assets are reported separately.

### **Income taxes**

Income taxes have been provided for in these consolidated financial statements in accordance with legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

**2 Basis of Preparation and Significant Accounting Policies (Continued)**

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

***Changes in presentation of financial statements***

In December 2015 the Government adopted a new Decree RK "On some issues of privatization for 2016-2020."

On 23 of November 2016 the Board of Directors approved the terms of disposal of a number of the subsidiaries in accordance with the Decree of the Government on the privatization of assets. As of 31 December 2016 all assets and liabilities of East Kazakhstan regional electricity distribution company (VKREC), Shygys Energo Trade LLP (SHET), Mangistau electricity distribution company (MEDC), Aktobe TPS, Mangyshlak Munay (MM), Tegis Munay (TM) have been included in disposal group.

Consolidated statement of profit or loss and other comprehensive income for the previous year has been restated and presented in accordance with the current year presentation.

The third statement of financial position as at January 1, 2015 has not been presented in these financial statements since changes in presentation had no material impact on the beginning of the previous period.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2016**

**2 Basis of Preparation and Significant Accounting Policies (Continued)**

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2015:

<i>In thousands of Kazakhstani Tenge</i>	<b>As original for the year ended 31 December 2015</b>	<b>Aktobe TPS</b>	<b>MEDC</b>	<b>VKREC</b>	<b>ShET</b>	<b>MM</b>	<b>TM</b>	<b>Intercompany eliminations and adjustments</b>	<b>As restated for the year ended 31 December 2015</b>
Revenue	228,865,079	(6,108,966)	(8,985,664)	(11,178,106)	(27,730,996)	-	-	8,960,938	183,822,285
Cost of sales	(165,931,725)	5,384,556	5,546,974	7,996,477	27,290,576	-	-	(8,982,243)	(128,695,384)
<b>Gross profit</b>	<b>62,933,354</b>	<b>(724,409)</b>	<b>(3,438,690)</b>	<b>(3,181,629)</b>	<b>(440,420)</b>	-	-	<b>(21,305)</b>	<b>55,126,901</b>
Distribution costs	(3,029,040)	-	110,264	-	-	-	-	-	(2,918,776)
General and administrative expenses	(13,939,521)	304,020	771,254	427,951	14,855	201,168	26,470	(4,835)	(12,198,638)
Share of profit of joint ventures and associates	(10,172,534)	-	-	-	-	-	-	-	(10,172,534)
Impairment of assets	(3,590,229)	(45,113)	(1,300)	11,287	8,073	-	-	-	(3,617,282)
Finance income	2,728,571	(18)	(99,681)	(5,193)	(162)	-	-	252,394	2,875,911
Finance costs	(109,214,671)	23,289	1,104,290	352,264	32,921	119	-	(254,047)	(107,955,835)
Other income	1,994,642	(28,648)	(95,943)	(145,578)	(32,082)	(4,928)	(5,255)	30,975	1,713,183
Other expenses	(1,749,618)	5,644	26,367	26,403	1,010	5,060	420	(4,834)	(1,689,547)
<b>Profit/(loss) before income tax</b>	<b>(74,039,046)</b>	<b>(465,235)</b>	<b>(1,623,439)</b>	<b>(2,514,495)</b>	<b>(415,805)</b>	<b>201,419</b>	<b>21,635</b>	<b>(1,652)</b>	<b>(78,836,618)</b>
Income tax expense	(5,875,162)	117,468	379,315	549,173	246,404	-	-	-	(4,582,802)
<b>Profit/(loss) for the year from continuing operations</b>	<b>(79,914,208)</b>	<b>(347,767)</b>	<b>(1,244,124)</b>	<b>(1,965,322)</b>	<b>(169,401)</b>	<b>201,419</b>	<b>21,635</b>	<b>(1,652)</b>	<b>(83,419,420)</b>
Profit/(loss) from discontinued operations	2,469,307	-	-	-	-	-	-	3,505,212	5,974,519
<b>Profit/(loss) for the year</b>	<b>(77,444,901)</b>	<b>(347,767)</b>	<b>(1,244,124)</b>	<b>(1,965,322)</b>	<b>(169,401)</b>	<b>201,419</b>	<b>21,635</b>	<b>3,503,560</b>	<b>(77,444,901)</b>

## **2 Basis of Preparation and Significant Accounting Policies (Continued)**

### ***Changes in presentation.***

During 2016 the Company changed the classification of paid capitalized borrowing costs in the statement of cash flows for the purposes to comply with accounting policies of the parent company. The Company believes that this change provides reliable and more relevant information. In accordance with IFRS (IAS) 8 change was made retrospectively and the comparative figures have been adjusted accordingly.

The table below shows the impact of changes in the classification of the presentation for the year ended December 31, 2015:

	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified for the year ended 31 December 2015</b>
<i>In thousands of Kazakhstan Tenge</i>			
Interest paid	(23,490,234)	4,674,879	(18,815,354)
Net cash from operating activities	69,987,444	(4,674,879)	65,312,565
Purchase of property, plant and equipment	(97,607,800)	4,674,879	(102,282,679)
Net cash used in investing activities	(91,960,417)	(4,674,879)	(95,313,701)

## **3 New Accounting Pronouncements**

### ***Application of new and revised International Financial Reporting Standards (IFRS)***

The following new standards and interpretations became effective for the Group from 1 January 2016, but did not have any material impact on the Group.

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

### ***New standards and interpretations***

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Group has not early adopted.

**IFRS 9 “Financial Instruments: Classification and Measurement” (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).** Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

### **3 New Accounting Pronouncements (Continued)**

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.
- Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

***IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).*** The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

***Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*** The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the new standard on its financial statements.

***IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).*** The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

### **3 New Accounting Pronouncements (Continued)**

Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

**Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).** The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the new standard on its financial statements.

The following other new pronouncements are not expected to have any material impact on the Group's financial statements when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 (issued on 8 December 2016 and effective regarding application of amendments to IFRS 12 – for annual periods beginning on or after 1 January 2017, regarding application of amendments to IFRS 1 and IAS 28 – for annual periods beginning on or after 1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers to or from investment property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under given circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

#### ***Going concern principle***

Management prepared these consolidated financial statements based on a going concern principle. Management's judgment is based on the Group's financial position, current intentions, profitability of operations and access to financial resources. As of December 31, 2016 total Group's total current liabilities exceeded its total current assets for the amount of 85,200,977 thousands tenge. Increase of short-term liabilities is due to maturity of eurobonds of Samruk-Energy in December 2017. Eurobonds in the amount of 500 mln. US dollars or 166,645,000 thousands tenge have been classified as current liabilities as of December 31, 2016. Management considered the following factors in assessing the Group's ability to continue as a going concern:

- The Group has a strategic importance for the reliability of the energy system of Kazakhstan.
- In 2017, the Group plans to settle its current liabilities with a positive cash flow from operating activities which is expected to be in the amount of 59,000,000 thousands tenge, as well as by refinancing its short-term borrowings.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

- Current liabilities of the Group in the amount of 5,841,514 thousands tenge represent payable to the city of Almaty Akimat and by amicable agreement, do not require a cash outflow.
- The Group has hired international experts to develop the most optimal options of refinancing or restructuring Eurobonds
- On 9 December 2016, the Group signed a loan agreement with EBRD in the amount of 100 million euros, or 35,242,000 thousands tenge to refinance Eurobonds.
- The Group expects more 30,000,000 thousands tenge from the sale of assets held for sale in 2017.
- Banks have expressed willingness to provide long-term loans amounting to more than 40,000,000 thousands tenge to refinance Eurobonds and for other purposes.
- In addition, management is considering a plan for partial restructuring of Eurobonds.
- Maturity of Eurobonds is in December 2017, management expects that sufficient funds will be accumulated throughout the year for repayment of Eurobonds in due course of time.
- Management and shareholders of the Group do not have intention or necessity to liquidate the Group's operations.

These consolidated financial statements do not include any adjustment to the carrying amounts of assets and liabilities, the reported revenues and expenses, and classification in the consolidated statement of financial position that would be necessary if the Group was unable to continue its operations. Such adjustments could be material.

***Impairment of non-financial assets***

At each reporting date management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. If such indications exist, management estimates the recoverable amount of an asset, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments, which are deemed appropriate under the current circumstances.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

In assessing the recoverable amount of assets the Group makes estimates and judgments. Estimates and judgments are repeatedly evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

According to the results of the assessment, Management concluded that the devaluation of Tenge, the slowdown of economic growth and rise of borrowing costs and their possible effect on the Group's income are indicators of possible impairment of property, plant and equipment and intangibles of EGRES-1 and the investments in JV EGRES-2, since those entities are significant to the Group and they are the most sensitive to macroeconomic changes. EGRES-1 and EGRES-2 are thermal power plants engaged in the production of electricity, and represent the power plants of national importance. Therefore, the Group's management has decided to conduct an impairment test with respect of these assets.

Management also concluded that insufficiency of current tariffs for electricity transmission to cover the capital expenditures of AZhK is an indicator of possible impairment of property, plant and equipment and intangible assets of AZhK. Accordingly, the Group's management has decided to conduct a test for impairment of property, plant and equipment and intangible assets of AZhK as of 31 December 2016. AZhK is a natural monopoly, engaged in the transmission and distribution of electricity in Almaty and Almaty region.

Management involved independent valuation experts to perform impairment tests, which was conducted in accordance with IAS 36 "Impairment of Assets" for AZhK and EGRES-1.

Management has assessed the recoverable amount of property, plant and equipment and intangible assets of AZhK, EGRES-1, and investment in EGRES - 2, based on the estimation of expected future cash inflows and outflows from assets, discount rates and other variables.

The recoverable amount was determined based on value in use calculations. These calculations use cash flow projections based on the financial budgets approved by management covering a 5-year period for 2017-2021.



**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)***AZhK*

Management considers all property, plant and equipment and intangible assets of AZhK as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which AZhK monitors recovery of the assets' cost. Management has estimated the recoverable amount of property, plant and equipment on the basis of value in use, determined as estimated discounted future cash flows that the Group expects to obtain from their use.

Key assumptions used by management in determining the value in use are:

- Forecasted electricity sales volume and tariff

	2017	2018	2019	2020	2021
Sales volume, thousand kWh	6,257	6,889	7,199	7,393	7,430
Price kWh	5,83	6.04	6,23	6.98	7.24

Sales volume forecast is based on the prior period information and management's expectation. It was assumed that sales would increase by approximately 10% per year in 2017-2018, mainly as a result of recovery of consumption level and population growth in Almaty and Almaty region. Forecast for 2019-2021 years assumes a growth in consumption at the level of 5%-1% , then the forecast for the post-forecast period assumes the volume of sales remain at the level of 2021. In case of increase/decrease in sales volume by 10%, recoverable amount of property, plant and equipment will increase/decrease by 8,250,807 thousands tenge.

Tariff forecast for kWh is based on tariffs approved, by CRNM until the end of 2019.

- After-tax discount rate is equal to 12.22% per annum.

Cash flows were discounted using pre-tax discount rate of 12.22% per annum, which has been determined based on the weighted average cost of capital of Group. In case of increase/decrease of discount rate by 1%, the recoverable amount of property, plant and equipment will be reduced by 6,602,882 thousands tenge/increased by 7,976,096 thousands tenge.

- Long-term inflation rate used to calculate the terminal value is 3,21% per annum

As a result of testing, the value in use of property, plant and equipment and intangible assets as of 31 October 2016 was determined in the amount of 102,245,000 thousands tenge, which is 8,290,000 thousands tenge higher than their carrying amount. Accordingly, the Group did not recognize losses from impairment of property, plant and equipment and intangible assets in 2016.

However, due to the fact that the assessment of the recoverable amount is subject to a significant degree of judgment; its result is largely dependent on factors that beyond control of Management of the Group, and given the current economic situation in the country as whole, the Group has decided to not to reverse previously recognized impairment loss in the amount of 3,972,777 thousands tenge. In addition, management noted no other indicators to reverse impairment provision, such as significant increase in tariffs or sales volume. The impairment test also indicates that the recoverable value is sensitive to the discount rate, which also indicates a presence of significant judgment.

*EGRES – 1*

Management of EGRES-1 considers all the property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which Ekibastuz GRES-1 monitors recoverable amount of assets. Management has assessed the recoverable amount of property, plant and equipment on the basis of value in use, determined as the sum of the estimated discounted future cash flows which the Group expects to get from their use.

Impairment test was conducted by applying appropriate valuation techniques, using the following key assumptions for the calculation of discounted cash flows for the period 2017-2025:

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

- Forecasted tariffs

The cap tariff is approved by the Government of Kazakhstan by groups of power plants, formed by type of power plants, installed capacity, type of used fuel, distance from the location of fuel, for a period of 3 years by annual breakdown and is adjusted annually based on the necessity to ensure the investment attractiveness of the industry. The cap tariffs for electricity were approved until 2019.

Power plants independently sets the selling price for electricity, making sure that it's not higher than the cap tariff for a particular group of power plants.

Currently, the tariffs in the power generation industry is determined in a competitive environment, depending on the demand and supply at the tariffs which do not exceed the cap tariffs, the settlement or individual tariffs, except for export sales. Thus, the tariffs for 2017 - 2019 years were determined in the amount of 7.5 and 7.9 tenge for the domestic market, 9.6 and 10.1 tenge for export.

Forecast of revenue for the period beyond 2019 is based on the effect of the introduction of capacity market, which changes the tariff structure for energy producing organizations. Tariffs used for the calculation of the tariff for the consumers of electricity and capacity tariff in Kazakhstan beyond 2019, were taken at the level of maximum tariffs of Group 1 power plants approved by the Minister of Energy by the Order of the Republic of Kazakhstan "On approval of cap tariffs for electricity and cap tariff for services on maintaining readiness of power capacity» №460 dated 26 October 2016.

- Forecasted volumes of sales

Forecast of the electricity sales volume for the period 2017-2025 was based on the forecast data of the Group and the power balance forecast of the Unified Energy System of Kazakhstan for the years 2017-2023 with a view to 2030. Further, the increase of electricity production volumes was taken at the level of 2023.

Completion of the construction of the new production plants and mines in the mining sector until 2021 and an increase in electricity consumption are expected in the future.

For the period of 2019-2021 volume of the electricity to be sold was determined at the level of the Group's forecast. Further, growth of volumes was set in accordance with the balance of power of North zone according to data provided by the Ministry of Energy.

Volume	unit	2017	2018	2019	2020	2021	2022	2023	2024	2025
Export – Kyrgyzstan	Thousands megawatts/hour	500	500	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Kazakhstan	Thousands megawatts/hour	10,087	13,516	15,474	17,494	20,417	20,467	20,682	20,899	21,118
Capacity	Megawatt	-	-	30,000	30,000	30,000	30,411	30,822	31,238	38,263

If sales volumes decreased by 10%, the total carrying value of property, plant and equipment should be 91,100,899 thousands tenge less.

- *The discount rate is based on the calculation of the weighted average cost of capital, equal to 12.0%.*

If the weighted average cost of capital increased by 1%, the total carrying value of revalued property, plant and equipment would decrease by 45,689,405 thousands tenge.

As a result of the test, the recoverable amount of property, plant and equipment at 31 December 2016 amounted to 526,406,000 thousands tenge while their carrying value is 519,727,000 thousands tenge. Accordingly, management did not reveal any impairment of property, plant and equipment and intangible assets.

**Investments in EGRES-2**

As stated in Note 10, the Group has an investment in a joint venture EGRES-2. As of 31 December 2016 the carrying value of the investment was 31,810,629 thousands tenge.

In addition to the reasons stated above, the uncertainties associated with both the completion of the power unit #3, and sale of the electricity that will be generated by the power unit #3, indicates a potential impairment of property, plant and equipment EGRES-2 and therefore the possible impairment of the investment in EGRES-2.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Management of EGRES-2 considers all property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-2 monitors the recovery of the assets' cost.

Basic assumptions regarding the recoverable amount of property, plant and equipment and intangible assets is presented below:

- Forecasted tariffs

For the calculation of the recoverable amount of assets management of EGRES-2 has used the following tariffs for electricity:

- The average tariff for 2016 amounted to 6.59 tenge per 1 kWh, which represents the actual tariff applicable on the sale of electricity by the Company in 2016, and does not exceed the cap tariff, approved and set by Ministry of Energy for 2016-2018 years at a rate of 8.8 tenge per 1 kWh
- Projected weighted average tariffs for subsequent periods are as follows:

	2017	2018	2019	2020	2021	2022	2023	2024	2025
The tariff for electricity (Tenge per 1 kWh)	7.1	7.42	6.76	7.42	7.64	7.91	8.19	8.47	19.84

The forecast of tariff was based on management's expectations in connection with the resumption of the project on construction of the power unit # 3 in 2019. Expected increase in tariffs in 2025 is due to the expected commissioning of the power unit number 3, and changes in the tariff structure, which is due to introduction of capacity power market in the Republic of Kazakhstan. According to the Law "On Electric Power Industry" of the Republic of Kazakhstan the Company is able to obtain an individual tariff for the electricity. Establishing individual tariff is possible upon the completion of the power unit #3 with capacity of 630 MW and concluding investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses, takes into account the desired value to cover the costs associated with the investment component of repayment of the loan obligations incurred for the completion of the unit #3.

In case of decrease of the tariffs on electricity by 10%, recoverable amount of property, plant and equipment will be less than their carrying value by 38,562,593 thousands tenge. Therefore, the recoverable amount of the Group's investment in EGRES-2 will be less than its carrying value by 19,281,296 thousands tenge.

- Forecasted sales

Volumes of production and sale of electricity applied for the calculation of the recoverable amount of assets, Management considered forecasted volumes of production/sales of electricity from the power unit # 3 and the corresponding investment needed to complete construction. The EGRES-2 used the following estimates for volumes of electricity sales for the calculation the recoverable amount of assets:

	2017	2018	2019	2020	2021	2022	2023	2024	2025
The volume of electricity production (in millions of kWh)	5.821	5.188	5.537	5.730	5.823	5.823	5.823	5.823	9.600

Based on the results of this test, management did not reveal impairment of property, plant and equipment as at 31 December 2016.

Management anticipates that volumes of production and sales during the forecast period prior to putting into operation power unit #3 will be stable. The significant increase in sales volumes in 2025 is due to the expected launch of power unit #3. Management expects sufficient workload of power units of EGRES-2 in the forecast period after 2025. Forecast of volumes of sales have been made taking into account the following factors:

#### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

- Expected growth of electricity consumption is based on the forecast balance of electricity, approved by the Ministry of Energy of the Republic of Kazakhstan.
- Expected electricity shortages in the southern regions of the country, which allows the EGRES-2 to increase sales volumes in case of long-term growth of electricity consumption in the region.
- Expected improvement of electric transit potential due to the commissioning of the power transmission line "North - East - South", for the transmission of additional volumes of electricity from energy sources in Northern Kazakhstan to the eastern and southern regions.
- Expected output of power generation capacities from the power market as a result of physical wear and tear of most power plants.

According to reasons stated above, management believes that the EGRES-2's share of the electricity and power capacity markets will increase over the forecast period. Although the Management expects that the volume of electricity sales will increase during the forecast period, a decrease in volumes in possible range of 14% will lead to a loss from impairment of property, plant and equipment in the amount of 43,592,886 thousands tenge. Therefore, the recoverable amount of the Group's investment in EGRES-2 will be less than its carrying value by 21,796,443 thousands tenge

- The discount rate - 14.94%.

The rate was estimated considering the reflection of the current market assessment of the risks inherent to EGRES-2, and evaluated on the basis of the weighted average cost of capital for the industry. In the future to reflect changing risks inherent in the industry, and changes in the weighted average cost of capital may require further changes in the discount rate. Increasing the discount rate by 1% would lead to an impairment loss in the amount of 18,410,410 thousands tenge, and therefore the loss from impaired investments of the Group in EGRES-2 in the amount of 9,205,205 thousands tenge.

#### ***Accounting for property, plant and equipment***

Property with a carrying value of 20,009,181 thousands tenge belongs to the assets of the First Wind Power Plant (PVES) in the amount of 19,107,240 thousands tenge and Kapchagai Solar Power (Kapchagai SES) in the amount of 901,941 thousands tenge. Settlement and Financial Center - a subsidiary of KEGOC acts as the agent who buys the entire volume of electricity produced by companies producing electricity from renewable energy sources and resells it to stations producing electricity from coal and hydrocarbons. The entire volume of electricity is purchased at the station at a specified rate above the market rate, which is annually adjusted to the inflation.

According to the IASB (IFRIC) 4 contracts of this nature may contain signs of the lease. Management has assessed the requirements of the IASB (IFRIC) 4 and concluded that the contract is an operating lease in which PVES and Kapchagai SES represent lessors. Therefore, proceeds from the sale of electric power stations, were included in the income from the rental power plants.

Based on the measurement of fair value of investment property as of 31 December 2016 the Group has not identified signs of impairment of investment property (31 December 2015.: no signs).

#### ***Accounting for property of Hydropower companies***

In 1997 the Government of the Republic of Kazakhstan and AES Suntry Power Limited signed the agreement on concession of Hydropower companies assets. According to the concession agreement, the assets of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station were transferred to AES Suntry Power Limited with the right for ownership, usage and disposal for the period of 20 years, which can be extended for the further period of 10 years. Under the agreement terms, the Government of the Republic of Kazakhstan is entitled to an annual fee. AES Suntry Power Limited established the concession companies to manage the concession assets. The concession companies are fully responsible and liable for the property and operations of the hydropower stations from 31 December 1998 and in further periods under the agreement terms.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Upon expiration of the agreement, AES Suntry Power Limited will transfer its interest in the concession companies to the Government of the Republic of Kazakhstan for a consideration of US dollar 1 plus carrying amount of improvements made by AES Suntry Power Limited and the concession companies. Accordingly, AES Suntry Power Limited will transfer the ownership right for the concession companies to the Government of the Republic of Kazakhstan rather than transferring the property to the Hydropower companies.

Thus, the Group's management believes that the concession companies bear all risks and rewards related to the operations of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station. Accordingly, the cost of the property transferred under the concession agreement was not included in these consolidated financial statements.

***Recognition of revenue from electricity sales***

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant volume of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

***Useful lives of property, plant and equipment***

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If the estimated useful lives were different by 10% from management's estimates, the depreciation for the year ended 31 December 2016 would have been higher/lower by 4,532,634 thousands tenge (31 December 2015 : higher/lower by 3,482,801 thousands tenge).

***Settlement agreement with Akimat***

AZhK was involved in litigation with Akimat of Almaty city, a City administration (further "Akimat").

As of 31 December, 2016 the liability in the amount of 5,841,514 thousands tenge (2015: 5,841,514 thousands tenge) is reported as a financial payable in the consolidated financial statements according to settlement agreement dated 14 August, 2008. During 2013, as a result of the litigation, AZhK has recorded an additional provision in the amount of 929,907 thousands tenge and the State duty in the amount of 246,473 thousands tenge. On 31 December 2013 the State duty was fully paid.

On 14 February 2014 AZhK and Akimat signed an amicable agreement. Based on this agreement, the payable to Akimat would be offset against AZhK receivables from Almaty Heat Systems JSC in the amount of 433,158 thousands tenge and Energoberezhnie PUC in the amount of 3,281,556 thousands tenge, payment by AZhK to Akimat of 1,000,000 thousands tenge and acceptance from Akimat power lines in its communal ownership. Therefore, management did not recognise reserves from litigation in the amount of 929,907 thousands tenge, as based on the amicable agreement AZhK did not expect future outflows as of 31 December 2013, related to this obligation.

On 17 September 2014 AZhK and Almaty Heat Systems JSC signed agreement on writing off the debt of Almaty Heat Systems JSC in the amount of 433,158 thousands tenge. Therefore, AZhK reported this write-off as a decrease of financial payable to Akimat.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

On 28 September 2015 AZhK has signed a quadripartite agreement on offsetting mutual claims with Akimat, "Almaty heating networks" JSC and "Almaty Power Stations" JSC, according to which AZhK has to pay 1,000,000 thousands tenge in favour of "Almaty Power Stations" JSC until 30 June of 2016. AZhK paid the debt of "Almaty Power Stations" JSC in December 2015, thus payable to the Akimat of 31 December 2016 was reduced to 5,841,514 thousands tenge. According to the amicable agreement cash outflow for the repayment of this debt are not necessary. The debt will be written off after the transfer of electrical networks by the Akimat to AZhK.

**Balkhash Thermal Power Plant**

The project "Construction of the Balkhash Thermal Power Plant" (hereinafter the Project) is implemented in the framework of the intergovernmental agreement signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea. The agreement, signed in 2011, includes economic cooperation in the field of financing, design, construction, operation and maintenance of the power plant.

The shareholders of JSC "Balkhash Thermal Power Plant" (hereinafter BTPP) are "Samsung C&T Corporation" (hereinafter "Samsung C&T") and JSC "Samruk-Energy", holding 50% + 1 shares and 50% - 1 share, respectively, as of 31 December, 2016. (Note 11) The entity established in 2008 as a joint stock company. The original owner of the shares was JSC "Samruk-Energy".

In June 2012, JSC "BTPP" and Samsung Engineering signed a contract to design, supply and construct Balkhash thermal power plant with power capacity of 1320 MW ("EPC contract"). "Samsung Engineering Co. Ltd" and "Samsung C&T Corporation" are parties of the joint venture for the EPC.

Profitability of the project is ensured through the long-term contract dated 19 June 2014 for the purchase of services for the maintenance of available capacity of newly commissioned power generating units (hereinafter Capacity Purchase Agreement or CPA). The contract was signed by two parties: BTPP and JSC "KEGOC" (national grid and the national operator of the unified power system of the Republic of Kazakhstan); the tariffs in the contract are expressed in US dollars.

On 14 February 2012 JSC "Samruk-Energy" and Samsung C&T signed the "Option Agreement regarding the shares of JSC" BTPP ". In accordance with this agreement, Samsung C&T has the option to sell shares of BTPP, which means that Samsung C&T has the right to exercise the option, if the relevant conditions of the option agreement relating to the ratification of the Intergovernmental Agreement, the adoption of laws that give the opportunity to enter into the capacity purchase agreement, and the timely conclusion of the capacity purchase agreement with the conditions sufficient to attract project financing are not fulfilled.

Until August 2016 the JSC "Samruk-Energy" and Samsung C&T have repeatedly extended an option to sell the shares.

In view of the weakening exchange rate of tenge to foreign currencies in 2014, the feasibility study of the project has been corrected. Governmental examination approved the revised feasibility study dated 27 February 2014 and construction documents dated 25 July 2014.

In order to organize debt financing for the Project potential lenders require protecting the rights and interests of investors in accordance with the international practice of project financing.

In the absence of a coherent version of the Project support package, on 31 August 2016, Samsung C&T notified "Samruk-Energy" its intention to exercise the option to sell the shares in accordance with the Option Agreement.

Due to the lack of financing for BTPP, 31 August 2016 Samsung Engineering Co. Ltd also notified BTPP about the termination of the EPC contract.

The carrying amount of Samsung C&T equity in the BTPP is 32,085 million tenge. Samsung C & T has estimated the value of its investment in the BTPP being equal to 192 million US dollars, or 64 billion tenge.

After receiving notification from Samsung C&T, Samruk Energy and the Government of Kazakhstan has adopted a number of measures on regulation of this issue from October 2016 until now.

Taking into account the strategic importance of the project to ensure power system reliability in Southern Kazakhstan, the Government of Kazakhstan approved the continuation of negotiations with Samsung C&T.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

In particular, the Government of Kazakhstan and the state authorities of Kazakhstan held a number of meetings to discuss the further implementation of the Project with the participation of Samsung C&T.

On 29 December 2016 the Ministry of Energy of the Republic of Kazakhstan sent the following letters:

- to Samsung C&T with the draft letters of support of the Government of Kazakhstan,
- to the Ministry of Commerce, Industry and Energy of the Republic of Korea with the draft amendments to the intergovernmental agreement.

In January 2017, as a result of the negotiations on the continuation of the construction of the project, the parties entered into the following agreements, valid under condition of the issue Letters of support by the Government of the Republic of Kazakhstan:

- The agreement between the Samsung C&T Corporation and Samruk-Energy on providing four guarantees in the amount of 10 million dollars each to BTPP, to obtain bank loans.
- The agreement between Samruk-Energy, Samsung C&T Corporation (construction and engineering), Samsung Engineering Co. Ltd and BTPP, to guarantee the payment by Samruk-Energy to cover the debt of BTPP in favor of the Joint contractors for expenses related to the termination and suspension of construction. The agreement is valid under conditions of step below.
- The agreement between Samsung C&T Corporation and Samruk-Energy to provide the letter of credit in the amount of 28 million US dollars depending on the step above to Samsung C&T Corporation in favor of Samruk-Energy.
- The agreement between Dongfang Electric Co. Ltd, BTPP, Samsung C&T Corporation (trade and investment), Samsung C&T Corporation (construction and engineering), Samsung Engineering Co. Ltd and Samruk-Energy to provide Dongfang Electric Co. Ltd with two letters of credit in the amount of 57 million US dollars each, by Samsung C&T Corporation (trade and investment) and Samruk-Energy. This agreement includes BTPP commitment to pay the costs of the suspension in the amount of 13,3 million euros.
- The agreement between Siemens Aktiengesellschaft, SamsungC & T Corporation (trade and investment), Samsung C&T Corporation (construction and engineering), Samsung Engineering Co. Ltd and Samruk-Energy to provide Siemens Aktiengesellschaft with two letters of credit in the amount of 23,25 million euros each from the parties Samsung C&T Corporation (trade and investment) and Samruk-Energy. This agreement includes BTPP commitment to pay the costs of the suspension in the amount of 6.7 million euros.

On 23 January 2017 the Supreme Governance Committee of Samsung C&T and the Executive Committee of the Board of Directors, decided to enter into contracts for the issuance of letters of credit to Siemens and Dongfang, and issuance of standby letter of credit to Samruk-Energy and guarantees to BTPP to receive loans from the Banks .

On 27 January 2017 The Board of Directors of JSC "Samruk-Energy" has approved contracts for letters of credit for Siemens and Dongfang, guarantee agreements in favor of the EPC contractor and BTPP to receive loans from the Banks.

Management believes that the Group will receive the necessary support for the continuation of construction and further joint activities with Samsung C&T on the basis of the following factors:

- The project of construction of the Balkhash Thermal Power Plant is the subject of an intergovernmental agreement between the Republic of Kazakhstan and the Republic of Korea and is included in the state program of industrial-innovative development of Kazakhstan.
- The Government of the Republic of Kazakhstan set the future tariffs for the service to maintain the availability of capacity of power generating units in US dollars for the period from 2018 to 2039 years to support the project.

#### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

Therefore, management believes that most likely outcome of the negotiations will be a continuation of the project within the existing entity, and that the conditions of Capacity Purchase Agreement, including tariffs, denominated in US dollars, will provide sufficient cash flows to recover the investment and probability of an outflow of resources related to the option is negligible.

Negotiations concerning the conditions of the Letter of support for the project between the creditors and the Government are currently in process. As a result of meetings held in Astana on 9 and 10 February 2017 some conditions of Letter of support for the project, including questions about approval of changes in the tariff decree by the creditors, requirement for documentary justification on the Government's obligations by the creditors are still unresolved. Next, it is planned to hold governmental sessions on resolving these questions, as a result of which, negotiations on the support for project will continue.

Based on the arguments above, management believes that as of the date of approval of the consolidated financial statements it is not necessary to reflect the impairment of the Group's investment in JSC "BTPP" as well as recording additional obligations related to the project, including put option brought by Samsung C&T. At the same time management notes that at the date of signing the consolidated financial statements negotiations related to the continuation of the project are not finalized, thus such terms are not fixed in the form binding conditions for involved parties. Some conditions of further realization of this project have not been determined yet, thus it is impossible to assess their impact on the Group and on the consolidated financial statements.

The consolidated financial statements do not include any adjustments that might be required if BTPP is unable to continue as a going concern.

#### **5 Segment Information**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the management board of the Group. CODM is responsible for decision making on operating activities, assess segment results on the basis of revenue and profit before tax.

CODM monitors the revenue and operating profit. CODM also monitors the consolidated adjusted EBITDA, which is calculated as profit/(loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill, share of profit/(loss) of associates and joint ventures and effects, related to acquisition and other similar effects. Sequence for identification of adjusted EBITDA by Group might be different from sequence used by other companies.

##### ***(a) Description of products and services from which each reportable segment derives its revenue***

The Group is organised on the basis of three main business segments:

- Production of electricity and heating energy;
- Transmission and distribution of electricity;
- Sale of electricity.

##### ***(b) Performance of operating segments***

The CODM evaluates performance of each segment based on a measure of revenue and operating profit.

The entities whose operations were reclassified as the discontinued operations continued to participate in the Group's operations as of December 31, 2016, the operating results of which are regularly reviewed by CODM. The results of discontinued operations are included in the segment information.



**SAMRUK-ENERGY JSC**  
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**5 Segment Information (Continued)**

	Production of electricity and heating energy		Electricity transmission and distribution		Sale of electricity		Others		Total	
<i>In thousands of Kazakhstan Tenge</i>	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
External revenues	93,414,504	96,519,965	15,492,947	13,676,050	118,276,688	115,944,860	3,509,269	2,724,204	230,693,408	228,865,079
Inter-segment revenue	55,414,783	52,971,246	41,380,203	39,149,472	919	999	-	-	96,795,905	92,121,717
<b>Total revenue</b>	<b>148,829,287</b>	<b>149,491,211</b>	<b>56,873,150</b>	<b>52,825,522</b>	<b>118,277,607</b>	<b>115,945,859</b>	<b>3,509,269</b>	<b>2,724,204</b>	<b>327,489,313</b>	<b>320,986,796</b>
Impairment of assets	-	355,495	-	(3,972,777)	-	-	-	-	-	(3,617,282)
<b>Profit/(loss) before income tax</b>	<b>19,625,110</b>	<b>(28,373,391)</b>	<b>9,045,345</b>	<b>5,057,368</b>	<b>(265,822)</b>	<b>(157,284)</b>	<b>(2,230,333)</b>	<b>(50,565,739)</b>	<b>26,174,300</b>	<b>(74,039,046)</b>
Capital expenditure	52,038,173	74,196,456	33,709,417	17,495,242	137,279	95,580	366,759	1,212,478	86,251,628	92,999,756
Reportable segment assets	742,971,509	743,569,642	162,353,654	144,655,572	12,600,827	12,675,266	156,853,999	142,808,075	1,074,779,989	1,043,708,555
Reportable segment liabilities	267,259,411	282,728,103	68,978,723	62,995,087	14,358,745	14,349,235	242,039,890	254,568,200	592,636,769	614,640,625

**5 Segment Information (Continued)**

**(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total revenues for reportable segments	323,980,044	318,262,591
Revenues from other operations	3,509,269	2,724,205
<b>Total revenue</b>	<b>327,489,313</b>	<b>320,986,796</b>
Elimination of sales between segments	(96,795,905)	(92,121,717)
Discontinued operations	(49,383,350)	(45,042,794)
<b>Total consolidated revenues</b>	<b>181,310,058</b>	<b>183,822,285</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Total consolidated adjusted EBITDA</b>	<b>71,235,425</b>	<b>80,232,934</b>
Finance income	7,658,468	2,728,571
Finance cost	(19,217,534)	(109,214,671)
Depreciation and amortisation	(42,152,444)	(38,847,742)
Impairment of assets	-	(3,617,282)
Gain on fair value measurement of previously held interest	-	-
Share in profit/(loss) of joint ventures and associates	4,894,680	(10,172,534)
<b>Profit/(loss) before income tax from continuing operations</b>	<b>22,418,595</b>	<b>(78,836,618)</b>
Profit before income tax from discontinued operations	3,755,706	4,797,572
<b>Total profit/(loss) before income tax</b>	<b>26,174,301</b>	<b>(74,039,046)</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total reportable segment assets	917,925,990	900,900,480
Assets from other operations	156,853,999	142,808,075
<b>Total assets</b>	<b>1,074,779,989</b>	<b>1,043,708,555</b>
Elimination of balances between segments	(25,732,181)	(17,417,722)
<b>Total consolidated assets</b>	<b>1,049,047,808</b>	<b>1,026,290,833</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total reportable segment liabilities	350,596,880	360,072,425
Liabilities from other operations	242,039,890	254,568,200
<b>Total liabilities</b>	<b>592,636,770</b>	<b>614,640,625</b>
Elimination of balances between segments	(60,185,097)	(70,870,229)
<b>Total consolidated liabilities</b>	<b>532,451,673</b>	<b>543,770,396</b>

**5 Segment Information (Continued)**

***(d) Analysis of revenues by products and services***

The Group's revenues are analysed by products and services in Note 22. Majority of sales of the Group are within Kazakhstan.

***(e) Major customers***

During the years ended 31 December 2016 and 31 December 2015 there were no customers for which sales of the Group represented 10% or more of the total revenues.

## 6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2016 and 31 December 2015 is detailed below.

At 31 December 2016, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Trade and other receivables	1,551,209	350,306	61,335	-	3,754,544
Cash and cash equivalents	33,699	-	-	-	284,000
Other current assets	110,793	1,728,179	-	-	93
Finance assets	-	-	-	223,491	-
Borrowings	-	-	755,359	58,381,851	22,339,093
Trade and other payables	2,746,724	1,856,038	3,353	59,987	292,461
Other payables	-	5,489	244,803	-	931,083

At 31 December 2015, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Trade and other receivables	1,674,442	310,654	10,552	-	3,968,625
Cash and cash equivalents	27,333	-	-	-	964,050
Other non-current assets	76,901	609,095	-	-	13,292
Other current assets	6,825,446	-	-	223,491	-
Borrowings	-	-	216,769	57,537,094	24,583,534
Trade and other payables	2,645,981	1,909,491	839,427	60,725	1,536,011

**6 Balances and Transactions with Related Parties (Continued)**

The income and expense items with related parties for the year ended 31 December 2016 were as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Revenue	23,078,448	2,419,895	2,555,651	-	18,631,126
Cost of sales	31,502,773	16,961,970	11,784	-	3,334,283
General and administrative expenses	411,720	-	-	-	-
Distribution costs	2,976,679	-	-	-	-
Other expenses	116,733	-	-	100,119	243,828
Other income	353,581	17,635	8	-	9,788
Finance costs	-	-	81,231	5,335,736	1,499,259
Finance income	286,132	-	-	12,958	-
Loss on foreign exchange	82,078	35,477	-	-	200,128

The income and expense items with related parties for the year ended 31 December 2015 were as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>Companies under common control</b>	<b>JVs and associates of Samruk-Energy</b>	<b>JVs and associates of Samruk-Kazyna</b>	<b>Shareholder</b>	<b>Government related entities</b>
Revenue	18,075,063	2,448,159	456,684	-	18,090,709
Cost of sales	26,041,552	22,454,505	21,697	-	3,052,573
General and administrative expenses	396,756	-	-	67,511	-
Distribution costs	2,916,615	-	-	-	-
Other expenses	177,559	568,309	-	-	1,278,805
Other income	219,952	-	-	410	-
Finance costs	-	-	-	11,362,716	1,279,352
Finance income	207,404	-	-	12,958	-
Loss on foreign exchange	3,181,831	-	-	-	-

As of the 31 December 2016 , Group has following outstanding guarantees from Related Parties:

- Corporate guarantee from Samruk-Kazyna, to the amount of 50,000,000 USD for loan arrangement with state development bank of China (2015 : 50,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of 12,285,000 thousands tenge for outstanding loan to Development Bank of Kazakhstan (2015 : 12,285,000 thousands tenge)
- Governmental guarantee to the amount of 25,000,000 USD for outstanding loan to Development Bank of Kazakhstan (2015 : 25,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of 91,412,308 thousands tenge for outstanding loan to Eurasian development bank (2015 : 93,247,975 thousands tenge)

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Key management compensation	184,896	403,487
<b>Total key management compensation</b>	<b>184,896</b>	<b>403,487</b>

**6 Balances and Transactions with Related Parties (Continued)**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2016 include 8 persons (31 December 2015: 8 persons).

Transactions with related parties are made on terms agreed between the parties that do not necessarily correspond to market rates, with the exception of regulated services that are provided on the basis of the tariffs proposed for related parties.

Revenue from related parties include:

<i>In thousands of Kazakhstan tenge</i>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2016</b>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2015</b>
Sale of electricity	18,060,131	4,975,546	18,631,126	<b>41,666,804</b>	13,596,322	2,904,843	18,090,709	<b>34,591,874</b>
Electricity transmission	5,008,543	-	-	<b>5,008,543</b>	4,473,729	-	-	<b>4,305,722</b>
Other	9,774	-	-	<b>9,774</b>	5,012	-	-	<b>5,012</b>
<b>Total</b>	<b>23,078,448</b>	<b>4,975,546</b>	<b>18,631,126</b>	<b>46,685,121</b>	<b>18,075,063</b>	<b>2,904,843</b>	<b>18,090,709</b>	<b>38,902,608</b>

Purchases from related parties include:

<i>In thousands of Kazakhstan tenge</i>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2016</b>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2015</b>
Fuel	16,040,739	16,973,755	-	<b>33,014,494</b>	13,174,767	22,454,505	-	<b>35,629,272</b>
Water supply	-	-	3,334,252	<b>3,334,252</b>	-	-	3,052,573	<b>3,052,573</b>
Electricity transmission and other services	10,358,382	-	-	<b>10,358,382</b>	10,515,884	-	-	<b>10,515,884</b>
Electricity losses on transmission	2,417,558	-	-	<b>2,417,558</b>	2,228,893	-	-	<b>2,228,893</b>
Others	2,686,094	-	31	<b>2,686,125</b>	122,008	21,697	-	<b>143,705</b>
<b>Total</b>	<b>31,502,773</b>	<b>16,973,755</b>	<b>3,334,283</b>	<b>51,810,811</b>	<b>26,041,552</b>	<b>22,476,202</b>	<b>3,052,573</b>	<b>51,570,327</b>

## **7 Property, Plant and Equipment**

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>Buildings and constructions</b>	<b>Machinery and equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
Cost at 1 January 2015	186,927,891	544,940,957	15,150,802	92,568,147	839,587,797
Accumulated depreciation and impairment	(28,423,607)	(59,186,917)	(4,327,496)	(340,718)	(92,278,738)
<b>Carrying amount at 1 January 2015</b>	<b>158,504,284</b>	<b>485,754,040</b>	<b>10,823,306</b>	<b>92,227,429</b>	<b>747,309,059</b>
Additions	349,296	2,191,389	1,717,733	96,121,659	100,380,077
Acquisition through business combination	11,334	2,179	21,231	-	34,744
Transfers	34,606,159	35,764,155	609,772	(70,980,086)	-
Depreciation	(10,080,990)	(27,018,519)	(1,211,303)	-	(38,310,812)
Disposals	(129,131)	(530,101)	(37,681)	(308,604)	(1,005,517)
Impairment reversal	870,798	146,223	1,329	535,451	1,553,801
Impairment charge to profit or loss	(190,511)	(3,179,556)	(73,884)	(1,671,065)	(5,115,016)
<b>Carrying amount at 31 December 2015</b>	<b>183,941,239</b>	<b>493,129,810</b>	<b>11,850,503</b>	<b>115,924,784</b>	<b>804,846,336</b>
Cost at 31 December 2015	217,917,315	580,570,951	17,300,740	117,391,527	933,180,533
Accumulated depreciation and impairment	(33,976,076)	(87,441,141)	(5,450,237)	(1,466,743)	(128,334,197)
<b>Carrying amount at 31 December 2015</b>	<b>183,941,239</b>	<b>493,129,810</b>	<b>11,850,503</b>	<b>115,924,784</b>	<b>804,846,336</b>
Additions	94,908	1,173,712	712,761	71,168,296	73,419,677
Transfers	23,414,955	51,025,453	199,760	(74,640,168)	-
Change in accounting estimates	432,152	-	(888,477)	-	(456,325)
Depreciation	(11,645,046)	(32,343,043)	(1,338,247)	-	(45,326,336)
Disposal	(97,240)	(247,278)	(124,600)	(804,040)	(1,272,617)
Transfer to assets held for sales	(11,098,452)	(32,474,762)	(1,614,837)	(9,481,043)	(54,669,095)
<b>Carrying amount at 31 December 2016</b>	<b>185,042,515</b>	<b>480,263,893</b>	<b>8,797,404</b>	<b>102,167,828</b>	<b>776,271,640</b>
Cost at 31 December 2016	222,263,504	581,115,509	13,231,709	103,875,116	920,485,838
Accumulated depreciation and impairment	(37,220,988)	(100,851,617)	(4,434,306)	(1,707,287)	(144,214,198)
<b>Carrying amount at 31 December 2016</b>	<b>185,042,515</b>	<b>480,263,893</b>	<b>8,797,404</b>	<b>102,167,828</b>	<b>776,271,640</b>

Additions for the year ended 31 December 2016 include capitalized borrowing costs in the amount of 6,596,352 thousands tenge (2015: 4,572,696 thousands tenge).

As at 31 December 2016 the property, plant and equipment with carrying value of 5,601,990 thousands tenge (31 December 2015: 4,370,606 thousands tenge) were pledged as collateral for borrowings received by the Group from JSC "Development Bank of Kazakhstan" (Note 20).

**7 Property, Plant and Equipment (Continued)**

Depreciation charge is allocated to the following items of profit and loss for the year:

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated *)</b>
Cost of sales	40,759,715	37,321,524
General and administrative expenses	902,120	968,978
Discontinued operations	3,648,870	-
Other expense	15,631	20,310
<b>Total depreciation charges</b>	<b>45,326,336</b>	<b>38,310,812</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

**8 Intangible Assets**

<i>In thousands of Kazakhstani Tenge</i>	<b>Licenses</b>	<b>Computer software</b>	<b>Other</b>	<b>Total</b>
Cost at 1 January 2015	223,713	2,466,384	831,353	3,521,450
Accumulated amortisation	(120,736)	(904,884)	(45,287)	(1,070,907)
<b>Carrying amount at 1 January 2015</b>	<b>102,977</b>	<b>1,561,500</b>	<b>786,066</b>	<b>2,450,543</b>
Additions	63,030	172,993	387,576	623,599
Disposals	-	(766)	(194,679)	(195,445)
Transfers	-	257,410	324,800	582,210
Amortisation charge	(48,768)	(372,349)	(115,813)	(536,930)
Impairment provision	(1,933)	(27,081)	-	(29,014)
<b>Carrying amount at 31 December 2015</b>	<b>115,306</b>	<b>1,591,707</b>	<b>1,187,950</b>	<b>2,894,963</b>
Cost at 31 December 2014	285,744	2,726,759	1,350,819	4,363,322
Accumulated amortisation	(170,438)	(1,135,052)	(162,869)	(1,468,359)
<b>Carrying amount at 31 December 2015</b>	<b>115,306</b>	<b>1,591,707</b>	<b>1,187,950</b>	<b>2,894,963</b>
Additions	93,621	268,314	61,094	423,029
Disposals	-	(1,613)	-	(1,613)
Transfers	42,850	267,250	15,854	323,954
Amortisation charge	(47,462)	(383,727)	(155,773)	(586,962)
Transfer to assets held for sale	(14,628)	(648,420)	(187,054)	(850,102)
<b>Carrying amount at 31 December 2016</b>	<b>189,687</b>	<b>1,093,511</b>	<b>922,071</b>	<b>2,205,269</b>
Cost at 31 December 2016	399,744	2,330,935	1,141,941	3,872,620
Accumulated amortisation	(210,057)	(1,237,424)	(219,870)	(1,667,351)
<b>Carrying amount at 31 December 2016</b>	<b>189,687</b>	<b>1,093,511</b>	<b>922,071</b>	<b>2,205,269</b>



## **9 Investment Property**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cost at 1 January	1,660,754	1,660,754
Accumulated depreciation	(886,052)	(778,212)
<b>Carrying amount at 1 January</b>	<b>774,702</b>	<b>882,542</b>
Depreciation	(106,917)	(107,840)
Cost at 31 December	1,660,754	1,660,754
Accumulated depreciation	(992,969)	(886,052)
<b>Carrying amount at 31 December</b>	<b>667,785</b>	<b>774,702</b>

Investment property mostly represents the property of Bukhtarminskaya hydropower station transferred under operating lease according to the concession agreement (Note 4).

When the Group acts as a lessor, the future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Within 1 year	2,832,965	2,890,085
Between 1 year and 5 years	11,331,860	11,560,340
Above 5 years	4,249,447	7,225,213
<b>Total future minimum lease payments</b>	<b>18,414,272</b>	<b>21,675,648</b>

During the year ended 31 December 2016 the Group received income from the operating lease of Bukhtarminskaya hydropower station in the amount of 3,501,909 thousands tenge (2015: 2,563,782 thousands tenge) (Note 22).

The fair value of the investment property, determined as a sum of discounted minimum lease payments, at 31 December 2016 is 10,950,240 thousands tenge (31 December 2015: 13,750,307 thousands tenge). For determination of fair value, the Group did not engage an independent appraiser. The fair value of the investment property was determined by discounting future cash flows from lease payments.

**10 Investments in Joint Ventures and Associates**

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

	Joint ventures		Associate	
	EGRES-2	Forum Muider	BTES	Total
<i>In thousands of Kazakhstan Tenge</i>				
<b>Balance at 1 January 2015</b>	<b>42,290,615</b>	<b>26,049,797</b>	<b>10,556,290</b>	<b>78,896,702</b>
Contribution to share capital	-	-	8,906,910	8,906,910
Share of profit or loss of joint ventures and associates	(12,767,669)	5,058,405	(2,463,270)	(10,172,534)
Dividend received	-	(5,583,500)	-	(5,583,500)
<b>Balance at 31 December 2015</b>	<b>29,522,946</b>	<b>25,524,702</b>	<b>16,999,930</b>	<b>72,047,578</b>
Contribution to share capital	-	-	12,483,260	12,483,260
Share of profit or loss of joint ventures and associates	787,683	6,019,665	(1,912,668)	4,894,680
Dividend received	1,500,000	(5,019,479)	-	(3,519,479)
<b>Balance at 31 December 2016</b>	<b>31,810,629</b>	<b>26,524,888</b>	<b>27,570,522</b>	<b>85,906,040</b>

As of 31 December 2016, The Group has interests in the following jointly controlled entities:

- EGRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.
- Forum Muider – 50%. The remaining 50% is owned by UC RUSAL.

Samruk-Energy JSC and INTER RAO EAS pledged 100% of shares of EGRES-2 JSC valued as of the date of the Guarantee contract in the amount of 10,582,636,400 tenge as collateral for the loan of EGRES-2 JSC taken from EADB.

The Group has shares in associated company: Balkhash TPP (50% minus 1 share), the entity registered in the Republic of Kazakhstan and established by the Group in 2008 for the construction of the Balkhash thermal power plant. Entity's shareholders are Samsung C&T Corporation and Samruk-Energy JSC, share participation of 50% + 1 shares and 50% - 1 share, respectively, as of 31 December 2016 (2015: 62% and 38 %, respectively) (Note 4).

**10 Investment in Joint Ventures and Associates (Continued)**

Presented below is summarised financial information of joint ventures and associate at 31 December 2016 and 2015 and for the years then ended:

<i>In thousands of Kazakhstani Tenge</i>	<b>EGRES-2</b>		<b>Forum Muider</b>		<b>BTES</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total current assets	9,746,166	10,211,936	21,791,864	19,452,520	397,587	1,280,786
Total non-current assets	151,882,745	150,417,037	62,435,065	62,639,691	71,256,098	60,759,801
Total current liabilities	(39,236,931)	(11,110,383)	(22,918,189)	(20,515,538)	(20,520,115)	(17,214,549)
Total non-current liabilities	(58,770,722)	(90,472,698)	(8,258,963)	(10,527,269)	-	-
<b>Net assets</b>	<b>63,621,258</b>	<b>59,045,892</b>	<b>53,049,777</b>	<b>51,049,404</b>	<b>51,133,570</b>	<b>44,826,038</b>
Revenue	31,480,140	25,862,638	86,856,373	78,656,874	-	-
<b>Profit or loss before tax</b>	<b>1,901,514</b>	<b>(31,698,565)</b>	<b>14,030,882</b>	<b>15,147,669</b>	<b>(4,968,327)</b>	<b>(6,491,910)</b>
<b>Total comprehensive income/(loss)</b>	<b>1,575,366</b>	<b>(25,535,337)</b>	<b>12,039,330</b>	<b>12,241,509</b>	<b>(4,968,327)</b>	<b>(6,495,241)</b>

The only reconciling difference between the above amounts and the carrying amount of the investments in associates and joint ventures is elimination of the ownership interest by the other investors in the associates and joint ventures.

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 30. Transactions and balances with joint ventures are presented in Note 6.

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**11 Other Non-Current Assets**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepayments for non-current assets	15,302,114	9,810,591
Non-current VAT recoverable	1,429,099	2,960,833
Restricted cash	895,025	920,998
Long-term deposits	62,525	261,733
Bonds	-	220,000
Other	165,172	82,654
<b>Total other non-current assets</b>	<b>17,853,935</b>	<b>14,256,809</b>

*Prepayments for non-current assets*

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and property, plant and equipment:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Modernization of Shardara GES	7,453,393	6,777,877
Construction and reconstruction of substations in Almaty and Almaty region	5,479,090	302,244
Construction of administrative building	2,200,000	2,200,000
Reconstruction and expansion of HPP-2 of ALES	138,680	150,100
Other	30,951	380,370
<b>Total prepayments for non-current assets</b>	<b>15,302,114</b>	<b>9,810,591</b>

**12 Inventories**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Auxiliary production materials	5,421,363	3,369,630
Fuel	4,113,423	5,188,317
Spare parts	617,517	6,191,721
Raw materials	24,416	31,866
Other materials	479,012	699,913
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(974,193)	(1,703,492)
<b>Total inventories</b>	<b>9,681,538</b>	<b>13,777,955</b>

Presented below is movement in the Group's provision for write down to net realisable value and provision for slow-moving and obsolete inventories:

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Provision, 1 January		1,703,492	1,965,508
Provision reversed	23	(653,053)	(239,548)
Transfer to assets held for sale		(61,495)	-
Inventories written off during the year		(14,751)	(22,468)
<b>Provision for impairment at 31 December</b>		<b>974,193</b>	<b>1,703,492</b>

### 13 Trade and Other Receivables

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade receivables	16,054,148	18,348,676
Less: impairment provision	(217,216)	(1,038,111)
<b>Total financial assets</b>	<b>15,836,932</b>	<b>17,310,565</b>
Other receivables	4,147,560	6,449,714
Less: impairment provision	(3,824,395)	(3,917,441)
<b>Total trade and other receivables</b>	<b>16,160,097</b>	<b>19,842,838</b>

As of 31 December 2016 the long term receivable from LLP “Maikuben West” was fully impaired in amount of 3,477,982 thousands tenge.

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Provision for impairment at 1 January		1,038,111	1,326,974
Provision for impairment charged during the year		3,352	609,626
Reversal of provision during the year		-	(830,481)
Amounts written off during the year as uncollectible		(26,839)	(68,008)
Transfer to assets held for sale		(797,408)	-
<b>Provision for impairment at 31 December</b>		<b>217,216</b>	<b>1,038,111</b>

Presented below is the analysis of financial assets by credit quality:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Current and not impaired	14,802,371	13,684,310
<b>Total current and not impaired</b>	<b>14,802,371</b>	<b>13,684,310</b>
<i>Past due but not impaired</i>		
- up to 30 days overdue	58,536	57,775
- 30 to 90 days overdue	766,873	2,699,905
- 90 to 120 days overdue	52,318	166,425
- 120 days -360 days overdue	156,834	702,150
<b>Total past due but not impaired</b>	<b>1,034,561</b>	<b>3,626,255</b>
<i>Total individually impaired (gross)</i>		
- to 90 days overdue	-	4,603
- 90 to 180 days overdue	-	113,053
- 180 to 360 days overdue	-	537,743
- over 360 days overdue	217,216	382,712
<b>Total individually impaired</b>	<b>217,216</b>	<b>1,038,111</b>
Less: impairment provision	(217,216)	(1,038,111)
<b>Total financial assets</b>	<b>15,836,930</b>	<b>17,310,565</b>

**14 Other Current Assets**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Term deposits	31,569,244	30,107,680
Restricted cash	6,399,315	5,695,685
VAT recoverable and prepaid taxes	2,141,687	3,430,740
Dividends receivable	1,728,179	2,108,905
Advances to suppliers	1,406,572	1,099,783
Assets held for the benefit of the Shareholder	1,096,559	988,787
Bonds	223,491	6,830,737
Other	851,239	604,648
Less: impairment provision	(639,658)	-
<b>Total other current assets</b>	<b>44,776,628</b>	<b>50,866,965</b>

Restricted cash represents cash received from electricity sales placed to the pledge account according to the loans agreement with the Development Bank of China in the amount of 6,017,282 thousands tenge (31 December 2015: 5,695,685 thousands tenge). Management believes that it will be able to use this cash not only for the repayment of loans and interest, but also for covering its operating expenses. Restricted cash balances are held in USD.

As at 31 December 2016 the Group had placed restricted cash on bank accounts of Kazinvestbank JSC in amount of 381,368 thousands tenge and accrued a provision for these funds as a result of the decree #291 dated 26 December 2016 of National Bank of Kazakhstan on withdrawal of banking license of Kazinvestbank JSC.

On behalf of the Shareholder, the Group has made a commitment for the construction of a kindergarten in Astana for the amount of 1,174,068 thousands tenge. The Group has accrued liability for the estimated amount of construction for amount of 1,174,068 thousands tenge as other distributions to shareholder. As at 31 December 2016, the Group incurred expenses associated with the construction of a kindergarten of 1,096,559 thousands tenge and transferred an advance payment of 36,306 thousands tenge. These actually incurred expenses are recorded as current assets held for the benefit of shareholders, as it is expected that these assets will be transferred to the shareholder during 2017 as the distribution of income to the shareholder pursuant to the decision of the shareholder.

**15 Cash and Cash Equivalents**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Deposits on demand	12,828,149	12,444,844
Cash at current bank accounts	4,503,077	19,465,578
Cash on hand	19,305	17,089
<b>Total cash and cash equivalents</b>	<b>17,350,461</b>	<b>31,927,511</b>

Term deposits and current deposits have contractual maturity terms less than three months or are available on demand.

Cash and cash equivalents balances are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Kazakhstani Tenge	15,244,231	22,017,179
US Dollar	2,044,227	5,915,648
Other currencies	64,003	3,994,684
<b>Total cash and cash equivalents</b>	<b>17,350,461</b>	<b>31,927,511</b>

**16 Non-current Assets Held for Sale and Disposal Groups**

On 23 of November 2016 the Board of Directors approved the terms of sale a number of subsidiaries in accordance with the Decree of the Government on the privatization of assets. As of 31 December 2016 all assets and liabilities of East Kazakhstan regional electricity distribution company (VKREC), Shygys Energo Trade LLP (SHET), Mangistau electricity distribution company (MEDC), Aktobe TPS, Mangyshlak Munay (MM), Tegis Munay (TM) have been included in assets held for sale.

Since the operations of VKREK, SHET, MEDC, Aktobe TPS, MM and TM represented separate major types of the Group's operations, these disposal groups are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income (Note 30), and therefore the comparatives have been restated and presented in accordance with the presentation of the current year.

In addition, on 13 September 2016, management of ALES approved plan on realization of Corporate Study Centre and Talgar HPP (246,725 thousands tenge).

Major classes of assets classified as disposal group are as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>Aktobe TPS</b>	<b>MEDC</b>	<b>EKREDC</b>	<b>SET</b>	<b>MM</b>	<b>TM</b>	<b>Total</b>
Property, plant and equipment	9,696,975	29,183,262	15,365,739	116,716	21,523	3,544	54,387,760
Intangible assets	22,591	389,783	392,770	28,802	297	5	834,248
Exploration assets	-	-	-	-	6,200,905	7,745,990	13,946,895
Other non-current assets	67,634	278,556	-	-	603,418	3,959	953,567
Deferred income tax assets	-	-	-	37,141	-	-	37,141
Inventories	363,906	191,645	219,991	9,990	3,552	487	789,571
Trade receivables	537,925	323,812	282,437	2,121,639	224	-	3,266,036
Other current assets	78,993	631,271	41,598	473,154	2,026	11	1,227,053
Cash and cash equivalents	17,905	833,039	187,736	206,071	12,724	657	1,258,132
<i>Total non-current assets and assets of disposal groups classified as held for sale</i>	<i>10,785,929</i>	<i>31,831,366</i>	<i>16,490,272</i>	<i>2,993,514</i>	<i>6,844,669</i>	<i>7,754,653</i>	<i>76,700,403</i>
Employee benefits	110,840	92,015	129,789	-	-	-	332,644
Loans	-	13,121,103	1,891,007	1,500,000	-	-	16,512,110
Deferred income tax liability	550,128	1,922,602	874,216	-	-	-	3,346,946
Other liabilities	255,301	2,592,527	840,682	1,143,672	63,085	1,877	4,897,144
Trade payables	1,296,696	1,539,072	1,966,129	1,510,983	5,701	222	6,318,803
<i>Total liabilities of disposal groups classified as held for sale and liabilities directly associated with disposal groups</i>	<i>2,212,965</i>	<i>19,267,319</i>	<i>5,701,823</i>	<i>4,154,655</i>	<i>68,786</i>	<i>2,099</i>	<i>31,407,647</i>

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**17 Equity**

**Share Capital**

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share Capital, (thousands of Tenge)
<b>Balance at 1 January 2015</b>		<b>5,585,437</b>		<b>355,364,386</b>
Payment of unpaid portion of previous issues:				
14 <sup>th</sup> issue of shares	15 of July 2015	286	1,000,065	286,019
<b>Balance at 31 December 2015</b>		<b>5,585,723</b>		<b>355,650,405</b>
Payment of unpaid portion of previous issues:				
15 <sup>th</sup> issue of shares	1 of April 2016	10,964	1,000,044	10,964,483
16 <sup>th</sup> issue of shares	14 of July 2016	2,239	1,340,000	3,000,260
17 <sup>th</sup> issue of shares	23 of August 2016	2,761	1,340,000	3,699,740
<b>Balance at 31 December 2016</b>		<b>5,601,687</b>		<b>373,314,888</b>

At 31 December 2016, 5,601,687 issued common shares were fully paid (31 December 2015: 5,585,723 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2016		31 December 2015	
	Samruk-Kazyna	Total	Samruk-Kazyna	Total
Number of paid common shares	5,601,687	5,601,687	5,585,723	5,585,723
% of ownership	100%	100%	100%	100%
<b>Total share capital</b>	<b>373,314,888</b>	<b>373,314,888</b>	<b>355,650,405</b>	<b>355,650,405</b>

**Other reserves**

<i>In thousands of Kazakhstan Tenge</i>	Merger reserve	Result of transactions with shareholder	Other comprehensive loss	Total
<b>Balance at 1 January 2015</b>	<b>37,282,287</b>	<b>18,025,646</b>	<b>(314,836)</b>	<b>54,993,097</b>
Other comprehensive loss	-	-	3,106	3,106
Gain on initial recognition on Samruk-Kazyna loan (Note 18)	-	72,581,903	-	72,581,903
<b>Balance at 31 December 2015</b>	<b>37,282,287</b>	<b>90,607,549</b>	<b>(311,730)</b>	<b>127,578,106</b>
Other comprehensive loss	-	-	61,271	-
<b>Balance at 31 December 2016</b>	<b>37,282,287</b>	<b>90,607,549</b>	<b>(250,459)</b>	<b>127,639,377</b>



## 17 Equity (Continued)

### *Merger reserve and results of transactions with shareholders*

The merger reserve represents the difference between the carrying amount of net assets of subsidiaries transferred under common control, as well as the difference between fair value of consideration transferred and non-controlling interest in acquisition of non-controlling interest from minority shareholders.

On 22 April 2016, the Group declared dividends in the amount of 365.4 tenge per ordinary share (2015: 855.99 tenge). Dividends were fully paid on 27 October 2016.

On 25 December 2015 the loan agreement was significantly amended in accordance with the amendment #369, the interest rate on the principal amount was reduced from 9% to 1% per annum. At the date when loan conditions changed the market rate was 12.8% per annum. The Group recognized a gain on initial recognition of the loan in the amount of 72,581,903 thousands tenge as part of other reserves. Management believes that by providing a loan at a rate below market, Samruk-Kazyna acted as the Group's shareholder. Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date.

## 18 Employee Benefit Obligation

Employee benefit obligations are provided for in accordance with the terms and conditions set forth in the general labour agreements signed by the Group entities.

Changes in employee benefits obligations are as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Present value of defined benefit obligations at 1 January	1,111,772	1,102,643
Actuarial losses	(103,149)	20,201
Unwinding of the present value discount	59,424	86,496
Discontinued operations	-	329,137
Non-current service cost	157,497	-
Current service cost	86,663	9,814
Benefits paid	(116,870)	(95,762)
<b>Present value of defined benefit obligations at 31 December</b>	<b>1,195,337</b>	<b>1,452,529</b>

Amounts recognised in the consolidated statement of financial position are as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Short-term portion of defined benefit obligations	107,624	122,689
Long-term portion of defined benefit obligations	1,087,713	1,329,840
<b>Total</b>	<b>1,195,337</b>	<b>1,452,529</b>

Amounts recognised in profit and loss for the period are as follows:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Actuarial (gains)/losses	(41,878)	23,307
Unwinding of the present value discount	59,424	86,496
Current service cost	86,663	9,814
<b>Expense recognised in profit and loss for the period</b>	<b>104,209</b>	<b>119,617</b>
Actuarial (gains)/losses recognized in other comprehensive income	(61,271)	3,106

## **18 Employee Benefit Obligation (Continued)**

Principal actuarial assumptions used at 31 December 2016 and 31 December 2015 were as follows:

<i>In percentage</i>	<b>2016</b>	<b>2015 (restated)*</b>
Discount rate	9,7%	5.86%-7.1%
Annual minimum salary and monthly calculation index increase	7%	7%-8%
Average lapse rate:		
- administrative and management personnel	18.22%-20.11%	3.95%-18.93%
- production personnel	9.71%-10.89%	4.2%-14.18%

## **19 Borrowings**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Non-current portion</b>		
Bank term loans	137,031,748	108,113,692
Loans from Samruk-Kazyna	55,764,655	54,355,849
Loans from customers	1,648,554	1,875,738
Bonds issued	-	175,813,521
<b>Total borrowings-non-current portion</b>	<b>194,444,957</b>	<b>340,158,800</b>
<b>Current portion</b>		
Bonds issued	166,751,874	387,285
Bank term loans	22,657,845	66,212,250
Loans from Samruk-Kazyna	2,617,196	3,181,244
Loans from customers	638,370	613,445
Notes payable	450,358	450,358
<b>Total borrowings-current portion</b>	<b>193,115,643</b>	<b>70,844,582</b>
<b>Total borrowings</b>	<b>387,560,600</b>	<b>411,003,382</b>

## **19 Borrowings (Continued)**

Presented below are carrying amounts of borrowings by the Group entities:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<i>Samruk-Energy</i>		
Samruk-Kazyna	58,381,852	57,537,093
ATF Bank	-	4,506,589
Halyk Bank	-	6,240,502
Kazkommertsbank	10,180,000	10,180,000
Sberbank	1,953,608	-
Eurobonds	166,751,874	170,040,909
<b>Total Samruk-Energy</b>	<b>237,267,334</b>	<b>248,505,093</b>
<i>AZhK</i>		
Loans from customers	2,383,016	2,489,183
Halyk Bank	1,442,445	1,751,291
Nurbank	-	501,166
Notes payable	450,358	450,358
<b>Total AZhK</b>	<b>4,275,818</b>	<b>5,191,998</b>
<i>Almaty Power Station</i>		
Halyk Bank	7,845,934	4,020,414
VTB Bank Kazakhstan	-	1,236,253
KazInvestBank	-	1,441,504
Citibank Kazakhstan	-	1,476
<b>Total Almaty Power Station</b>	<b>7,845,934</b>	<b>6,699,647</b>
<i>Moinak HPS</i>		
State Development Bank of China	53,732,805	58,202,820
Development Bank of Kazakhstan	22,339,093	24,583,534
<b>Total Moinak HPS</b>	<b>76,071,897</b>	<b>82,786,354</b>
<i>Shardara HPS</i>		
EBRD	11,560,938	7,558,750
<b>Total Shardara HPS</b>	<b>11,560,938</b>	<b>7,558,750</b>

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2016**

**19 Borrowings (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<i>AlmatyEnergoSbyt</i> Halyk Bank	2,254,827	2,074,567
<b>Total AlmatyEnergoSbyt</b>	<b>2,254,827</b>	<b>2,074,567</b>
<i>PVES</i> Eurasian Development Bank	13,174,957	14,310,421
<b>Total PVES</b>	<b>13,174,957</b>	<b>14,310,421</b>
<i>Energy Semirechya</i> SPK Zhetisu	3,062	-
<b>Total Energy Semirechya</b>	<b>3,062</b>	<b>-</b>
<i>MREK</i> Bonds issued	-	6,156,272
Loans from customers	-	637,697
Karazhanbasmunai	-	164,330
Halyk Bank	-	133,333
<b>Total MREK</b>	<b>-</b>	<b>7,091,632</b>
<i>Aktobe TEC</i> Halyk Bank	-	250,000
<b>Total Aktobe TEC</b>	<b>-</b>	<b>250,000</b>
<i>VK REK</i> Bank Centre Credit	-	999,781
<b>Total VK REK</b>	<b>-</b>	<b>999,781</b>
<i>EGRES-1</i> SberBank	-	23,485,611
Halyk Bank	35,105,833	12,049,528
<b>Total EGRES-1</b>	<b>35,105,833</b>	<b>35,535,139</b>
<b>Total borrowings</b>	<b>387,560,600</b>	<b>411,003,382</b>

## 19 Borrowings (Continued)

Below table represents carrying amounts and fair values of borrowings.

<i>In thousands of Kazakhstan Tenge</i>	<u>Carrying amounts</u>		<u>Fair values</u>	
	2016	2015	2016	2015
Bonds	166,751,874	176,200,806	167,789,851	164,224,827
Loans from customers	2,286,924	2,489,183	2,331,773	3,240,899
Bank term loans	159,689,592	174,325,942	162,426,872	172,656,240
Notes payable	450,358	450,358	450,358	450,358
Loan from Samruk-Kazyna	58,381,852	57,537,093	53,653,250	47,960,689
<b>Total borrowings</b>	<b>387,560,600</b>	<b>411,003,382</b>	<b>386,652,104</b>	<b>388,533,013</b>

### **Samruk-Energy**

#### *Samruk-Kazyna*

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of 48,200,000 thousands tenge for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna for amount of 7,000,000 thousands tenge for the purpose of financing construction of substation of AZhK. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Group signed a loan agreement with Samruk-Kazyna for amount of 200,000,000 thousands tenge for the purpose of acquisition of remaining share in EGRES-1. The principal amount is payable on 1 December 2028 and interest at 7.8%.

Subsequently, on 3 October 2014, the loan agreement was substantially modified pursuant to the addendum #1 to the loan agreement #369 in the following way:

- Principal amount 100,000,000 thousands tenge was extinguished as a contribution to share capital (12<sup>th</sup> issue of shares).
- Interest rate on the remaining principal amount was increased to 9%, which approximates the market interest rate.

On 25 December 2015 the loan agreement was significantly amended in accordance with the amendment #2 to credit agreement #369-I, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant change in the conditions of the loan. Management believes that such a change in the conditions of the loan should be considered as an extinguishment of the original loan and recognition of a new loan at a fair value.

At the date when loan conditions changed the market rate was 12.8% per annum. The Group recognized a gain on initial recognition of the loan in the amount of 72,581,903 thousands tenge as part of other reserves. Management believes that by providing a loan at a rate below market, Samruk-Kazyna acted as a Company's shareholder.

Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date, calculated using the discounted cash flow method at the effective rate of 12.8% per annum.

#### *Bonds*

On 7 September 2012 and 6 December 2012 the Group issued and placed Eurobonds with following parameters:

- The volume of issue - U.S.\$ 500,000,000;
- Form – based on Regulation S;
- Notes due in 5 years

**19 Borrowings (Continued)**

The coupon interest rate is fixed at the rate of 3.75% per annum (effective rate 3.85%). The number and type of bonds issued: 500,000 (five hundred thousand) bonds without security. Nominal value of one bond is 1,000 USD (one thousand). The issue was registered on the Irish Stock Exchange on 20 December 2012 under the number ISIN-XS0868359166. The Kazakhstan Stock Exchange included JSC "Samruk-Energy" in the official register of the category "rated debt securities" on 20 December 2012 under the number ISIN-XS0868359166. The Group issued and placed Eurobonds for the full amount of 500,000 thousand USD.

During the first half of 2013 the Group placed bonds on the Kazakhstan Stock Exchange for the total amount of 2,956,595 thousands tenge with a coupon rate of 6%. Bonds were repaid in November 2015.

On December 31, 2016 Eurobonds were classified as short-term loans, as the maturity of the bonds is in December 2017.

*ATF bank*

On 13 October 2014 and 14 November 2014 the Group entered into a short-term general purpose loan agreement with ATF bank. Interest is payable on a monthly basis based on a rate of 11%-13% per annum depending on maturity of each tranche. Loans under one credit line was fully repaid during 2015. In September 2015 Samruk-Energy has obtained new tranche under existing credit line for amount of 4,500,000 thousands tenge for replenishing of working capital. The interest rate on the loan was set as 11%. The loan was not secured. The loan is repaid in full in March 2016.

*Halyk Bank*

On 25 May 2015 the Group has concluded renewable short-term loan agreement for amount of 10,000,000 thousands tenge with Halyk Bank for purpose of replenishing of working capital. The interest rate on loans depends on maturity of each tranche and varies from 10.5% to 12.5%. On 6 November 2015 the Group has extended the loan agreement till 26 May 2017 and the new interest rate was set as 12.5% irrespective of tranche maturity for new tranches obtained since 1 October 2015. During 2015 the Group has obtained loans under this agreement for total amount of 20,698,000 thousands tenge. During 2016 the amount of payments on the loan amounted to 6,198,000 thousands tenge (2015: 14,500,000 thousands tenge). On November 2, 2016 the Company extended the term of the credit line up to 24 May 2019 with the establishment of the interest rate of 14% regardless of the length of the newly issued loans.

*Kazkommertsbank*

During 2015 a loan for the amount of 10,000,000 thousands tenge and a period of 5 years was obtained from "Kazkommertsbank" JSC according to the framework of an agreement on opening a credit line #1610 dated 21 October 2015. The purpose was to replenish the working capital. The nominal rate of the loan is 12%, and the effective rate is 12.7%.

*Sberbank*

During 2016 was obtained loan from Sberbank for the amount of 230,000 thousands Russian rubles (1,212,800 thousands tenge) with the rate of 14.5% to be repaid on 16.06.2017. Also long-term loan for the amount of 670,000 thousands tenge obtained with the rate of 13% to be repaid on 21 of December 2018.

**AZhK***Notes payable*

On 1 August 2005 AZhK issued long-term notes in the amount of 450,358 thousands tenge for Powerfin Holding Investment B.V. ("Powerfin"). The note is interest free and matures not later than 1 August 2015, however the amount was not repaid as at 31 December 2016 as the lender did not request the payment. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%.

## **19 Borrowings (Continued)**

### *Halyk Bank of Kazakhstan*

On 30 June 2015 AZhK and Halyk Bank of Kazakhstan JSC (“Halyk Bank”) signed an agreement on a credit line of 1,745,211 thousands tenge with an interest rate of 13.0% per annum in Tenge for 5 years. The purpose of the credit line was CMP on reconstruction and new construction of 0.4 kW HV line on PDZ-5 with a transfer to self-supporting insulated wire, reconstruction of 6-10/0.4 kW transforming plant incompliant with operating requirements and construction of 6-10/0.4 kW transforming plant. As a security of obligations under the agreement, Halyk Bank was provided (will be provided) with collateral:

- movable goods – money on current accounts with the Bank;
- movable and immovable goods, which will be purchased/built/reconstructed at the expense of borrowings.

On 30 June 2015 as part of this credit line a tranche of 247,471 thousands tenge was received. The loan is repaid on a monthly basis, by equal instalments, starting from 30 July 2016 to 30 June 2020. The repayment is regulated by repayment schedules as per the loan agreements.

On 24 December 2015 AZhK concluded an additional agreement on the increase in the credit line to 3,245,211 thousands tenge and received a tranche of 1,500,000 thousands tenge with an interest rate of 14% for 12 months, the purpose being to replenish the working capital. The loan is repaid on a monthly basis, by equal installments, starting from the date the tranche was received.

On 2 March 2016 as part of the credit line, a tranche in the amount of 799,189 thousands tenge with an interest rate of 20.0% per annum was received. The loan is repaid on a monthly basis, by equal installments, starting from 30 March 2016 till 30 June 2020. Repayment is made in accordance with repayment schedule in the loan agreements. On 12 April 2016 the interest rate on this tranche was reduced to 16.0% per annum.

On 18 August 2016 as part of the credit line a tranche in the amount of 562,013 thousands tenge with an interest rate of 14.0% per annum was received. The loan is repaid on a monthly basis, by equal installments starting from 18 September 2016 until 30 June 2020. Repayment is made in accordance with repayment schedule in the loan agreements.

### *Loans from customers*

In accordance with the resolution of Government of the Republic of Kazakhstan dated 21 February 2007, AZhK received loans from customers for additional electric capacities through construction of electric power transmission lines and infrastructure of connection of electricity grid or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest-free and not secured by any collateral. The loans from customers received by AZhK are repayable by equal payments within 20 years, beginning from the 4<sup>th</sup> year from AZhK's receipt of the loans.

The loans from customers were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate; and subsequently carried at amortised cost. The loans from customers for connection of additional capacity at 31 December 2016 amounted to 2,383,016 thousands tenge (31 December 2015: 2,489,183 thousands tenge). The difference between the nominal value and fair value of consideration received is recognised as deferred income.

In accordance with Law of the Republic of Kazakhstan No. 116-IV dated 29 December 2008, “On Introduction of Amendments and Additions to Certain Legislative Documents of the Republic of Kazakhstan Regarding the Issues of Operations of Independent Industry Regulators,” the amendments have been incorporated into the Law On Electric Power Engineering, which became effective from 1 January 2009, and excluded obligations of consumers of electric and thermal power to provide loans with regard to connection of additional capacities.

### *Nurbank JSC*

On 24 December 2015 AZhK and Nurbank JSC (“Nurbank”) concluded an agreement on a credit line of 1,000,000 thousands tenge with an interest rate of 14%, for 6 months. The purpose of the loan is to replenish the working capital. The obligations under the agreement were secured by money on a bank deposit.

On 25 December 2015, as part of the credit line, a tranche of 500,000 thousands tenge was received. The loan is repaid on a monthly basis, by equal instalments, starting from the date the tranche was received with the right of early repayment upon expiration of the 1<sup>st</sup> month. The loan was fully repaid and the credit line was closed on 1 February 2016.

**19 Borrowings (Continued)**

On March 25, 2016 Company entered into an agreement with Nurbank to open a credit line in the amount of 1,000,000 thousands tenge with an interest rate of 16.5% per annum up to 1 August 2016. The loan was granted for the purpose of replenishment of working capital. Cash placed at bank deposit account was provided as collateral for the credit line.

On March 28, 2016 as part of the credit line a tranche in the amount of 500,000 thousands tenge was received. The loan is repaid on a monthly basis by equal instalments starting from the date the tranche was received with the right of early repayment upon expiration of the 1<sup>st</sup> month.

On 31 December 2016, the loan under the credit line was repaid in full, and the credit line was closed on August 1, 2016.

**Almaty Power Station***Kazinvestbank*

On 14 November 2011 ALES entered into short-term agreement with Kazinvestbank until 14 November 2014. In accordance with the agreement ALES is provided with loans in total not exceeding 2,500,000 thousands tenge. The loan was granted for the purpose of replenishment of working capital. Payment of principal carried out at the end of maturity of each loan, maturity of tranche was 90 days. The loan is secured with cash from future contracts with Almaty Heat Network LLP. On 13 November 2014 Almaty Power Station entered into an agreement with a Bank regarding the pledge of a money coming into the ownership of a pledger in the future, according to which the collateral for this loan is the money that would be received in the future under the contract with Almaty Heat Network LLP. The credit line was extended until 14 November 2015. The interest rate was 8.75% per annum. Since 12 February 2015 the interest rate is 13.5% per annum.

On 10 December 2015 Almaty Power Stations signed an addendum to this agreement, according to which the loans are granted on a condition that an aggregate amount of loans outstanding will not exceed 1,071,000 thousands tenge for 6 months, and on terms of not renewable line within the limit of the issuance for the amount of 1,429,000 thousands tenge for 24 months. The credit line was extended till 14 November 2017. The interest rate is 15% per annum.

On April 5, 2016 the interest rate on the revolving credit line in the amount of 1,071,000 thousands tenge was at 19% per annum.

During the year ended 31 December 2016 Almaty Power Stations repaid loans for the amount of 3,571,000 thousands tenge, and obtained the loans for the amount of 2,142,000 thousands tenge. In December 2016 ALES fully repaid loan from Kazinvestbank.

*Bank VTB Kazakhstan*

On 30 September 2011 ALES signed an agreement on the provision of credit line with Bank VTB Kazakhstan JSC for the term of up to 30 September 2016 in order to finance the investment expenditures incurred before. Interest rate was 9% per annum. Principal is repaid on a semiannual basis in accordance with the repayment schedule, stipulated by the terms of the agreement. Interest is repayable on a monthly basis. The pledge on this credit line is cash to be received in future under contracts between ALES and AZhK, as well as full guarantee of Samruk-Energy. Four loans were received under this credit line for the total amount of 3,992,490 thousands tenge with a maturity of up to 30 September 2016. Starting from 15 June 2012 the interest rate was decreased to 8% per annum. Payment of the principal debt is carried out by semi-annual payments in accordance with the repayment schedule stipulated in the terms of the accessory contract. Remuneration is paid monthly. The security under this credit line is the pledge in the form of money, that is located and is coming in the future to the bank account of AleS under a contract with AZhK, and also the pledge in the form of money in the amount of 30,000 thousands tenge. As of the year ended December 31, 2016, AleS repaid loans in the amount of 1,232,497 thousands tenge.

*Halyk Bank*

On 26 November 2014 Almaty Power Stations signed an agreement for a credit line with "Halyk Bank of Kazakhstan" for a period of 36 months. According to the loan agreement Almaty Power Stations to obtain a loan if in aggregate amount of loans outstanding will not exceed 4,000,000 thousands tenge. The loan was granted with a purpose of replenishment of working capital. The interest rate is 9% per annum. Payment of principal is carried out at the end of each loan, and the maturity of loan tranche is 6 months. Payment of remuneration is on a monthly basis. The collateral for this loan is the money received in the future under the contract with "Almatyenergosbyt" LLP.



On 2 August 2016 Almaty Power Station signed an addendum to the agreement, according to which the loans are granted on a condition that an aggregate amount of loans outstanding will not exceed 4,000,000 thousands tenge for 6 months on terms of renewable line, and 5,000,000 thousands tenge for 5 years on terms of not renewable line. The loan on terms of not renewable line was granted for the purpose of investment costs reimbursement under the investment project "Reconstruction and expansion of Almaty HS-2". III line. Boil aggregate st.#8" and reimbursement of borrowing costs under the loan agreement with "Samruk-Energy" JSC. The interest rate was 14% per annum.

During the year ended 31 December 2016 Almaty Power Stations repaid loans for the amount of 8,100,000 thousands tenge, and obtained the loans for the amount of 11,930,102 thousands tenge.

## **19 Borrowings (Continued)**

### ***Moinak HPS***

#### *State Development Bank of China*

On 14 June 2006 Moinak HPS received the credit line from the State Development Bank of China in the amount of 200,000,000 USD with the interest rate of 6MLIBOR+1.2%. The loan was granted for the period of 20 years. Moinak HPS used loan amount of 196,337,143 USD for the construction of HPS in the period from 2006 to 31 December 2013. The remaining amount of 3,662,857 USD will not be used. During 2015 and 2014 Moinak HPS did not receive cash on the loan. During 2016 the amount of payments on the loan amounted to 4,510,840 thousands tenge (2015: 2,885,489 thousands tenge). The loan is secured as follows:

- Guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of 50,000,000 USD;
- Rights to withdraw 80% of received payments for electricity.

In accordance with paragraph 25 of Loan Agreement signed on 14 June 2006 between Moinak HPS and the State Development Bank of China, Moinak HPS shall ensure minimum price for electricity in the amount of 0.0298 USD per 1 kWh from the beginning of HPS commissioning and till the moment, when loan is repaid in full. On December 31, 2016 US \$ 0.0298 equals to 9.93 tenge at the exchange rate at that date. The rate at which MHPS electricity sold in 2016 is 9.50 tenge per 1 kWh.

MHPS believes that the use of lower prices referred to in paragraph 25 of the Loan Agreement with the State Development Bank of China, is not basis for a default. As per the above agreement, there are cases, which can be the basis for the Company's declaration as default, referred to paragraph 27. Paragraph 27 states that if the price of electricity is less than 0.02 US dollars per 1 kWh, MHPS can be declared as default. On December 31, 2016 0.02 US dollars equals to 6.7 tenge at the exchange rate at that date. Thus, management believes that it has not violated its obligations as at December 31, 2016. Note 24 discloses information about the current policy of the National Bank of the Republic of Kazakhstan in respect to currency regulation. If the exchange rate will be more than 475 tenge per 1 USD at the current rate of 9.5 tenge per 1 kWh, the Company may be declared as default.

Despite this, the Management believes that strong relationship between JSC "The State Development Bank of China" and the Government of Kazakhstan will be a good support for the future business plans of MHPS. Also, Management intends to apply for tariff increase for electricity in the first half of 2017.

#### *Development Bank of Kazakhstan JSC*

On 14 December 2005 and 16 January 2008 Moinak HPS received a loan in the form of two tranches from the Development Bank of Kazakhstan JSC in the amount of 25,000,000 USD and 26,058,000 USD at the interest rate of 1.15\*6MLIBOR+1.15% and 8% per annum, respectively. The loans were granted for the period of 20 years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the second tranche interest rate from 8% to 7.55%, relating to the amount of 1,563,053 USD.

On 17 June 2011 Moinak HPS signed the contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of 12,285,000 thousands tenge at the interest rate of 12% per annum. The loan is granted for the period of 17 years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the third tranche interest rate from 12% to 7.55%, relating to the amount of 8,924,392 thousands tenge. During 2015 Moinak HPS received cash on the third tranche in the amount of 1,867,551 thousands tenge pursuant to additional agreements #22 and #23 dated 4 August 2015 and 8 September 2015, respectively. During 2016 the amount of payments on the loan amounted to 3,557,200 thousands tenge (2015: 2,613,863 thousands tenge).

On 29 June 2015 Moinak HPS signed the Supplementary Agreement for pledging real estate with the "Development Bank of Kazakhstan" JSC, where Moinak HPS provides the Bestyubinsk water storage basin constructions as additional pledge.

## **19 Borrowings (Continued)**

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the Republic of Kazakhstan for the amount of 25,000,000 USD. The second-tier bank counter-guarantee for the amount of 859,395 thousands tenge.
- Property, plant and equipment with carrying amount of 5,601,969 thousands tenge (2015: 5,606,947 thousands tenge).
- Guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of 12,285,000 thousands tenge as the collateral for the third tranche from the Development Bank of Kazakhstan JSC.

### ***AlmatyEnergoSbyt***

#### *Halyk Bank*

AlmatEnergoSbyt has short-term credit line with Halyk Bank for purpose of replenishing of working capital. During 2016 loans were obtained for periods of 3 and 6 months. The interest rate on these loans was in the range of 13-17%.

### ***PVES***

#### *Eurasian Development Bank*

On 29 April 2013 PVES has concluded a long-term credit line agreement with Eurasian Development Bank for purpose of construction of wind power electric plant in Akmola region. The interest rate for the tranches received from date of conclusion of agreement until 28 April 2015 is 7.5% per annum, starting from 14 December 2016 the interest rate is 10.5%, for tranches received after 29 April 2015, the interest rate is 14% per annum. The grace period for interest rate and principal amount repayments is 24 months after the date of agreement conclusion. The interest is payable on 15 March, 15 June, 15 September, 15 December with 1 year equal 360 days assumption. During 2016 PVES has capitalised the interest rate to construction in progress account for total amount of 649,830 thousands tenge (2015: 622,359 thousands tenge) (Note 7). During 2016 PVES has repaid principal amount of 1,425,237 thousands tenge and interest amount of 907,642 thousands tenge (2015: 1,397,018 thousands tenge and 782,450 respectively). On 31 December 2016 the amount of loans including accrued interest amounts to 13,174,957 thousands tenge.

### ***EGRES-1***

#### *Sberbank*

In April of 2015 EGRES-1 prolonged its credit line with Sberbank and obtained a short-term bank loan for the amount of 15,000,000 thousands tenge for the period of one year until 19 May 2016. The purpose was to replenish the working capital. According to the terms of the contract the interest rate is fixed and equal to 14% per annum. In July 2015 an additional agreement was signed to increase the credit line up to 23,000,000 thousands tenge with the same rate.

The company repaid the loan JSC "Sberbank of Russia" in May 2016.

#### *Halyk Bank of Kazakhstan*

In April of 2015 a loan agreement with "Halyk Bank of Kazakhstan" JSC was signed for the amount of 12,000,000 thousands tenge for one year. The loan was granted to replenish the working capital for a period of 12 months from the start date of funding of 10 April 2015 until 9 April 2016. The interest rate was 14% per annum.

On 12 May 2016, the Company signed addendum No 2 to credit line agreement on total limit increase to 43 000 000 thousands tenge with the change of credit line terms including:

- Limit 1 –35,000,000 thousands tenge on non-revolving basis for 5 years (to 07 April 2021 – tranche terms till the end of financing);
- Limit 2 –8,000,000 thousands tenge on non-revolving basis (3 years – tranche terms up to 12 months inclusive).

**19 Borrowings (Continued)**

On 16 May 2016, EGRES-1 LLP received loan within Limit 1 to finance payables to Sberbank SB JSC in the amount of 23 000 000 thousands tenge for the period of 5 years from the date of financing commencement to 07 April 2021. Interest rate as of the moment of contract signing was 16 % per annum.

On 21 September 2016, an addendum No 3 to bank loan agreements under Limit 1 was signed to decrease interest rate to 14 % per annum.

Following bank loan agreements were signed within Limit 2:

- on 25 May 2016 in the amount of 3,000,000 thousands tenge for the replenishment of property, plant and equipment for 12 months with the interest rate of 16 % per annum;
- on 03 August 2016 in the amount of 1,000,000 thousands tenge for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;
- on 28 September 2016 in the amount of 500,000 thousands tenge for the replenishment of property, plant and equipment and 1,000,000 thousands tenge for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;

This credit line is secured by the pledge of cash to be received in future at Company's settlement accounts with Halyk Bank of Kazakhstan JSC in the amount of 58,424,722 thousands tenge.

In the fourth quarter of 2016, the Company repaid in advance debts on loans of Limit 2 in the amount of 5,500,000 thousands tenge.

**Shardara HPS JSC***European Bank of Reconstruction and Development*

On 24 August 2012 the Shardara HPS JSC entered into loan agreement with the European Bank of Reconstruction and Development (EBRD) on loan in the amount of 9,150,000 thousands tenge. On 28 February 2014 the amount of the agreement increased to 14,350,000 thousands tenge. On 2 December 2015 Shardara HPS JSC obtained a loan from EBRD under the loan agreement for the amount of 7,500,000 thousands tenge at an interest rate of 3.9% + total costs. Total costs represent the cost of financing of EBRD that are linked to base rate of National Bank of RK and were equal to 5.5% at the moment when funds were received. The loan was granted for a period of 15 years.

On 2 June 2016 and 10 October 2016 as part of the loan agreement 1,350,000 thousands tenge and 2,600,000 thousands tenge were received respectively. The unused amount of the credit line as at 31 December 2016 amounts to 2,900,000 thousands tenge.

The principal is repayable in equal quarterly instalments. Date of first payment is 3<sup>rd</sup> quarter of 2018, and date of the last payment is 2<sup>nd</sup> quarter of 2028. The interest is repayable on a quarterly basis, other commissions as per invoice received.

During the year 2016 Shardara HPS JSC made interest repayments amounting to 1,121,245 thousands tenge (2015: 217,418 thousands tenge), capitalized part amounts to 1,093,081 thousands tenge (2015: 217,418 thousands tenge).

The Group's borrowings maturity analysis is presented below:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Borrowings due:</b>		
- within 1 year	193,115,643	70,844,582
- from 2 to 5 years	54,829,381	210,743,599
- over 5 years	139,615,576	129,415,201
<b>Total borrowings</b>	<b>387,560,600</b>	<b>411,003,382</b>

## 19 Borrowings (Continued)

The Group's borrowings are denominated in the following currencies:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Borrowings denominated in:</b>		
- Tenge	153,731,059	169,155,971
- US Dollars	232,548,010	241,847,411
- RUS Rubl	1,281,531	-
<b>Total borrowings</b>	<b>387,560,600</b>	<b>411,003,382</b>

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures during the year ended 31 December 2016 .

## 20 Other Non-Current Liabilities

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Deferred income:			
- AZhK		2,297,371	2,741,276
- MEDC		-	1,529,902
Trade payables		929,155	69,673
Liabilities related to preference shares of subsidiaries		309,323	354,202
Other		58,468	40,357
<b>Total other non-current liabilities</b>		<b>3,594,317</b>	<b>4,735,410</b>

Deferred income represents the difference between the nominal value of loans from customers received by AZhK and MREK for construction and reconstruction of power transmission lines and infrastructure (note 21) to connect to electricity transmission lines and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognized as profit over the useful lives of property, plant and equipment.

Presented below is movement of deferred income:

<i>In thousands of Kazakhstan Tenge</i>	<b>AZhK</b>	<b>MEDC</b>	<b>Total</b>
Balance at 1 January 2015	3,284,331	1,597,030	4,881,361
Change in the carrying amount of loans from customers adjusted against deferred income	(178,129)	-	(178,129)
Recognition of income	(364,926)	(67,128)	(432,054)
<b>Balance at 31 December 2015</b>	<b>2,741,276</b>	<b>1,529,902</b>	<b>4,271,178</b>
Balance at 1 January 2016	2,741,276	1,529,902	4,271,178
Reclassification of disposal group	-	(1,529,902)	(1,529,902)
Change in the carrying amount of loans from customers adjusted against deferred income	(101,246)	-	(101,246)
Recognition of income	(342,659)	-	(342,659)
<b>Balance at 31 December 2016</b>	<b>2,297,371</b>	<b>-</b>	<b>2,297,371</b>

**21 Trade and Other Payables**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade payables	7,968,694	21,182,414
Payable to Almaty Akimat	5,841,513	5,841,513
Dividends payable	707,275	718,770
Other financial payables	624,360	2,767,560
<b>Total financial payables</b>	<b>15,141,842</b>	<b>30,510,257</b>
Advances received from suppliers and contractors	2,393,924	5,179,377
Other payables	2,318,553	3,426,940
Accrued provisions for unused vacations	2,068,892	1,694,679
Other distributions to shareholder (Note 15)	1,174,066	1,174,068
Salaries payable	1,039,626	1,235,366
<b>Total trade and other payables</b>	<b>24,136,902</b>	<b>43,220,687</b>

On behalf of the Shareholder, the Group committed to construct of a kindergarten in Astana for 1,174,068 thousands tenge, which was recorded as other distribution to shareholder. The Group has accrued liability for the estimated amount of construction equalling 1,174,068 thousands tenge as other distributions to shareholder. As at 31 December 2016 the Group incurred expenses associated with the construction of a kindergarten of 988,787 thousands tenge and transferred an advance payment of 36,306 thousands tenge. These actually incurred expenses are recorded as current assets held for the benefit of shareholders, as it is expected that these assets will be transferred to the shareholder during 2017 as the distribution of income to the shareholder pursuant to the decision of the shareholder.

**22 Revenue**

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Sale of electricity	156,106,232	161,792,408
Sale of heat energy	13,991,381	13,659,342
Income from lease of renewable energy power plants (Note 7)	3,547,575	1,850,634
Income from lease of investment property	3,501,909	2,563,782
Electricity transmission	2,214,702	1,670,563
Sale of chemical water	1,661,692	1,670,914
Other	286,568	614,641
<b>Total revenue</b>	<b>181,310,058</b>	<b>183,822,285</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2016**

**23 Cost of Sales**

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	41,052,940	35,290,381
Fuel	31,524,408	32,906,333
Payroll and related expenses	22,334,164	20,376,654
Electricity transmission and other services	10,051,209	9,157,854
Taxes other than on income	5,954,825	5,770,025
Third party services	4,895,804	3,969,605
Materials	4,842,898	4,413,815
Cost of purchased electricity	4,821,681	5,348,783
Repairing and maintenance	3,950,998	4,834,938
Water supply	3,834,870	3,933,463
Security services	883,292	809,479
Rent services	204,543	186,109
Electricity losses on transmission	197,501	166,655
Reversal of provision on obsolete and slow-moving inventories	(653,054)	(239,516)
Other	2,230,453	1,770,806
<b>Total cost of sales</b>	<b>136,126,532</b>	<b>128,695,384</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

**24 Other Income, net**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015 (restated) *</b>
Income from connection of additional capacities		342,659	364,926
Income from gratuitously received services		356,297	-
Income from sale of inventory		585,438	521,121
Income from liability write-off		6,782	23,663
Other income		409,324	803,472
<b>Total other income</b>		<b>1,700,500</b>	<b>1,713,183</b>
Loss on disposal of property, plant and equipment		(387,704)	(906,024)
Other expenses		(1,570,392)	(783,523)
<b>Total other expense</b>		<b>(1,958,096)</b>	<b>(1,689,547)</b>
<b>Total other expense, net</b>		<b>(258,445)</b>	<b>23,636</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

## **25 General and Administrative Expenses**

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Payroll and related expenses	5,846,227	5,760,339
Depreciation of property, plant and equipment and amortisation of intangible assets	1,186,990	1,195,740
Consulting and other professional services	1,569,038	1,023,453
Rent expense	627,685	624,334
Taxes other than on income	429,235	312,304
Business trips and representative expenses	262,915	281,793
Security services	247,363	226,480
Materials	226,998	203,554
Bank charges	184,922	189,912
Repair and maintenance	141,060	155,412
Communication expenses	134,155	128,855
State duties	119,929	97,360
Insurance	89,747	66,554
Transportation	16,792	40,277
Donations and public assistance	-	360,601
Charge of provision for impairment of trade and other receivables and other current assets	484,721	157,312
Other	1,258,404	1,374,458
<b>Total general and administrative expenses</b>	<b>12,826,178</b>	<b>12,198,638</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

## **26 Finance Income**

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Foreign exchange gains less losses	4,262,904	-
Interest income on bank deposits	2,787,387	2,565,372
Interest income on bonds	299,090	220,362
Other	309,086	90,176
<b>Total finance income</b>	<b>7,658,467</b>	<b>2,875,911</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).



## 27 Finance Costs

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Foreign exchange losses less gains	-	85,802,284
Interest expense on borrowings	8,129,595	14,863,906
Interest expense on bonds	6,405,478	4,517,195
Dividends on preference shares of subsidiaries	141,106	141,107
Unwinding of the present value of discount:		
- loans and financial aids from shareholders	3,789,916	1,824,235
- ash dump restoration provision	160,742	87,391
- loans from customers	289,374	316,058
- employee benefit payable	59,424	61,252
- notes payable	-	45,124
- bonds issued	74,813	88,864
Other	167,085	208,420
<b>Total finance costs</b>	<b>19,217,534</b>	<b>107,955,835</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

## 28 Taxes

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
Current income tax expense	2,992,054	5,315,601
Deferred income tax expense/(benefit)	3,528,937	(732,799)
<b>Total income tax expense</b>	<b>6,520,991</b>	<b>4,582,802</b>

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstan Tenge</i>	<b>2016</b>	<b>2015 (restated) *</b>
<b>Profit/(loss) before tax under IFRS</b>	<b>22,418,595</b>	<b>(78,836,618)</b>
Theoretical tax expense/(benefit) at statutory rate of 20% (2015: 20%)	4,483,719	(15,767,324)
Adjustments for:		
Share in (profit)/loss of joint ventures and associates not subject to income tax	(978,778)	2,034,507
Other non-deductible expenses	1,951,103	1,079,887
Adjustment of prior years income tax	(1,686,419)	7,535
Withholding tax	297,648	250,528
Temporary differences that will be recognised upon termination of investment contract	417,878	244,009
Loss of Moinak HPS exempted from income tax	(1,039,087)	5,418,694
Changes in unrecognised deferred income tax assets	3,074,927	11,314,965
<b>Total income tax expense</b>	<b>6,520,991</b>	<b>4,582,802</b>

\* - Comparative information has been restated to reflect results of transfer to discontinued operations (Note 2).

**28 Taxes (Continued)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences are detailed below, and are recorded at the rate applicable to period of assets realisation or liabilities settlement.

<i>In thousands of Kazakhstan Tenge</i>	<b>1 January 2016</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Transfer to Discontinued operations</b>	<b>31 December 2016</b>
<b>Tax effect of deductible temporary differences</b>				
Tax losses carried forward	20,294,602	3,333,550	(260,693)	23,367,460
Employee benefit obligation	150,347	11,588	(40,571)	121,364
Ash dump restoration provision	441,793	(192,949)	-	248,844
Inventories	313,477	(121,898)	(21,937)	169,642
Trade and other receivables	102,883	232,375	(6,683)	328,575
Taxes other than income tax	64,391	60,561	793	125,744
Provision for unused vacation	325,206	11,149	(1,789)	334,566
Other	135,163	56,200	(97,804)	93,559
<b>Gross deferred income tax assets</b>	<b>21,827,862</b>	<b>3,390,577</b>	<b>(428,684)</b>	<b>24,789,755</b>
Unrecognised gross deferred income tax assets	-	(3,360,446)	288,965	(3,071,481)
Less offsetting with deferred income tax liabilities	(21,827,862)	(30,131)	139,719	(21,718,274)
<b>Recognised deferred income tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax effect of taxable temporary differences</b>				
Property, plant and equipment	(84,875,054)	(4,066,599)	3,519,656	(85,421,996)
Borrowings	(16,663,581)	(213,732)	222,410	(16,654,903)
Other	305,980	126,285	(292,544)	139,721
<b>Gross deferred income tax liabilities</b>	<b>(101,232,655)</b>	<b>(4,154,046)</b>	<b>3,449,522</b>	<b>(101,937,178)</b>
Less offsetting with deferred income tax assets	(21,827,862)	(30,131)	139,719	(21,718,274)
<b>Recognised deferred income tax liabilities</b>	<b>(79,404,793)</b>	<b>(4,123,915)</b>	<b>3,309,804</b>	<b>(80,218,904)</b>
Continuing operations	-	(3,528,937)	-	-
Discontinued operations	-	(594,978)	-	-

**28 Taxes (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	<b>1 January 2015</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Charged/ (credited) to equity</b>	<b>31 December 2015</b>
<b>Tax effect of deductible temporary differences</b>				
Tax losses carried forward	6,837,837	13,456,765	-	20,294,602
Employee benefit obligation	118,744	31,603	-	150,347
Ash dump restoration provision	240,634	201,159	-	441,793
Inventories	408,773	(95,296)	-	313,477
Trade and other receivables	260,433	(157,550)	-	102,883
Taxes other than income tax	70,424	(6,033)	-	64,391
Provision for unused vacation	313,894	11,312	-	325,206
Other	337	134,826	-	135,163
<b>Gross deferred income tax assets</b>	<b>8,251,076</b>	<b>13,576,786</b>	<b>-</b>	<b>21,827,862</b>
Unrecognised gross deferred income tax assets	(2,585,589)	(11,314,965)	13,900,554	-
Less offsetting with deferred income tax liabilities	(5,665,487)	(2,261,821)	(13,900,554)	(21,827,862)
<b>Recognised deferred income tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax effect of taxable temporary differences</b>				
Property, plant and equipment	(81,950,221)	(2,924,833)	-	(84,875,054)
Borrowings	(3,331,307)	568,280	(13,900,554)	(16,663,581)
Other	319,406	(13,426)	-	305,980
<b>Gross deferred income tax liabilities</b>	<b>(84,962,122)</b>	<b>(2,369,979)</b>	<b>(13,900,554)</b>	<b>(101,232,655)</b>
Less offsetting with deferred income tax assets	(5,665,487)	(2,261,821)	(13,900,554)	(21,827,862)
<b>Recognised deferred income tax liabilities</b>	<b>(79,296,635)</b>	<b>(108,158)</b>	<b>-</b>	<b>(79,404,793)</b>

The Group has not recorded a deferred tax liability in respect of temporary differences of 978,77 thousands tenge in 2016 (2015 : 2,034,507 thousands tenge) associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

## 28 Taxes (Continued)

The Group has potential deferred tax assets in respect of unused tax losses carry forwards of 3,071,481 thousands tenge (2015: 0 tenge). The above tax losses carry forwards expire in 2026.

### **Taxes payable**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Income tax	168,687	466,619
<b>Income tax payable</b>	<b>168,687</b>	<b>466,619</b>
VAT	1,298,486	236,300
Individual income tax	269,814	312,823
Environmental taxes	481,188	647,478
Social tax	217,877	259,535
Other taxes	264,817	68,292
<b>Taxes payable other than income tax</b>	<b>2,532,182</b>	<b>1,524,428</b>
<b>Total taxes payable</b>	<b>2,700,869</b>	<b>1,991,047</b>

## 29 Discontinued Operations

On 23 November 2016, the Board of Directors approved the terms of sale a number of subsidiaries including of EKREDC, SET, MEDC, Aktobe TEC, TM, MM in accordance with the Governmental Decree on privatization of national companies. At 31 December 2016 these subsidiaries are classified as a disposal group and assets and liabilities were accordingly reclassified in the consolidated statement of financial position.

Since operations of EKREDC, SET, MEDC, Aktobe TEC, TM, MM represented separate major types of the Group's operations, these disposal groups are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income, and therefore the comparatives have been restated and presented in accordance with the presentation of the current year.

The analysis of the results of discontinued operations for the year ended 31 December 2016 is presented below:

<i>In thousands of Kazakhstan tenge</i>	<b>Aktobe TPS</b>	<b>MREK</b>	<b>VK REK</b>	<b>ShET</b>	<b>TM</b>	<b>MM</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	8,381,399	10,354,328	12,670,683	27,993,398	-	-	(10,016,459)	<b>49,383,350</b>
Expenses	(7,782,107)	(7,917,504)	(10,937,515)	(28,982,137)	(186,466)	(27,956)	10,206,042	<b>(45,627,643)</b>
Profit or loss before tax of discontinued operations	599,292	2,436,824	1,733,169	(988,739)	(186,466)	(27,956)	189,583	<b>3,755,707</b>
Income tax expense	(202,670)	(579,075)	(334,781)	48,091	(953)	-	-	<b>(1,069,389)</b>
<b>Profit or loss for the year from discontinued operations</b>	<b>396,622</b>	<b>1,857,749</b>	<b>1,398,387</b>	<b>(940,648)</b>	<b>(187,419)</b>	<b>(27,956)</b>	<b>189,583</b>	<b>2,686,318</b>

## 29 Discontinued operations (Continued)

Analysis of results of discontinued operations as at 31 December 2015 is shown below:

<i>In thousands of Kazakhstan tenge</i>	<b>Aktobe TPS</b>	<b>MREK</b>	<b>VK REK</b>	<b>ShET</b>	<b>TM</b>	<b>MM</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	6,108,966	8,985,664	11,178,106	27,730,996	-	-	(8,960,938)	<b>45,042,794</b>
Expenses	(5,643,730)	(7,362,225)	(8,663,611)	(27,315,191)	(201,419)	(21,635)	8,962,590	<b>(40,245,222)</b>
Profit or loss before tax of discontinued operations	465,235	1,623,439	2,514,495	415,805	(201,419)	(21,635)	1,652	<b>4,797,572</b>
Income tax expense	(117,468)	(379,315)	(549,173)	(246,404)	-	-	-	<b>(1,292,360)</b>
<b>Profit or loss for the year from discontinued operations</b>	<b>347,767</b>	<b>1,244,124</b>	<b>1,965,322</b>	<b>169,402</b>	<b>(201,419)</b>	<b>(21,635)</b>	<b>1,652</b>	<b>3,505,212</b>

In 2015, the Group ceased to recognize the investment in ZhGRES after the transfer of all risks and rewards of the investment to the buyer and recognized the profit from discontinued operations of 2,469,307 thousands tenge less costs to sell.

## 30 Contingencies, Commitments and Operating Risks

### *Political and economic situation in the Republic of Kazakhstan*

In general, the economy of the Republic of Kazakhstan continues to displays characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating exchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge has varied from 187 to 350 tenge per 1 US Dollar. As of the date of this report, the official exchange rate of the Kazakhstan Stock Exchange was 316.26 tenge per US dollar compared to 333.29 tenge per US dollar as of December 31, 2016 (December 31, 2015: 340.01 tenge for 1 US dollar). Thus, there is uncertainty about the exchange rate of the tenge, as well as the impact of this factor on the economy of the Republic of Kazakhstan.

**30 Contingencies, Commitments and Operating Risks (Continued)**

In mid-January 2016, the international rating agency Standard & Poor has significantly reduced its forecasts for oil prices in the period 2016-2019. As the economy of Kazakhstan is largely dependent on the oil and gas sector, Standard & Poor is now expecting stagnation or a very small increase in GDP. Accordingly, in February 2016, Standard & Poor downgraded the long-term credit ratings of Kazakhstan on liabilities in foreign and national currency from BBB + to BBB. In addition, S & P lowered the short-term ratings of Kazakhstan on liabilities in foreign and national currency from "A-2" to "A-3" and the national scale rating - from "kzAA +" to "kzAA". The outlook on the long-term ratings is "negative".

The negative rating outlook reflects the agency's opinion on increasing external risks, and risks associated with monetary policy, given the current weak and unstable situation on the global market of commodities.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the energy sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Company's control.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade and other receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of electricity and energy complex providing the population and industrial entities with the electricity. The Government of the Republic of Kazakhstan has adopted the long-term energy sector development program envisaging the construction of new and reconstruction of the current power stations. The management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

***Tax legislation***

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. In some cases tax reviews might cover the period of more than five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In the opinion of the Group's management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

***Other***

In the course of normal operations, the Group is subject to litigations and claims. At present, the Group's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position of the Group.

**30 Contingencies, Commitments and Operating Risks (Continued)*****Insurance***

The insurance market in the Republic of Kazakhstan is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

***Environmental matters***

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately.

Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

***Provision for liquidation of ash dump***

In accordance with the environmental regulations the Group has a legal obligation to liquidate ash dumps that are disposal polygons of waste of operations of the Group. At 31 December 2016 the carrying amount of ash dump liquidation provision was 1,637,097 thousands tenge (31 December 2015: 1,962,548 thousands tenge)

Ash dump liquidation provision is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

***Capital commitments***

As of 31 December 2016 the Group had long term contractual commitments to purchase the property, plant and equipment for 125,661,235 thousands tenge (31 December 2015: 128,417,221 thousands tenge).

***Capital commitments of joint ventures and associates***

As at 31 December 2016 the Group's share in long term capital expenditure commitments of Forum Muider and EGRES-2 comprised 47,115,412 thousands tenge (31 December 2015: 49,037,395 thousands tenge). The Group's share in the long-term contractual capital commitments of BTPP amounted to 409,098,596 thousands tenge as at 31 December 2016 (2015: 320,067,806 thousands tenge).

***Compliance with covenants***

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group complied with covenants at 31 December 2016 and 31 December 2015.

**31 Non-Controlling Interest**

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
<i>In thousands of Kazakhstani Tenge</i>						
<b>Year ended 31 December 2016</b>						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	283,403	738,941	210,328
Shulbinskaya HPS	Kazakhstan	8%	8%	(1,202)	30,702	-
Ust-Kamenogorskaya HPS	Kazakhstan	10%	10%	(251)	4,422	-
MEDC	Kazakhstan	21.36%	21.36%	396,815	2,581,942	55,902
ES	Kazakhstan	49%	49%	(46,761)	(196,014)	-
<b>Total</b>				<b>632,004</b>	<b>3,159,992</b>	<b>266,230</b>
<b>Year ended 31 December 2015</b>						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	196,218	455,538	130,761
Shulbinskaya HPS	Kazakhstan	8%	8%	3,929	31,904	-
Ust-Kamenogorskaya HPS	Kazakhstan	10%	10%	492	4,673	-
MEDC	Kazakhstan	21.36%	21.36%	265,745	2,185,126	57,715
ES	Kazakhstan	49%	49%	(76,680)	(149,253)	-
Karagandagiproshaht	Kazakhstan	10%	10%	363	363	-
<b>TOTAL</b>				<b>390,067</b>	<b>2,528,351</b>	<b>188,476</b>

The summarised financial information of these subsidiaries was as follows at 31 December 2016 and 31 December 2015:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income	Cash flows
<i>In thousands of Kazakhstani Tenge</i>								
<b>Year ended 31 December 2016</b>								
Bukhtarminskaya HPS	2,241,959	1,216,936	288,940	160,709	3,502,841	2,834,029	2,834,029	5,809
Shulbinskaya HPS	150	-	512,435	6,053	-	(15,301)	(15,301)	-
Ust-Kamenogorskaya HPS	150	-	75,952	33,149	-	(2,505)	(2,505)	-
MEDC	1,979,766	29,851,600	4,201,467	16,287,977	10,354,328	1,857,749	1,857,749	(293,718)
ES	11,330	65,674	478,860	863	-	(95,430)	(95,430)	2,991
<b>Total</b>	<b>4,233,355</b>	<b>31,134,210</b>	<b>5,557,654</b>	<b>16,488,751</b>	<b>13,857,169</b>	<b>4,578,542</b>	<b>4,578,542</b>	<b>(284,918)</b>
<b>Year ended 31 December 2015</b>								
Bukhtarminskaya HPS	1,626,776	1,441,173	239,184	163,729	8,022,912	1,962,183	1,962,183	5,944
Shulbinskaya HPS	150	-	498,608	4,579	-	49,989	49,989	-
Ust-Kamenogorskaya HPS	150	-	74,971	31,624	-	4,921	4,921	-
MEDC	2,208,936	21,400,050	3,119,006	10,971,297	8,985,664	1,244,124	1,244,124	441,120
ES	4,812	12,685	323,060	1,727	-	(156,491)	(156,491)	(3,195)
Karagandagiproshaht	35,568	35,331	9,040	-	160,042	3,631	3,631	(78,385)
<b>Total</b>	<b>3,876,392</b>	<b>22,889,239</b>	<b>4,263,869</b>	<b>11,172,956</b>	<b>8,183,618</b>	<b>3,108,357</b>	<b>3,108,357</b>	<b>365,484</b>



**32 Principal Subsidiaries, Associates and Joint Venture**

<b>Name</b>	<b>Nature of business</b>	<b>Percentage of voting rights</b>	<b>Percentage of ownership</b>	<b>Country of registration</b>
<b>Subsidiaries:</b>				
<i>Alatau Zharyk Company JSC ("AZHK")</i>	Electricity transmission and distribution in Almaty and the Almaty region	100%	100%	Kazakhstan
<i>Almaty Power Stations JSC ("ALES")</i>	Production of electricity, heat energy and hot water in Almaty and the Almaty region	100%	100%	Kazakhstan
<i>AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt")</i>	Sale of electricity in Almaty city and region	100%	100%	Kazakhstan
<i>Shardara HPS JSC ("Shardara HPS")</i>	Production of electricity on the basis of water resources in the Southern Kazakhstan	100%	100%	Kazakhstan
<i>Moinak HPS JSC ("Moinak HPS")</i>	Production of electricity on hydropower station	100%	100%	Kazakhstan
<i>Ekibastuzskaya GRES-1 named after Bulat Nurzhanov ("EGRES-1")</i>	Production of electricity and heat energy on the basis of coal	100%	100%	Kazakhstan
<i>Bukhtarminskaya HPS JSC ("Bukhtarminskaya HPS")</i>	Owner of Bukhtarminskaya hydropower station transferred under lease arrangement	91%	91%	Kazakhstan
<i>Ust-Kamenogorskaya HPS JSC and Shulbinskaya HPS JSC (together referred to as "Hydropower companies")</i>	Owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of the hydropower stations to concession, these entities are dormant	90%	90%	Kazakhstan
<i>Samruk Green Energy LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>First Wind Turbine LLP</i>	Development of renewable electricity. Production of electricity on wind farm.	100%	100%	Kazakhstan
<i>Ereymtau Wind Power LLP</i>	Construction of a wind plant.	100%	100%	Kazakhstan
<i>Energiya Semirechiya LLP ("ES")</i>	Finalized construction of Solar plant near Almaty	51%	51%	Kazakhstan
<i>KazGidroTekhEnergo LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>TeploEnergoMash LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>Energy Solutions Center LLP</i>	Transportation and other services	100%	100%	Kazakhstan
<b>Associates:</b>				
<i>Balkhashskaya TES</i>	Construction of Balkhash thermal power station	50% -1 share	50% -1 share	Kazakhstan
<b>Joint ventures:</b>				
<i>Stantciya Ekibastuzskaya GRES-2 JSC ("EGRES-2")</i>	Production of electricity and heat energy on the basis of coal	50%	50%	Kazakhstan
<i>Forum Muider BV («Forum Muider»)</i>	Company holding 100% charter in <i>Bogatyr Komir</i> (Company involved in production of power generating coal) and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations	50%	50%	Netherlands
<b>Discontinued operations:</b>				
<i>Aktobe Thermal Power Station JSC ("Aktobe TPS")</i>	Production of electricity, heat energy and hot water in Aktobe city	100%	100%	Kazakhstan
<i>Mangistau Electricity Distribution Company JSC ("MEDC")</i>	Transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan.	78.6%	78.6%	Kazakhstan
<i>Tegis Munai LLP and Mangyshlak Munai LLP</i>	Gas field exploration and development activities	100%	100%	Kazakhstan
<i>East-Kazakhstan regional electricity distribution company ("VKREC")</i>	Provision of the services on the transmission and technical distribution of electricity in East Kazakhstan	100%	100%	Kazakhstan
<i>Shygys Energo Trade LLP ("SET")</i>	Sale of electricity in East Kazakhstan region	100%	100%	Kazakhstan

### 33 Financial Instruments by Category

Accounting policies on financial instruments categories were applied for below listed items:

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<i>Loans and receivables</i>		
Cash and cash equivalents	17,350,461	31,927,511
Restricted cash	7,294,340	6,616,683
Term deposit	31,631,769	30,369,413
Financial receivables	15,836,932	17,508,109
Dividends receivable	1,728,179	2,108,905
<i>Held to maturity</i>		
Bonds	223,491	7,050,737
<b>Total financial assets</b>	<b>74,065,172</b>	<b>95,581,358</b>
<i>Other financial liabilities</i>		
Borrowings	387,560,600	411,003,381
Financial payables	15,141,842	30,510,280
Non-current trade payables	929,155	69,673
Other financial liabilities	215,053	354,202
<b>Total financial liabilities</b>	<b>403,846,649</b>	<b>441,937,536</b>

### 34 Financial Risk Management

#### *Financial Risk Factors*

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), who provides principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

#### **(a) Credit risk**

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables, other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk. Further information is provided in relation to credit risk in Note 14.

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and are forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have the system of assessing the creditworthiness of consumers; policy for assigning internal ratings and set credit limits to counterparties.

**34 Financial Risk Management (Continued)**

The table below presents the credit ratings (if available) as of the end of the respective reporting period:

<i>In thousands of Kazakhstani tenge</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
BBB+	218	13,323
BBB- (outlook negative)	6,301,282	6 698 321
BB (outlook negative)	11,356,012	10 197 091
BB-	267,202	1 284 484
B+ (outlook stable)	898	6 141 641
B (outlook negative)	19,462,906	8 760 404
B- (outlook negative)	12,446,777	27 948 884
CCC+	-	950 273
CCC (outlook negative)	5,993,986	6 840 490
D	381,368	-
Not available	65,561	78 694
<b>Total cash and cash equivalents, term deposits and restricted cash</b>	<b>56,276,210</b>	<b>68,913,605</b>

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next ten years (currently until 2025). In planning cash flows the Group also accounts for income from temporary excess cash using the bank deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

<i>In thousands of Kazakhstan Tenge</i>	<b>On demand and within 1 month</b>	<b>Between 1 and 3 months</b>	<b>From 3 to 12 months</b>	<b>Between 12 months and 5 years</b>	<b>Over 5 years</b>
<i>At 31 December 2016</i>					
Borrowings	2,994,334	6,438,844	200,880,905	123,371,873	203,237,095
Other non-current financial liabilities	-	-	-	-	-
Trade and other payables	6,577,549	1,159,115	856,390	929,155	-
<b>Total financial liabilities</b>	<b>9,571,883</b>	<b>7,597,959</b>	<b>201,737,295</b>	<b>124,301,028</b>	<b>203,237,095</b>
<i>At 31 December 2015</i>					
Borrowings	4,657,957	16,249,101	64,596,911	227,544,789	205,505,034
Other non-current financial liabilities	-	-	-	3,635,649	-
Trade and other payables	15,910,506	4,776,269	9,823,482	-	-
<b>Total financial liabilities</b>	<b>20,568,463</b>	<b>21,025,370</b>	<b>74,420,393</b>	<b>231,180,438</b>	<b>205,505,034</b>

On 31 August 2016 Samsung C&T sent a notice to Samruk-Energy JSC on its intention to exercise the option to sell the shares in accordance with the Option Agreement. Samsung C&T has estimated the value of its investment in the BTPP being equal to 192 million USD, or 64 billion tenge (Note 4). The Group does not expect a cash outflow of 5,841,513 thousands tenge in respect of accounts payable to the Akimat (Note 4).

**(c) Market risk**
**Currency risk**

The Group's certain borrowings (Note 19) and trade payables (Note 21) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently the benefits from

### 34 Financial Risk Management (Continued)

implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

	USD	Euro	Other currencies	Total
<i>In thousands of Kazakhstan Tenge</i>				
<i>At 31 December 2016</i>				
Assets	37,467,488	62,611	1,392	37,531,491
Liabilities	232,548,010	1,124,668	1,281,844	234,954,522
<b>Net position</b>	<b>(195,080,522)</b>	<b>(1,062,057)</b>	<b>(1,280,452)</b>	<b>(197,423,030)</b>
<i>At 31 December 2015</i>				
Assets	47,695,640	3,868,413	13,796	51,577,849
Liabilities	(240,671,748)	(483,029)	(2,650)	(241,157,427)
<b>Net position</b>	<b>(192,976,108)</b>	<b>3,385,384</b>	<b>11,146</b>	<b>(189,579,578)</b>

The following table shows the effect of changes in exchange rates on profit and loss:

	31 December 2016	31 December 2015
<i>In thousands of Kazakhstan Tenge</i>		
	Impact on profit or loss	Impact on profit or loss
Strengthening of the US dollar by [13]% (2015: strengthening by [60]%)	(25,360,468)	(115,785,665)
Weakening of the US dollar by [13]% (2015: weakening by [20]%)	25,360,468	38,595,222
Strengthening of the euro by [15]% (2015: strengthening by [60]%)	(159,309)	2,031,230
Weakening of the euro by [15]% (2015: weakening by [20]%)	159,309	(677,077)
Strengthening of other currencies by [17]% (2015: strengthening by [53]%)	(217,677)	5,907
Weakening of other currencies by [19]% (2015: weakening by [23]%)	243,286	(2,564)
<b>Total</b>	<b>25,609</b>	<b>(75,832,946)</b>

#### **Interest rate risk**

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Group's cash flows.

The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

If interest rates had been 60 basis points higher at 31 December 2016, with all other variables held constant, profit for the year would have been 362,319 thousands tenge less, mainly as a result of higher interest expense on floating interest rate liabilities.

If interest rates had been 8 basis points lower at 31 December 2016, with all other variables held constant, profit for the year would have been 48,309 thousands tenge higher, mainly as a result of lower interest expense on floating interest rate liabilities.

### **34 Financial Risk Management (Continued)**

#### ***Capital risk management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. Management considers the gearing ratio of 50% as acceptable for the risk profit of the Group.

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total borrowings	19	387,560,600	411,003,381
Less:			
Cash and cash equivalents	15	17,350,461	31,927,511
Net borrowings		370,210,139	379,075,870
Total equity		516,035,973	482,520,437
<b>Total capital</b>		<b>886,246,112</b>	<b>861,596,307</b>
<b>Gearing ratio</b>		<b>42%</b>	<b>44%</b>

### **35 Fair Value of Financial Instruments**

#### ***Fair value estimation***

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

#### ***Financial assets carried at amortised cost***

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. The carrying amounts of cash and cash equivalents, term deposits, restricted cash, bonds and financial receivables approximate to their fair values.

#### ***Financial liabilities carried at amortised cost***

Fair value of level 1 fixed interest rate instruments is based on quoted price prices.

The estimated fair value of level 3 fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

**35 Fair Value of Financial Instruments (Continued)**

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

<i>In thousands of Kazakhstani tenge</i>	<b>31 December 2016</b>				<b>31 December 2015</b>			
	<b>Level 1 fair value</b>	<b>Level 2 fair value</b>	<b>Level 3 fair value</b>	<b>Carrying value</b>	<b>Level 1 fair value</b>	<b>Level 2 fair value</b>	<b>Level 3 fair value</b>	<b>Carrying value</b>
<b>ASSETS</b>								
Cash and cash equivalents	-	-	17,350,461	17,350,461	-	-	31,927,511	31,927,511
Restricted cash	-	-	7,294,340	7,294,340	-	-	6,616,683	6,616,683
Term deposit	-	-	31,631,769	31,631,769	-	-	30,369,413	30,369,413
Financial receivables	-	-	15,836,932	15,836,932	-	-	17,508,109	17,508,109
Dividends receivable	-	-	1,728,179	1,728,179	-	-	2,108,905	2,108,905
Fair value of future minimum lease payments on operating lease of Bukhtarminskaya HPS	-	-	10,950,240	667,785	-	-	6,144,842	774,702
Short term loans	-	-	-	-	-	-	-	-
Bonds	212,098	-	-	223,491	6,835,820	-	-	7,050,737
<b>Total Financial assets</b>	<b>212,098</b>	<b>-</b>	<b>84,791,921</b>	<b>74,732,957</b>	<b>6,835,820</b>	<b>-</b>	<b>94,675,463</b>	<b>96,356,060</b>
<b>LIABILITIES</b>								
Borrowings	167,789,851	-	218,862,253	387,560,600	164,224,827	-	224,308,186	411,003,381
Financial payables	-	-	15,141,842	15,141,842	-	-	30,510,280	30,510,280
Non-current trade payables	-	-	-	-	-	-	69,673	69,673
Other financial liabilities	-	-	309,393	309,393	-	-	354,202	354,202
<b>Total Financial liabilities</b>	<b>167,789,851</b>	<b>-</b>	<b>234,313,488</b>	<b>403,011,835</b>	<b>164,224,827</b>	<b>-</b>	<b>255,242,341</b>	<b>441,937,536</b>

**36 Events Occurring After the Reporting Period**

On 20 January 2017, the Group concluded additional agreement #8 with Halyk Bank of Kazakhstan JSC on increasing credit line to 9,703,691 thousands tenge. Purpose - work associated with transfer of part of the load from the existing substation #4 to the newly constructed 110 / 10-10 kV Alatau substation. The interest rate is 14% per annum, the credit line is provided until 31 December 2021.

In January and February 2017, in accordance with the Loan Agreement with "Sberbank of Russia" JSC, the Group received a loan for a total of 850,000 thousands tenge for a period of 2 years at a rate of 13% per annum.