



**SAMRUK-ENERGY JSC**

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

**31 December 2015**

# Contents

## INDEPENDENT AUDITOR'S REPORT

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated financial statements of Samruk-Energy JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



## INDEPENDENT AUDITOR'S REPORT (continued)

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### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

3 March 2016  
Almaty, Kazakhstan



Approved and signed by:

**Dana Inkarbekova**

Managing Director of PricewaterhouseCoopers LLP

(General State License of the Ministry of Finance

of the Republic of Kazakhstan №0000005 dated 21 October 1999)


Audit Partner


(Qualified Auditor's Certificate №0000492 dated 18 January 2000)

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

<i>In thousands of Kazakhstan Tenge</i>	<i>Note</i>	<b>31 December 2015</b>	<b>31 December 2014 (restated) *</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	804,846,336	747,309,059
Investment property	10	774,702	882,542
Intangible assets	8	2,894,963	2,450,543
Exploration assets	9	13,520,805	11,448,375
Investments in joint ventures and associates	11	72,047,578	78,896,702
Other non-current assets	12	14,256,809	18,783,300
<b>Total non-current assets</b>		<b>908,341,193</b>	<b>859,770,521</b>
<b>Current assets</b>			
Inventories	13	13,777,955	13,053,789
Trade and other receivables	14	19,842,838	14,931,807
Other current assets	15	50,866,965	43,214,791
Income tax prepaid		1,534,371	1,579,015
Cash and cash equivalents	16	31,927,511	21,658,167
<b>Total current assets</b>		<b>117,949,640</b>	<b>94,437,569</b>
<b>TOTAL ASSETS</b>		<b>1,026,290,833</b>	<b>954,208,090</b>

Signed on behalf of management on 3 March 2016.

  
Kairat B. Maxutov  
CFO, Chief Finance Officer

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

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

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

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

<i>In thousands of Kazakhstan Tenge</i>	<i>Note</i>	<b>31 December 2015</b>	<b>31 December 2014 (restated) *</b>
<b>EQUITY</b>			
Share capital	17	355,650,405	355,364,386
Other reserves	17	127,578,106	54,993,097
(Accumulated deficit)/Retained earnings		(3,236,425)	80,553,684
<b>Equity attributable to the Group's equity holders</b>		<b>479,992,086</b>	<b>490,911,167</b>
Non-controlling interest	31	2,528,351	2,138,284
<b>TOTAL EQUITY</b>		<b>482,520,437</b>	<b>493,049,451</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Ash dump restoration provision		1,842,401	1,203,172
Employee benefit obligations	18	1,329,840	1,338,136
Borrowings	19	340,158,800	283,724,820
Other non-current liabilities	20	4,735,410	8,146,330
Deferred income tax liabilities	28	79,404,793	79,296,635
<b>Total non-current liabilities</b>		<b>427,471,244</b>	<b>373,709,093</b>
<b>Current liabilities</b>			
Ash dump restoration provision		120,147	95,968
Borrowings	19	70,844,582	40,301,262
Employee benefit obligations	18	122,689	93,644
Trade and other payables	21	43,220,687	45,397,259
Taxes payable and other payables to budget	28	1,524,428	1,408,623
Income tax payable	28	466,619	152,790
<b>Total current liabilities</b>		<b>116,299,152</b>	<b>87,449,546</b>
<b>TOTAL LIABILITIES</b>		<b>543,770,396</b>	<b>461,158,639</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,026,290,833</b>	<b>954,208,090</b>

Signed on behalf of management on 3 March 2016.

Kairat B. Maxutov  
CFO, Chief Finance Officer



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

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

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

**SAMRUK-ENERGY JSC**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated) *</b>
Revenue	22	228,865,079	221,150,337
Cost of sales	23	(165,931,725)	(157,207,085)
<b>Gross profit</b>		<b>62,933,354</b>	<b>63,943,252</b>
Selling expense		(3,029,040)	(2,516,167)
General and administrative expenses	25	(13,939,521)	(13,890,731)
Share in profit/(loss) of joint ventures and associates	11	(10,172,534)	12,957,577
Impairment of Goodwill		-	(75,875,134)
Impairment of assets	4	(3,590,229)	(2,785,110)
Finance income	26	2,728,571	8,710,222
Finance costs	27	(109,214,671)	(24,018,120)
Other income	24	1,994,642	58,978,315
Other expense	24	(1,749,618)	(1,198,607)
<b>(Loss)/profit before income tax</b>		<b>(74,039,046)</b>	<b>24,305,497</b>
Income tax expense	28	(5,875,162)	(11,054,902)
<b>(Loss)/profit for the year from continuing operations</b>		<b>(79,914,208)</b>	<b>13,250,595</b>
Profit for the year from discontinued operations		2,469,307	-
<b>(Loss)/profit for the year</b>		<b>(77,444,901)</b>	<b>13,250,595</b>
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		3,106	(152,764)
<b>Total comprehensive (loss)/income for the year</b>		<b>(77,441,795)</b>	<b>13,097,831</b>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Group		(77,834,968)	15,946,974
Non-controlling interest		390,067	(2,696,379)
<b>(Loss)/profit for the Year</b>		<b>(77,444,901)</b>	<b>13,250,595</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Group		(77,831,862)	15,794,210
Non-controlling interest		390,067	(2,696,379)
<b>Total comprehensive (loss)/income for the year</b>		<b>(77,441,795)</b>	<b>13,097,831</b>

\* - Comparative information has been adjusted to reflect transfer from 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	(Accumula- ted deficit)/Re- tained earnings	Total		
<b>Balance at 1 January 2014</b>		<b>233,946,269</b>	<b>75,308,815</b>	<b>72,276,222</b>	<b>381,531,306</b>	<b>3,021,709</b>	<b>384,553,015</b>
Profit for the year		-	-	15,946,974	15,946,974	(2,696,379)	13,250,595
Other comprehensive loss		-	(152,764)	-	(152,764)	-	(152,764)
Total comprehensive income/(losses)		-	(152,764)	15,946,974	15,794,210	(2,696,379)	13,097,831
Share issue	17	21,418,117	-	-	21,418,117	-	21,418,117
Acquisition of Moinak HPS	17	-	(20,162,954)	-	(20,162,954)	1,812,954	(18,350,000)
Gain from initial recognition of loan from Samruk-Kazyna	19	-	18,922,380	-	18,922,380	-	18,922,380
Derecognition of gain from initial recognition due to loan modification	19	100,000,000	(18,922,380)	501,093	81,578,713	-	81,578,713
Dividends		-	-	(8,170,605)	(8,170,605)	-	(8,170,605)
<b>Balance at 31 December 2014</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)/income for the year		-	-	(77,834,968)	(77,834,968)	390,067	(77,444,901)
Other comprehensive income		-	3,106	-	3,106	-	3,106
Total comprehensive (losses)/income		-	3,106	(77,834,968)	(77,831,862)	390,067	(77,441,795)
Share issue	17	286,019	-	-	286,019	-	286,019
Gain from initial recognition of loan from Samruk-Kazyna	17	-	72,581,903	-	72,581,903	-	72,581,903
Other distribution to shareholder	17	-	-	(1,174,068)	(1,174,068)	-	(1,174,068)
Dividends	17	-	-	(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>

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



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

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated) *</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax of continued operations		(74,039,046)	24,305,497
Adjustments for:			
Depreciation and amortisation		38,954,690	28,715,621
Losses on disposal of property, plant and equipment		932,943	441,062
Reversal of provision for impairment of trade and other receivables	25	220,855	538,353
(Reversal)/charge of provision on obsolete and slow-moving inventories	23	(248,629)	881,417
Amortisation of income from connection of additional capacities	23	(364,926)	(379,358)
Current service cost and actuarial losses on employee benefits		-	(34,326)
Finance costs	27	109,214,671	24,018,120
Finance income	26	(2,728,571)	(8,710,222)
Share in loss/(profit) of joint ventures and associates	11	10,172,534	(12,957,577)
Gain of fair value measurement of previously held interest		-	(56,682,576)
Goodwill impairment		-	75,875,134
Impairment of property, plant and equipment		3,590,229	2,785,110
Others		3,108	(4,748)
<b>Operating cash flows before working capital changes:</b>		<b>85,707,858</b>	<b>78,791,507</b>
(Increase)/decrease in trade and other receivables and other current assets		(4,311,947)	2,981,160
(Increase)/decrease in inventories		(340,645)	168,327
Decrease in trade and other payables		(1,084,181)	(823,646)
Increase/(decrease) in employee benefits payable		344,374	(26,904)
Increase/(decrease) in taxes payable		3,081,703	(1,701,557)
<b>Cash generated from operations</b>		<b>83,397,162</b>	<b>79,388,887</b>
Income tax paid		(4,996,199)	(5,638,833)
Interest paid		(23,490,234)	(20,815,349)
Dividends received		5,726,955	5,771,472
<b>Net cash from operating activities</b>		<b>60,637,684</b>	<b>58,706,177</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(97,607,800)	(81,741,843)
Acquisition of intangible assets		(718,235)	(371,087)
Exploration and evaluation expenditures		(2,486,932)	(1,708,070)
Acquisition of subsidiary, net of cash acquired		78,386	(233,037,485)
Investment in Moinak HPS		-	(18,350,000)
Acquisition of share in associates	11	(8,906,910)	(6,059,620)
Interest income received		2,793,747	3,033,730
Proceeds from sale of Property, Plant and Equipment		79,204	2,452
Proceeds from sale of interest in joint ventures and associates		370,396	45,500
Withdrawal of bank deposits		14,412,555	40,320,274
Proceeds from loans provided		-	3,669,540
Proceeds from sale of Financial Assets		-	405,839
Withdrawal of restricted cash		1,346,767	397,379
<b>Net cash used in investing activities</b>		<b>(90,638,822)</b>	<b>(293,395,843)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares	17	-	21,418,117
Proceeds from issue of bonds		-	2,372,042
Proceeds from borrowings		142,510,049	233,614,123
Repayment of borrowings		(100,114,430)	(13,623,443)
Repayment of bonds		-	(10,820,032)
Dividends paid to shareholders		(4,781,073)	(8,170,605)
Dividends paid to non-controlling interest holders		(188,476)	(218,312)
Repayment of loans from customers		-	(616,518)
Other payments attributable to shareholders		(800,234)	-
Others		(3,770)	-
<b>Net cash from financing activities</b>		<b>36,622,066</b>	<b>223,955,372</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 Flow (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated)</b>
Foreign exchange effect on Cash and cash equivalents		3,648,416	17,150,465
<b>Net increase in cash and cash equivalents</b>		<b>10,269,344</b>	<b>6,416,171</b>
Cash and cash equivalents at the beginning of the year	16	21,658,167	15,241,996
<b>Cash and cash equivalents at the year- end</b>	<b>16</b>	<b>31,927,511</b>	<b>21,658,167</b>

\* - Comparative information has been adjusted to reflect transfer from discontinued operations (Note 2).

## **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 2015 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 and heat energy and 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, lease of property of power stations, development of the renewable energy sources and others. Principal subsidiaries, joint ventures and associates are disclosed in Note 31.

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 are 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 electricity 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 2015 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 340.01 (31 December 2014: US Dollar = Tenge 182.35). 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.

*(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.



## **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 to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view 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.

***Ash dump restoration provision***

Ash dump restoration provision is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump restoration costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated restoration costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related waste occurs based on the net present value of estimated future costs. Ash dump restoration provision does not include any additional obligations which are expected to arise from current or future disturbance. The costs 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.

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 restoration 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 and loss 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 and loss 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 pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. 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 the state and private cumulative pension funds.

### ***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 within profit and loss for the year or 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***

On 24 of July 2014 the Board of Directors approved the plan to dispose a number of the subsidiaries in accordance with the Decree of the Government on the privatization of assets. As of 31 December 2014 all assets and liabilities of East Kazakhstan regional electricity distribution company (VKREC), Shygys Energo Trade LLP (SHET), Mangistau electricity distribution company (MEDC), Aktobe TPS, Zhambylskaya GRES named after T. I. Baturov (ZhGRES) have been included in disposal group. Since the operations of VKREK, SHET, MEDC, Aktobe TPS, and ZhGRES represent separate significant activities, this disposal group was presented as a discontinued operation in the consolidated financial statements for the previous year. On 31 March 2015 the Group has signed the agreement on sale of 50% of shares of ZhGRES with TarazEnergo-2005 LLP. The sale price was agreed is Tenge 2,469,307 thousand. Transfer of ownership was completed on 18 May 2015. VKREK, SHET, MEDC, Aktobe TSP have not been sold during 2015.

In December 2015 the Government of Republic of Kazakhstan adopted a new Decree "On some issues of privatization for 2016-2020". As part of this Decree the previously conducted activities and procedures become invalid, and the sales process will consist of several stages, the duration of which will depend on both, the internal and external factors.

Due to the unstable economic situation, the management considers that there is some uncertainty in the order of sale of assets and in the timing of realization. In addition, Company's disposal group was not realised during 2015, as previously planned. Management has assessed that there is a high probability that the disposal group will not be sold during 2016 as well.

Consequently, as at 31 December 2015 the assets and liabilities of VKREK, SHET, MEDC, and Aktobe TPS were transferred from discontinued operations to continuing operations. As a result, the comparative information has been restated to reflect the transfer of the results of the disposal group.

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

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2014:

<i>In thousands of Kazakhstani Tenge</i>	<b>As original 31 December 2014</b>	<b>Aktobe TPS</b>	<b>MEDC</b>	<b>VKREC</b>	<b>SHET</b>	<b>Intercompany eliminations and adjustments</b>	<b>As restated 31 December 2014</b>
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	710,404,916	8,304,524	16,597,944	11,944,959	123,492	(66,776)	747,309,059
Investment property	882,542	-	-	-	-	-	882,542
Intangible assets	2,052,308	26,609	203,536	27,070	141,020	-	2,450,543
Exploration and evaluation assets	11,448,375	-	-	-	-	-	11,448,375
Investments in joint ventures and associates	78,896,702	-	-	-	-	-	78,896,702
Other non-current assets	18,665,204	102,135	-	201,307	15,961	(201,307)	18,783,300
<b>Total non-current assets</b>	<b>822,350,047</b>	<b>8,433,268</b>	<b>16,801,480</b>	<b>12,173,336</b>	<b>280,473</b>	<b>(268,083)</b>	<b>859,770,521</b>
<b>Current assets</b>							
Inventories	12,035,047	433,887	347,681	14,990	222,184	-	13,053,789
Trade and other receivables	11,726,504	570,627	333,370	145,750	2,157,411	(1,855)	14,931,807
Other current assets	42,438,992	47,576	79,192	328,837	954,826	(634,630)	43,214,793
Income tax prepaid	1,281,982	92,237	-	156,509	48,285	-	1,579,013
Cash and cash equivalents	20,592,055	62,772	306,967	10,734	685,639	-	21,658,167
Assets of disposal group, classified as held-for-sale	43,984,770	-	-	-	-	(43,984,770)	-
<b>Total current assets</b>	<b>132,059,350</b>	<b>1,207,099</b>	<b>1,067,210</b>	<b>656,820</b>	<b>4,068,345</b>	<b>(44,621,255)</b>	<b>94,437,569</b>
<b>TOTAL ASSETS</b>	<b>954,409,397</b>	<b>9,640,367</b>	<b>17,868,690</b>	<b>12,830,156</b>	<b>4,348,818</b>	<b>(44,889,338)</b>	<b>954,208,090</b>



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

<i>In thousands of Kazakhstani Tenge</i>	<b>As original 31 December 2014</b>	<b>Aktobe TPS</b>	<b>MEDC</b>	<b>VKREC</b>	<b>SHET</b>	<b>Intercompany eliminations and adjustments</b>	<b>As restated 31 December 2014</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Ash dump restoration provision	1,203,172	-	-	-	-	-	1,203,172
Employee benefit obligations	1,033,125	140,487	60,549	103,975	-	-	1,338,136
Borrowings	280,326,306	-	4,584,871	1,279,977	-	(2,466,334)	283,724,820
Other non-current liabilities	6,500,623	-	1,641,027	4,680	-	-	8,146,330
Deferred income tax liabilities	77,289,181	307,757	1,192,376	708,629	-	(201,308)	79,296,635
<b>Total non-current liabilities</b>	<b>366,352,407</b>	<b>448,244</b>	<b>7,478,823</b>	<b>2,097,261</b>	<b>-</b>	<b>(2,667,642)</b>	<b>373,709,093</b>
<b>Current liabilities</b>							
Ash dump restoration provision	85,020	-	-	10,948	-	-	95,968
Borrowings	38,840,232	200,000	216,404	922,652	857,694	(735,720)	40,301,262
Employee benefit obligations	69,518	8,274	2,848	13,004	-	-	93,644
Provisions on liabilities and expenses	-	-	-	-	-	-	-
Trade and other payables	36,239,177	1,795,633	2,860,180	2,788,904	2,389,688	(676,323)	45,397,259
Taxes payable and other payables to budget	1,309,377	9,189	29,018	55,933	5,106	-	1,408,623
Income tax payable	148,637	-	-	4,153	-	-	152,790
Liabilities of disposal group, classified as held-for-sale	18,315,579	-	-	-	-	(18,315,579)	-
<b>Total current liabilities</b>	<b>95,007,540</b>	<b>2,013,096</b>	<b>3,108,450</b>	<b>3,795,594</b>	<b>3,252,488</b>	<b>(19,727,622)</b>	<b>87,449,546</b>
<b>TOTAL LIABILITIES</b>	<b>461,359,947</b>	<b>2,461,340</b>	<b>10,587,273</b>	<b>5,892,855</b>	<b>3,252,488</b>	<b>(22,395,264)</b>	<b>461,158,639</b>

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

The third statement of financial position as at 1 January 2014 has not been presented in these financial statements as the changes in presentation had no material impact on the beginning balance of the previous period.

<i>In thousands of Kazakhstani Tenge</i>	<b>As original for the year ended 31 December 2014</b>	<b>Aktobe TPS</b>	<b>MEDC</b>	<b>VKREC</b>	<b>ShET</b>	<b>Intercompany eliminations and adjustments</b>	<b>As restated for the year ended 31 December 2014</b>
Revenue	178,084,928	5,710,243	8,655,210	10,904,711	26,221,988	(8,426,743)	221,150,337
Cost of sales	(120,997,240)	(4,867,917)	(5,652,962)	(8,458,439)	(25,698,537)	8,468,010	157,207,085
<b>Gross profit</b>	<b>57,087,688</b>	<b>842,326</b>	<b>3,002,248</b>	<b>2,446,272</b>	<b>523,451</b>	<b>41,267</b>	<b>63,943,252</b>
Distribution costs	(2,415,531)	-	(100,636)	-	-	-	(2,516,167)
General and administrative expenses	(11,287,412)	(320,886)	(870,433)	(529,852)	(887,505)	5,357	(13,890,731)
Share of profit of joint ventures and associates	12,957,577	-	-	-	-	-	12,957,577
Impairment of goodwill	(75,875,134)	-	-	-	-	-	(75,875,134)
Impairment of assets	-	-	-	-	-	(2,785,110)	(2,785,110)
Finance income	8,665,287	569	42,466	633,298	132	(631,530)	8,710,222
Finance costs	(23,567,179)	(8,911)	(385,504)	(289,796)	(65,974)	299,244	(24,018,120)
Other income	58,628,812	55,266	176,388	66,177	77,338	(25,666)	58,978,315
Other expenses	(3,869,049)	(51,727)	(28,409)	(24,392)	(10,140)	2,785,110	(1,198,607)
<b>Profit/(loss) before income tax</b>	<b>20,325,059</b>	<b>516,637</b>	<b>1,836,120</b>	<b>2,301,707</b>	<b>(362,698)</b>	<b>(311,328)</b>	<b>24,305,497</b>
Income tax expense	(10,061,057)	(134,565)	(401,551)	(454,391)	(3,338)	-	(11,054,902)
<b>Profit/(loss) for the year from continuing operations</b>	<b>10,264,002</b>	<b>382,072</b>	<b>1,434,569</b>	<b>1,847,316</b>	<b>(366,036)</b>	<b>(311,328)</b>	<b>13,250,595</b>
Profit from discontinued operations	2,986,593	-	-	-	-	(2,986,593)	-
<b>Profit for the year</b>	<b>13,250,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,250,595</b>

**Changes in presentation.**

In 2015 Management revised its approach to the presentation of certain financial statement lines. The comparative information for the previous period was reclassified to comply with the classifications of the current year. Expenses on provisions for impairment of assets were reclassified from "Other expenses" to "Impairment loss" separate line item. The following is the impact of this revision:

<i>In thousands of Kazakhstani Tenge</i>	<b>2014</b>
<b>Decrease in financial statement line:</b>	
Other expenses	2,785,110
<b>Increase in financial statement line:</b>	
Impairment loss	(2,785,110)

### **3 New Accounting Pronouncements**

The following new standards and interpretations became effective for the Group from 1 January 2014:

**Amendments to IAS 19 – “Defined benefit plans: Employee contributions” (issued in November 2013 and effective for annual periods beginning 1 July 2014).** The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendments to the standard did not have significant impact on the Group’s financial statements.

**Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).** The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2015. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments to the standard did not have significant impact on the Group’s financial statements.

**Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).** The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendments to the standard did not have significant impact on the Group’s financial statements.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 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).
- 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.

### 3 New Accounting Pronouncements (Continued)

- 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.

The Group is currently assessing the impact of the new standard on its financial statements.

***IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).*** IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

***Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).*** This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

***Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).*** In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

***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.

***Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).*** The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

***Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).*** The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

### 3 New Accounting Pronouncements (Continued)

***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 1 January 2016).*** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

***Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).*** The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

***Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).*** The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

***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).*** The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated 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 judgements are continually evaluated and are 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 judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

At the end of each reporting period 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 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 calculation of value in use requires the application of the management's estimates and judgments which are deemed appropriate under the current circumstances.

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

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 Company operates or in the market for which the asset is used. According to the results of the assessment, Management concluded that the devaluation of the Tenge, the slowdown of economic growth, and the rise in the cost of borrowings and their possible impact on the Group's income are indicators of possible impairment of non-financial assets. Consequently, the Group's Management has decided to conduct impairment test of property, plant and equipment and intangible assets of ALES, AZhC and GRES-1, companies that are sensitive to economic changes and significant to the Group.

ALES is involved in the production of electricity, heating energy and chemical water and hold the dominant position in Almaty and Almaty region. AzhK is a natural monopolist involved in electricity transmission and distribution in Almaty and the Almaty region. GRES-1 is a thermal power plant.

Management engaged an independent expert to conduct an impairment test. The test was conducted in accordance with IAS 36 "Impairment of Assets". Management has assessed the recoverable amount of property, plant and equipment and intangible assets of ALES, AZhC and GRES-1 based on the assessment of expected future cash inflows and outflows from the 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 2016-2020 and further volume of sales remains at the level of 2020.

**ALES**

ALES has identified all property, plant and equipment as a single cash-generating unit, as this is the lowest level at which the ALES exercises control over the recoverability. Key assumptions used by management in determining the value in use, is:

- forecasted sales volumes of electricity, heat energy and chemical water and tariffs:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sale of electricity, thousands kWh	4,213	4,344	4,344	4,344	4,344	4,344	4,344	4,344	4,344	4,344
Sale of heat energy, thousands Gcal	5,442	6,071	6,071	6,071	6,071	6,071	6,071	6,071	6,071	6,071
Sale of chemical water, thousands tons	28,949	36,714	36,714	36,714	36,714	36,714	36,714	36,714	36,714	36,714
Tariff on sale of electricity, Tenge/kWh	8.60	8.97	9.35	9.72	10.09	10.45	10.81	11.17	11.53	11.87
Tariff on sale of heat energy, Tenge/Gcal	2,732	3,050	3,368	3,686	4,004	4,146	4,291	4,434	4,574	4,712
Tariff on sale of chemical water, thousands tons	58.44	61.92	65.40	68.88	72.37	74.93	77.55	80.13	82.66	85.15

Sales volume forecast is based on past performance and management's expectation. It has been suggested that by 2017 the volume of realization of electricity will remain approximately at the level of 2015; the amount of heat energy sales will increase by 21%, and the volume of sales of chemically treated water will increase by 28%, mainly due to the increase of consumption and the growth of the population of the city of Almaty and Almaty region. Forecast for 2018-2025 years suggests that the sales volumes will remain at the level of 2017.

In the case of reduction/increase in sales volumes by 10%, the cost of the basic means of compensation will decrease by 7,187,204 thousands tenge/increase by 7,052,513 thousands tenge.

Forecasts of prices per unit of kWh are based on the tariffs approved by the Committee on Regulation of National Monopolies (CRNM) of Republic of Kazakhstan until the end of 2020. Since then, the rates are determined using the rules of limiting the levels of tariffs approved by CRNM of the Republic of Kazakhstan. The rate is calculated by the use of an acceptable level of profit. One of the assumptions in this case is the load ratio of the assets shown below:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Load ratio (electricity), %	60.7%	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%	63.3%
Load ratio (heat energy), %	15.35%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%
Load ratio (chemical water), %	28.8%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%

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

After-tax discount rate is equal to 12.05% per annum;

Cash flows have been discounted using after-tax discount rate of 12.05% per annum, which has been determined based on the weighted average cost of capital of ALES. Increase/decrease in discount rate of 1% will result in recoverable amount of fixed assets reduced by 5,252,020 thousand Tenge/increase by 6,258,694 thousand Tenge.

- Long-term inflation rate used to calculate the terminal value is 2.3% per annum;

As a result the recoverable amount of property, plant and equipment at 31 December 2015 was estimated higher than their carrying value. Accordingly, no impairment provision was recognised in 2015, except for impairment losses of individual assets.

##### **AZhC**

AZhC has identified all property, plant and equipment as a single cash-generating unit, as this is the lowest level at which AZhC exercises control over the recoverability. Key assumptions used by management in determining the value in use are:

- Forecasted electricity sales volume and tariff

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales volume, thousand kWh	6,483	6,696	6,956	7,474	7,482	7,482	7,482	7,482	7,482	7,482
Price kWh	5.35	5.62	5.85	5.91	5.95	6.32	6.72	7.12	7.54	7.94

Sales volume forecast is based on past performance and management's expectation. It was assumed that sales will increase by approximately 5% per year in 2016-2018, mainly as a result of increased consumption and population growth in Almaty and Almaty region. Forecast for 2019-2020 years is the growth in consumption at the level of 1% , then the forecast for the years 2021-2025 assumes the volume of sales remain at the level of 2020. In case of increase/decrease in sales volume by 10% , the cost of compensation for fixed assets will increase/decrease by Tenge 8,832,904 thousand.

Tariff forecast for kWh is based on tariffs approved, by CRNM until the end of 2020.

- After-tax discount rate is equal to 12.05% annum.

Cash flows have been discounted using pre-tax discount rate of 12.05% per annum, which has been determined based on the weighted average cost of capital of AZhC. Increase/decrease in discount rate of 1%, will result in recoverable amount of fixed assets reduced by 9,635,752 thousand Tenge/increase by 11,991,561 thousand Tenge.

- Long-term inflation rate used to calculate the terminal value is 2,3% per annum

As a result recoverable amount of property, plant and equipment at 31 December 2015 was estimated Tenge 4,001,791 thousand lower than their carrying value. Accordingly, the Group recognized a loss on impairment of property, plant and equipment and intangible assets in 2015.

**4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)***GRES-1*

GRES-1 has identified its property, plant and equipment as a single cash-generating unit, as this is the lowest level at which GRES-1 exercises control over the recoverability. Key assumptions used by management in determining the value in use are:

- forecasted sales volumes of electricity and tariffs:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sale of electricity (domestic market), mil. kWh	10,645	11,180	11,747	14,019	14,444	14,444	14,444	14,444	14,444	14,444
Export (Uzbekistan, Kyrgyzstan) Of electricity, mln. kWh	-	-	2,112	2,113	2,113	2,113	2,113	2,113	2,113	2,113
Tariff on sale of electricity, (domestic market), Tenge/kWh	8.65	8.71	8.76	8.82	8.87	9.18	9.51	9.82	10.13	10.44
Tariff on production of electricity (export), Tenge/kWh	11.70	12.72	13.75	14.75	15.64	16.56	17.53	18.51	19.45	20.30

Sales volume forecast is based on past performance and management's expectation. Possible changes in this assumption will not have a significant impact on the recoverable value of fixed assets.

- After-tax discount rate is equal to 12.05% annum.

Cash flows have been discounted using after-tax discount rate of 12.05% per annum, which has been determined based on the weighted average cost of capital of GRES-1. Increase/decrease in discount rate of 1%, will result in recoverable amount of fixed assets reduced by 53,260,256 thousand Tenge/increase by 67,415,944 thousand Tenge.

- Long-term inflation rate used to calculate the terminal value is 2,3% per annum

As a result recoverable amount of property, plant and equipment at 30 November 2015 was estimated higher than their carrying value prior to 1,500,000 thousand Tenge impairment provision recognised in 2014. Accordingly, impairment provision recognised in the prior year was reversed, except for impairment losses of individual assets.

**Accounting for investment property**

On 26 June 1997, Bukhtarminskaya GES signed an agreement with Kazastur Zinc AG ("the Lessee"), whereby the property complex of Bukhtarminskaya GES was transferred to concession for the period of 10 years. In accordance with concession agreement, the lease payment is US dollar 1,100 thousand. Subsequently, the concession period was revised, and is now of 25 years from the agreement signing date.

According to the terms of concession agreement, the Lessee should perform the reconstruction and technical renovation of the station within the investment program agreed with Bukhtarminskaya GES. All property, plant and equipment, including separable and non-separable improvements of leased property are owned by Bukhtarminskaya GES.

On 7 December 2007, Bukhtarminskaya GES and the Lessee signed the additional agreement to the concession agreement, whereby the annual lease payment was increased to US dollar 8,500 thousand plus an additional floating charge determined on the basis of the Lessee's income from rendering services on maintenance of capacity reserves.

The leased property is used mainly to satisfy the Lessee's electricity needs rather than for sale to the residents.

The Group's management believes that the concession constitutes an operating lease of the property of hydropower station and recorded this property as an investment property. In particular, the following factors were considered in determination of the type of lease:

- the ownership right for leased property is not transferred to the Lessee;
- the useful life of main facilities of hydropower station exceeds the effective period of concession agreement.



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

However, the Group's management believes that upon expiration of the concession agreement in 2022, significant investments will be necessary for the reconstruction of the hydropower station to extend its useful life and restore its production potential, and the carrying amount of assets to be returned will be insignificant.

The Group has selected the cost less accumulated depreciation and impairment provision model for accounting for investment property. At 1 January 2006, the date of the first time adoption of the IFRS by the predecessor, the cost of investment property was determined based on the deemed cost of leased property, plant and equipment.

Deemed cost was determined based on lease payments according to the concession agreement terms effective at that date and using the estimated discount rate as at 1 January 2006.

At 31 December 2015 the carrying amount of investment property is Tenge 774,702 thousand (31 December 2014: Tenge 882,542 thousand).

Based on estimation of fair value of investment property at 31 December 2015 the Group did not identify any indication of impairment of investment property (31 December 2014: no indication).

##### ***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.

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 amount 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. The balance sheet approach for estimation is applied by the Group for measurement of revenue not invoiced to the legal entities at the end of reporting period. 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.

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

Where the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2015 would be to increase/decrease it by Tenge 3,482,801 thousand (31 December 2014: increase/decrease by Tenge 2,637,969 thousand).

##### ***Estimation of project cost***

On 31 December 2009 AZhC and "SamrukEnergoStroyServis" LLP entered into an agreement for the construction of substation "Kensai" as well as the connecting power lines to the substation "Ermensay". The total contract amount was Tenge 21,443,117 thousand. On 30 December 2013 due to the increased volume of construction AZhC and "SamrukEnergoStroyServis" LLP concluded an additional agreement, according to which AZhC acknowledged the additional work and agreed to increase the cost of the contract. The cost of the additional work is defined based on the results of the state examination.

As the construction of the substation "Kensai" and the connecting power lines to the substation "Ermensay" was completed in 2013, and these objects were put into operation. Management of AZhC has used judgment to determine the added value of construction projects. In addition, in 2013 based on the estimates prepared by experts Company accrued liability and recognized fixed assets in the amount of Tenge 2,056,734 thousand, above the amount set in the agreement.

On 9 October 2015 the state examination was obtained, according to which the total cost of construction was estimated at Tenge 28,744,130 thousand, which includes the cost of construction work in the amount of Tenge 27,839,879 thousand with VAT. The cost of additional work has been identified as Tenge 2,582,996 thousand. The increased value of the property for the amount of Tenge 3,813,766 thousand has arisen as a result of the revised construction market multiples on executed and paid volume of work. AZhC management refuses to approve the state examination results due to the disagreement on application of the revised construction market multiples on executed and already paid volume of work. Contractor has initiated a lawsuit against AZhC, with the requirement to sign an additional agreement for the total amount of increase in the value of the object.

Management of AZhC believes it can defend its position in court. Therefore an additional charge in the amount of Tenge 3,813,766 thousand was not reflected in the financial statements. AZhC estimates that the end of the judicial process and signing of the act of acceptance will take place during 2016.

On 31 December 2015 AZhC increased the accrual of its payables to Tenge 2,499,590 thousand, excluding VAT, which corresponds to the amount of additional construction, as well as an additional accrual for other services associated with the construction.

##### ***Settlement agreement with Akimat***

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

As of 31 December, 2015 the liability in the amount of Tenge 5,841,514 thousand (2014: Tenge 6,841,514 thousand) 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, AZhC has recorded an additional provision in the amount of Tenge 929,907 thousand and the State duty in the amount of Tenge 246,473 thousand. On 31 December 2013 the State duty was fully paid.

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

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

On 28 September 2015 AZhC has signed a quadripartite agreement on offsetting mutual claims with Akimat, "Almaty heating networks" JSC and "Almaty Power Stations" JSC, according to which AZhC has to pay Tenge 1,000,000 thousand in favour of "Almaty Power Stations" JSC until 30 June of 2016. AZhC paid the debt of "Almaty Power Stations" JSC in December 2015, thus payable to the Akimat of 31 December 2015 was reduced to Tenge 5,841,514 thousand.

## **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.

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2015**

**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 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
External revenues	96,519,965	95,470,408	13,676,050	12,378,520	115,944,860	111,252,564	2,724,204	2,048,849	228,865,079	221,150,341
Inter-segment revenue	52,971,246	42,642,759	39,149,472	38,621,435	999	11,003	-	-	92,121,717	81,275,197
<b>Total revenue</b>	<b>149,491,211</b>	<b>138,113,167</b>	<b>52,825,522</b>	<b>50,999,955</b>	<b>115,945,859</b>	<b>111,263,567</b>	<b>2,724,204</b>	<b>2,048,849</b>	<b>320,986,796</b>	<b>302,425,538</b>
<b>(Loss)/profit before income tax</b>	<b>(28,373,391)</b>	<b>19,470,262</b>	<b>5,057,368</b>	<b>8,116,038</b>	<b>(157,284)</b>	<b>(1,084,333)</b>	<b>(50,565,739)</b>	<b>(2,196,470)</b>	<b>(74,039,046)</b>	<b>24,305,497</b>
Reportable segment assets	743,569,642	738,636,452	144,655,572	135,760,979	12,675,266	9,368,960	142,808,075	112,473,602	1,043,708,555	996,239,993
Capital expenditure	74,196,456	64,247,151	17,495,242	15,707,656	95,580	89,710	1,212,478	3,778,946	92,999,756	83,823,463
Reportable segment liabilities	282,728,103	197,490,763	62,995,087	57,851,650	14,349,235	10,638,969	254,568,200	236,085,569	614,640,625	502,066,951

**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 2015</b>	<b>31 December 2014</b>
Total revenues for reportable segments	318,262,591	302,425,538
Revenues from other operations	2,724,205	-
<b>Total revenue</b>	<b>320,986,796</b>	<b>302,425,538</b>
Elimination of sales between segments	(92,121,717)	(81,275,197)
<b>Total consolidated revenues</b>	<b>228,865,079</b>	<b>221,150,341</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Total consolidated adjusted EBITDA</b>	<b>85,057,559</b>	<b>77,245,990</b>
Finance income	2,728,571	8,710,222
Finance cost	(109,214,671)	(24,018,120)
Depreciation and amortisation	(38,847,742)	(28,612,504)
Impairment of goodwill and assets	(3,590,229)	(78,660,244)
Gain on fair value measurement of previously held interest	-	56,682,576
Share in profit/(loss) of joint ventures and associates	(10,172,534)	12,957,577
<b>(Loss)/profit before income tax</b>	<b>(74,039,046)</b>	<b>24,305,497</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Total reportable segment assets	900,900,480	883,766,391
Assets from other operations	142,808,075	112,473,602
<b>Total assets</b>	<b>1,043,708,555</b>	<b>996,239,993</b>
Elimination of balances between segments	(17,417,722)	(42,031,903)
<b>Total consolidated assets</b>	<b>1,026,290,833</b>	<b>954,208,090</b>

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Total reportable segment liabilities	360,072,425	265,981,382
Liabilities from other operations	254,568,200	236,085,569
<b>Total liabilities</b>	<b>614,640,625</b>	<b>502,066,951</b>
Elimination of balances between segments	(70,870,229)	(40,908,312)
<b>Total consolidated liabilities</b>	<b>543,770,396</b>	<b>461,158,639</b>

**(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 2015 and 31 December 2014 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.

As of the 31 December 2015, 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 (2014: 50,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of Tenge 12,285,000 thousand for outstanding loan to Development Bank of Kazakhstan (2014: Tenge 12,285,000 thousand)
- Governmental guarantee to the amount of 25,000,000 USD for outstanding loan to Development Bank of Kazakhstan (2014: 25,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of Tenge 93,247,975 thousand for outstanding loan to Eurasian development bank (2014: Tenge 70,070,000 thousands)

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Key management compensation	403,487	330,205
<b>Total key management compensation</b>	<b>403,487</b>	<b>330,205</b>

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2015 include 8 persons (31 December 2014: 9 persons).

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2015 and 31 December 2014 is detailed below.

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	6,825,446	-	-	223,491	-
Other current assets	76,901	609,095	-	-	13,292
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)**

At 31 December 2014, 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	2,139,390	341,047	-	-	3,388,283
Cash and cash equivalents	33,253	-	-	-	-
Other non-current assets	397,340	2,991,591	3,185	-	-
Other current assets	3,660,539	-	-	223,491	-
Borrowings	-	-	-	130,817,459	17,691,141
Trade and other payables	1,023,080	2,523,591	90,550	77,260	1,006,008

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	-	-	-	-

The income and expense items with related parties for the year ended 31 December 2014 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	16,437,632	533,218	2,076,674	-	17,408,053
Cost of sales	12,727,551	34,682,676	684,657	-	2,584,389
General and administrative expenses	484,440	-	-	67,511	-
Distribution costs	2,404,721	-	-	-	-
Other expenses	4,656	-	-	-	-
Other income	540	-	-	-	-
Finance costs	56,611	-	-	16,202,269	-
Finance income	510,330	-	-	18,210	-
Loss on foreign exchange	674,191	57,615	-	-	-

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.

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

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 2015</b>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2014</b>
Sale of electricity	13,596,322	2,904,843	18,090,709	<b>34,591,874</b>	16,408,033	2,609,892	16,674,562	<b>35,692,487</b>
Electricity transmission	4,305,722	-	-	<b>4,305,722</b>	24,840	-	733,491	<b>758,331</b>
Other	5,012	-	-	<b>5,012</b>	4,759	-	-	<b>4,759</b>
<b>Total</b>	<b>17,907,056</b>	<b>2,904,843</b>	<b>18,090,709</b>	<b>38,902,608</b>	<b>16,437,632</b>	<b>2,609,892</b>	<b>17,408,053</b>	<b>36,455,577</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 2015</b>	<b>Compa- nies under common control</b>	<b>JVs and associates of Samruk- Kazyna</b>	<b>Govern- ment related entities</b>	<b>Total 2014</b>
Fuel	13,174,767	22,454,505	-	<b>35,629,272</b>	5,459,118	35,608,973	29,410	<b>41,097,501</b>
Water supply	-	-	3,052,573	<b>3,052,573</b>	-	-	2,554,979	<b>2,554,979</b>
Electricity transmission and other services	10,515,884	-	-	<b>10,515,884</b>	7,073,077	396	-	<b>7,073,473</b>
Electricity losses on transmission	2,228,893	-	-	<b>2,228,893</b>	-	-	-	<b>-</b>
Others	122,008	21,697	-	<b>143,705</b>	195,356	-	-	<b>195,356</b>
<b>Total</b>	<b>26,041,552</b>	<b>22,476,202</b>	<b>3,052,573</b>	<b>51,570,327</b>	<b>12,727,551</b>	<b>35,609,369</b>	<b>2,584,389</b>	<b>50,921,309</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 2014	98,591,330	166,797,761	7,909,168	24,821,252	298,119,511
Accumulated depreciation and impairment	(20,929,745)	(38,946,049)	(2,976,029)	(121,984)	(62,973,807)
<b>Carrying amount at 1 January 2014</b>	<b>77,661,585</b>	<b>127,851,712</b>	<b>4,933,139</b>	<b>24,699,268</b>	<b>235,145,704</b>
Additions	2,266,855	2,557,131	1,249,234	76,817,760	82,890,980
Transfers	13,619,555	81,486,305	325,004	(95,430,864)	-
Depreciation	(8,075,454)	(19,095,847)	(1,088,933)	-	(28,260,234)
Disposals	(36,636)	(1,901,645)	(55,042)	(140,342)	(2,133,665)
Acquisition through business combination	74,685,224	295,058,045	5,462,373	87,245,742	462,451,384
Impairment charge to profit or loss	(1,616,845)	(201,661)	(2,469)	(964,135)	(2,785,110)
<b>Carrying amount at 31 December 2014 (restated) *</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>
Cost at 31 December 2014	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 31 December 2014 (restated) *</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
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)
Disposal	(129,131)	(530,101)	(37,681)	(308,604)	(1,005,517)
Reverse of impairment	870,798	146,223	1,329	535,451	1,553,801
Acquisition through business combination	11,334	2,179	21,231	-	34,744
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 for the year ended 31 December 2015 include capitalized borrowing costs in the amount of Tenge 4,572,696 thousand (2014: Tenge 1,528,623 thousand).

As at 31 December 2015 the property, plant and equipment with carrying value of Tenge 4,370,606 thousand (31 December 2014: Tenge 4,648,573 thousand) were pledged as collateral for borrowings received by the Group from JSC "Development Bank of Kazakhstan" (Note 19).

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

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

Property, plant and equipment with carrying amount of Tenge 21,111,946 thousand represents the assets of First Wind Turbine LLP (FWT) in the amount of Tenge 20,185,843 thousand and Kapchagai Solar Power Station (Kapchagai SPS) in the amount of Tenge 926,103 thousand. Pursuant to the law on Support of Renewable Energy Sources, the companies have entered into the long-term contracts with the Clearing and Finance Centre – subsidiary of KEGOC, which purchases whole volume of from electricity generated at fixed tariff with annual indexation and resells the electricity to the power stations that generates electricity using subsoil resources. In accordance with IFRIC 4, these contracts contains lease arrangement. The management assessed the contracts terms and concluded that those agreements are operating lease agreements, in which FWT and Kapchagai SPS are lessors. Therefore, the revenue from the sale of electricity is classified as part of the revenue from rent of power stations and the assets as property, plant and equipment based on cost model.

Impairment losses were recognized as a result of the impairment test described in Note 4. Impairment loss mainly relates to impairment of property, plant and equipment of AZhC to the amount of Tenge 3,972,777 thousand.

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated *)</b>
Cost of sales	37,321,524	27,335,346
General and administrative expenses	968,978	905,445
Other expense	20,310	19,443
<b>Total depreciation charges</b>	<b>38,310,812</b>	<b>28,260,234</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

**8 Intangible Assets**

	<b>Licenses</b>	<b>Computer software</b>	<b>Other</b>	<b>Total</b>
<i>In thousands of Kazakhstani Tenge</i>				
Cost at 1 January 2014	132,573	1,390,471	546,457	2,069,501
Accumulated amortisation	(106,914)	(623,791)	(6,170)	(736,875)
<b>Carrying amount at 1 January 2014</b>	<b>25,659</b>	<b>766,680</b>	<b>540,287</b>	<b>1,332,626</b>
Additions	93,997	540,868	107,592	742,457
Disposals	-	(119)	-	(119)
Transfers	2,451	550,754	174,644	727,849
Amortisation charge	(19,130)	(296,683)	(36,457)	(352,270)
<b>Carrying amount at 31 December 2014 (restated) *</b>	<b>102,977</b>	<b>1,561,500</b>	<b>786,066</b>	<b>2,450,543</b>
Cost at 31 December 2014	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 31 December 2014 (restated) *</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 charge to profit or loss	(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 2015	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>

**9 Exploration Assets**

The Group acquired a local entity, Tegis Munai LLP, in December 2012 for Tenge 8,904,241 thousand (including Tenge 8,464,970 thousand is exploration asset and remaining amount includes cash and prepayments). That entity had no operations. The purpose of the acquisition was to obtain a subsoil use license for a gas field held by that entity. The field is located in the South Kazakhstan region. The license provides a right for exploration works on the field. The acquisition of the entity was accounted for as an acquisition of a group of assets (subsoil use license) rather than a business. The acquired license was included within exploration assets. During 2014, the Group conducted exploration activities, including drilling of three exploratory wells and incurred further expenditures to the total amount of Tenge 1,180,473 thousand (2014: Tenge 2,210,387 thousand). As a result of conducted exploration works it is expected to complete the evaluation work in 2016 and transfer the exploration assets to the production assets.

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

## 10 Investment Property

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014</b>
Cost at 1 January		1,660,754	1,497,162
Accumulated depreciation		(778,212)	(672,219)
<b>Carrying amount at 1 January</b>		<b>882,542</b>	<b>824,943</b>
Result of business combination		-	163,592
Depreciation		(107,840)	(105,993)
Cost at 31 December		1,660,754	1,660,754
Accumulated depreciation		(886,052)	(778,212)
<b>Carrying amount at 31 December</b>		<b>774,702</b>	<b>882,542</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 2015</b>	<b>31 December 2014</b>
Within 1 year	2,890,085	1,022,550
Between 1 year and 5 years	11,560,340	4,090,200
Above 5 years	7,225,213	3,955,798
<b>Total future minimum lease payments</b>	<b>21,675,638</b>	<b>9,068,548</b>

During the year ended 31 December 2015 the Group received income from the operating lease of Bukhtarminskaya hydropower station in the amount of Tenge 2,563,782 thousand (2014: Tenge 2,050,282 thousand) (Note 22).

The fair value of the investment property, determined as a sum of discounted minimum lease payments, at 31 December 2015 is Tenge 13,750,307 thousand (31 December 2014: Tenge 6,799,268 thousand). 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.

**11 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.

<i>In thousands of Kazakhstan Tenge</i>	<b>Joint ventures</b>		<b>ZhGRES</b>	<b>EGRES-1</b>	<b>Associate</b>	<b>Total</b>
	<b>EGRES-2</b>	<b>Forum Muider</b>			<b>BTES</b>	
<b>Balance at 1 January 2014</b>	<b>38,661,671</b>	<b>28,344,210</b>	-	<b>171,237,259</b>	<b>4,639,877</b>	<b>242,883,017</b>
Contribution to share capital	-	-	-	-	6,059,620	6,059,620
Share of profit or loss of joint ventures and associates	5,128,944	3,938,881	-	4,032,959	(143,207)	12,957,577
Dividend received	(1,500,000)	(6,233,294)	-	-	-	(7,733,294)
Gain from revaluation of previously held interest	-	-	-	56,682,576	-	56,682,576
Business combination (Note 32)	-	-	-	(231,952,794)	-	(231,952,794)
<b>Balance at 31 December 2014</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>

As of 31 December 2015, 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.

The Group acquired control over EGRES-1 on 31 March 2014 and its share of profits or losses of the entity for the period prior to the acquisition of control is accounted as share of results of joint ventures. The Group started to consolidate results of EGRES-1 from 1 April 2014.

On 31 March 2015 the Group signed an agreement to sell 50% stake in ZhGRES to LLP "Taraz-Energo 2005". Cost of sales amounted to Tenge 2,469,307 thousand. Registration of property rights transfer was completed on 18 May 2015.

Investment in ZhGRES was fully impaired in prior periods since the recoverable amount of the asset was estimated as nil. The Group derecognized the investment after the transfer to the buyer all the risks and benefits associated with the investment and recognized a gain from discontinued operations in the amount of Tenge 2,469,307 thousand, net of selling expenses.

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

Presented below is summarised financial information of joint ventures and associate at 31 December 2015 and 2014 and for the years then ended:

<i>In thousands of Kazakhstani Tenge</i>	<b>EGRES-2</b>		<b>Forum Muider</b>		<b>ZhGRES</b>		<b>EGRES-1*</b>		<b>BTES</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Total current assets	10,211,936	10,632,932	19,452,520	16,328,274	-	7,826,956	-	-	1,280,786	20,967,915
Total non-current assets	150,417,037	145,570,528	62,639,691	66,535,959	-	3,226,591	-	-	60,759,801	22,110,034
Total current liabilities	11,110,383	10,766,604	20,515,538	19,955,908	-	7,692,635	-	-	17,214,549	852,789
Total non-current liabilities	90,472,698	60,855,626	10,527,269	10,808,731	-	360,300	-	-	-	-
<b>Net assets</b>	<b>59,045,892</b>	<b>84,581,230</b>	<b>51,049,404</b>	<b>52,099,594</b>	<b>-</b>	<b>3,000,612</b>	<b>-</b>	<b>-</b>	<b>44,826,038</b>	<b>42,225,160</b>
Revenue	25,862,638	35,733,384	78,656,874	91,959,769	-	20,796,921	-	20,921,573	-	-
Governmental subsidies	-	-	-	-	-	2,791,012	-	-	-	-
<b>Profit or loss before tax</b>	<b>(31,698,565)</b>	<b>13,967,065</b>	<b>15,147,669</b>	<b>11,667,004</b>	<b>-</b>	<b>453,403</b>	<b>-</b>	<b>11,406,675</b>	<b>(6,491,910)</b>	<b>(572,828)</b>
<b>Total comprehensive income/(loss)</b>	<b>(25,535,337)</b>	<b>10,257,888</b>	<b>12,241,509</b>	<b>7,877,762</b>	<b>-</b>	<b>452,886</b>	<b>-</b>	<b>8,717,400</b>	<b>(6,495,241)</b>	<b>(572,828)</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 29. Transactions and balances with joint ventures are presented in Note 6.

\*Information on profits or losses of EGRES-1 for 2014 is presented for 1<sup>st</sup> quarter 2014 since Group has obtained control of EGRES-1 on 31 March 2014 and Group share of profits or losses prior to obtaining of control is shown as share in profits of joint ventures. Group started consolidating EGRES-1 since 1 April 2014.

## 12 Other Non-Current Assets

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Prepayments for non-current assets	9,810,591	12,305,435
Non-current VAT recoverable	2,960,833	1,738,069
Restricted cash	920,998	524,586
Long-term deposits	261,733	320,537
Bonds	220,000	3,867,000
Other	82,654	27,673
<b>Total other non-current assets</b>	<b>14,256,809</b>	<b>18,783,300</b>

### *Prepayments for non-current assets*

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and fixed assets:

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Modernization of Shardara GES	6,777,877	3,231,623
Construction of administrative building	2,200,000	1,100,000
Construction and reconstruction of substations in Almaty and Almaty region	302,244	492,994
Reconstruction and expansion of HPP-2 of ALES	150,100	4,537,773
Construction of First Wind Power station	-	2,328,900
Other	380,370	614,145
<b>Total prepayments for non-current assets</b>	<b>9,810,591</b>	<b>12,305,435</b>

## 13 Inventories

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Spare parts	6,191,721	1,495,596
Fuel	5,188,317	5,133,317
Auxiliary production materials	3,369,630	7,644,198
Raw materials	31,866	50,916
Other materials	699,913	695,270
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,703,492)	(1,965,508)
<b>Total inventories</b>	<b>13,777,955</b>	<b>13,053,789</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>2015</b>	<b>2014 (restated) *</b>
Provision, 1 January		1,965,508	941,719
Provision charged/(reversed)	23	(248,629)	881,417
Acquisition through business combination		-	148,028
Inventories written off during the year		(13,387)	(5,656)
<b>Provision for impairment at 31 December</b>		<b>1,703,492</b>	<b>1,965,508</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

#### 14 Trade and Other Receivables

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated)*</b>
Trade receivables	18,348,676	16,011,822
Less: impairment provision	(1,038,111)	(1,326,974)
<b>Total financial assets</b>	<b>17,310,565</b>	<b>14,684,848</b>
Other receivables	6,449,714	3,983,424
Less: impairment provision	(3,917,441)	(3,736,465)
<b>Total trade and other receivables</b>	<b>19,842,838</b>	<b>14,931,807</b>

As of 31 December 2015 the long term receivable from LLP “Maikuben West” was fully impaired. The Group evaluated the impairment as 100% of carrying amount of receivable as of 31 December 2014.

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated) *</b>
Provision for impairment at 1 January		1,326,974	839,997
Provision for impairment charged during the year	25	609,626	544,647
Reversal of provision during the year	25	(830,481)	(6,294)
Amounts written off during the year as uncollectible		(68,008)	(51,376)
<b>Provision for impairment at 31 December</b>		<b>1,038,111</b>	<b>1,326,974</b>

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Current and not impaired	13,684,310	10,884,039
<b>Total current and not impaired</b>	<b>13,684,310</b>	<b>10,884,039</b>
<i>Past due but not impaired</i>		
- up to 30 days overdue	57,775	1,507,217
- 30 to 90 days overdue	2,699,905	1,268,192
- 90 to 180 days overdue	166,425	59,780
- 180 days -360 days overdue	702,150	965,620
<b>Total past due but not impaired</b>	<b>3,626,255</b>	<b>3,800,809</b>
<i>Total individually impaired (gross)</i>		
- to 90 days overdue	4,603	6,324
- 90 to 180 days overdue	113,053	190,612
- 180 to 360 days overdue	537,743	621,912
- over 360 days overdue	382,712	508,126
<b>Total individually impaired</b>	<b>1,038,111</b>	<b>1,326,974</b>
Less: impairment provision	(1,038,111)	(1,326,974)
<b>Total financial assets</b>	<b>17,310,565</b>	<b>14,684,848</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).



## 15 Other Current Assets

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated)*</b>
Term deposits	30,107,680	26,202,745
Bonds	6,830,737	-
Restricted cash denominated in USD	5,695,685	4,257,052
VAT recoverable and prepaid taxes	3,430,740	7,469,711
Dividends receivable	2,108,905	2,252,360
Advances to suppliers	1,099,783	2,504,079
Assets held for the benefit of the Shareholder	988,787	-
Short-term loans to related parties	-	12,613
Other	604,648	516,231
<b>Total other current assets</b>	<b>50,866,965</b>	<b>43,214,791</b>

Restricted cash represents cash received from electricity sales placed to the pledge account according to the loans agreement with the Development Bank of Kazakhstan and the Development Bank of China in the amount of Tenge 5,695,685 thousand (31 December 2014: Tenge 4,257,052 thousand). Management believes that it will be able to use this cash not only for the repayment of interest on loans, but also for covering its operating expenses. Restricted cash balances are held in USD.

Bonds include bonds issued by "NC "Kazakhstan Engineering" for the amount of 20,000 thousand US dollars. The maturity date is December of 2016. As at 31 December 2014 the bonds were classified as part of non-current assets.

On behalf of the Shareholder, the Group made a commitment for the construction of a kindergarten in Astana for the amount of Tenge 1,174,068 thousand, which was recorded as other distribution to shareholders. The Group has accrued liability for the estimated amount of construction for amount of Tenge 1,174,068 thousand as other distributions to shareholder (Note 21). As at 31 December 2015, the Company incurred expenses associated with the construction of a kindergarten of Tenge 988,787 thousand and transferred an advance payment of Tenge 36,306 thousand. 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 2016 as the distribution of income to the shareholder pursuant to the Protocol of the meeting with the participation of the President of Kazakhstan on 27 November 2013.

## 16 Cash and Cash Equivalents

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Cash at current bank accounts	19,465,578	14,059,605
Demand deposits	12,444,844	7,586,688
Cash on hand	17,089	11,874
<b>Total cash and cash equivalents</b>	<b>31,927,511</b>	<b>21,658,167</b>

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

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

<i>In thousands of Kazakhstani Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Kazakhstani Tenge	22,017,179	12,494,035
US Dollar	5,915,648	9,105,185
Other currencies	3,994,684	58,947
<b>Total cash and cash equivalents</b>	<b>31,927,511</b>	<b>21,658,167</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

**SAMRUK-ENERGY JSC**  
**Notes to the Consolidated Financial Statements – 31 December 2015**

**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 2014</b>		<b>5,463,437</b>		<b>233,946,269</b>
Payment of unpaid portion of previous issues:				
11 <sup>th</sup> issue of shares	26 of March 2014	21,000	1,000,000	21,000,000
12 <sup>th</sup> issue of shares	6 of October 2014	100,000	1,000,000	100,000,000
13 <sup>th</sup> issue of shares	1 of September 2014	1,000	418,117	418,117
<b>Balance at 31 December 2014</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>

At 31 December 2015, 5,585,723 issued common shares were fully paid (31 December 2014: 5,585,437 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2015		31 December 2014	
	Samruk-Kazyna	Total	Samruk-Kazyna	Total
Number of paid common shares	5,585,723	5,585,723	5,585,437	5,585,437
% of ownership	100%	100%	100%	100%
<b>Total share capital</b>	<b>355,650,405</b>	<b>355,650,405</b>	<b>355,364,386</b>	<b>355,364,386</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 2014</b>	<b>57,445,241</b>	<b>18,025,646</b>	<b>(162,072)</b>	<b>75,308,815</b>
Other comprehensive loss	-	-	(152,764)	(152,764)
Acquisition of non-controlling interest in Moinak HPS	(20,162,954)	-	-	(20,162,954)
<b>Balance at 31 December 2014</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 19)	-	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>

## 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 2015, the Group declared dividends in amount of Tenge 855.99 per ordinary share (2014: Tenge 1,489.78). Dividends were fully paid on 22 June 2015.

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 Tenge 72,581,903 thousand 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.

## 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>2015</b>	<b>2014 (restated)*</b>
Present value of defined benefit obligations at 1 January	1,102,643	1,340,248
Actuarial losses	20,201	92,134
Unwinding of the present value discount	86,496	55,092
Discontinued operations	329,137	-
Current service cost	9,814	34,326
Benefits paid	(95,762)	(90,020)
<b>Present value of defined benefit obligations at 31 December</b>	<b>1,452,529</b>	<b>1,431,780</b>

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated)*</b>
Short-term portion of defined benefit obligations	122,689	93,644
Long-term portion of defined benefit obligations	1,329,840	1,338,136
<b>Total</b>	<b>1,452,529</b>	<b>1,431,780</b>

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Actuarial losses	20,201	92,134
Unwinding of the present value discount	86,496	55,092
Current service cost	9,814	34,326
<b>Expense recognised in profit and loss for the period</b>	<b>116,511</b>	<b>181,552</b>

Actuarial losses and current service costs are allocated to the Group's profit or loss for the period within general and administrative expenses.

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

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

Principal actuarial assumptions used at 31 December 2015 and 31 December 2014 were as follows:

<i>In percentage</i>	<b>2015</b>	<b>2014</b>
Discount rate	5.86%-7.1%	5.86%-6.78%
Annual minimum salary and monthly calculation index increase	7%-8%	6%-8%
Average lapse rate:		
- administrative and management personnel	3.95%-18.93%	5.32%-14.65%
- production personnel	4.2%-14.18%	9.18%-9.59%

## **19 Borrowings**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
<b>Non-current portion</b>		
Bank term loans	108,113,692	59,749,620
Loans from Samruk-Kazyna	54,355,849	127,617,869
Loans from customers	1,875,738	2,588,557
Bonds issued	175,813,521	93,768,774
<b>Total borrowings-non-current portion</b>	<b>340,158,800</b>	<b>283,724,820</b>
<b>Current portion</b>		
Bank term loans	66,212,250	32,729,707
Bonds issued	387,285	3,221,065
Loans from Samruk-Kazyna	3,181,244	3,199,590
Loans from customers	613,445	745,666
Notes payable	450,358	405,234
<b>Total borrowings-current portion</b>	<b>70,844,582</b>	<b>40,301,262</b>
<b>Total borrowings</b>	<b>411,003,382</b>	<b>324,026,082</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

## **19 Borrowings (Continued)**

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014</b>
<i>Samruk-Energy</i>		
Samruk-Kazyna	57,537,093	130,817,459
ATF Bank	4,506,589	8,235,581
Halyk Bank	6,240,502	-
Kazkommertsbank	10,180,000	-
Eurobonds	170,040,909	93,966,800
<b>Total Samruk-Energy</b>	<b>248,505,093</b>	<b>233,019,840</b>
<i>AZhC</i>		
Loans from customers	2,489,183	2,645,530
Halyk Bank	1,751,291	-
Nurbank	501,166	-
Notes payable	450,358	405,234
<b>Total AZhC</b>	<b>5,191,998</b>	<b>3,050,764</b>
<i>Almaty Power Station</i>		
Halyk Bank	4,020,414	2,655,542
VTB Bank Kazakhstan	1,236,253	2,126,007
KazInvestBank	1,441,504	1,320,842
Citibank Kazakhstan	1,476	-
<b>Total Almaty Power Station</b>	<b>6,699,647</b>	<b>6,102,391</b>
<i>Moinak HPS</i>		
State Development Bank of China	58,202,820	32,802,578
Development Bank of Kazakhstan	24,583,534	17,691,141
<b>Total Moinak HPS</b>	<b>82,786,354</b>	<b>50,493,719</b>
<i>Shardara HPS</i>		
EBRD	7,558,750	-
<b>Total Shardara HPS</b>	<b>7,558,750</b>	<b>-</b>
<i>Aktobe TPS</i>		
Halyk Bank	250,000	-
<b>Total Aktobe TPS</b>	<b>250,000</b>	<b>-</b>
<i>VKREC</i>		
BankCenterCredit	999,781	410,661
<b>Total VKREC</b>	<b>999,781</b>	<b>410,661</b>
<i>ShygysEnergoTrade</i>		
Sberbank	-	857,694
<b>Total ShygysEnergoTrade</b>	<b>-</b>	<b>857,694</b>

**19 Borrowings (Continued)**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014</b>
<i>MEDC</i>		
Bonds issued	6,156,272	2,865,117
Loans from customers	637,697	726,072
Karazhanbasmunai	164,330	-
Halyk Bank	133,333	-
<b>Total MEDC</b>	<b>7,091,632</b>	<b>3,591,189</b>
<i>AlmatyEnergoSbyt</i>		
Halyk Bank	2,074,567	-
Bonds issued	-	150,543
Alfa Bank	-	560,677
<b>Total AlmatyEnergoSbyt</b>	<b>2,074,567</b>	<b>711,220</b>
<i>PVES</i>		
Eurasian Development Bank	14,310,421	12,670,341
<b>Total PVES</b>	<b>14,310,421</b>	<b>12,670,341</b>
<i>EGRES-1</i>		
SberBank	23,485,611	13,118,263
Halyk Bank	12,049,528	-
<b>Total EGRES-1</b>	<b>35,535,139</b>	<b>13,118,263</b>
<b>Total borrowings</b>	<b>411,003,382</b>	<b>324,026,082</b>

Below table represents carrying amounts and fair values of borrowings.

<i>In thousands of Kazakhstan Tenge</i>	<b><u>Carrying amounts</u></b>		<b><u>Fair values</u></b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Bonds	176,200,806	96,989,839	164,224,827	93,782,210
Loans from customers	2,489,183	3,364,223	3,240,899	4,126,242
Bank term loans	174,325,942	92,449,327	172,656,240	92,456,706
Notes payable	450,358	405,234	450,358	429,331
Loan from Samruk-Kazyna	57,537,093	130,817,459	47,960,689	126,629,627
<b>Total borrowings</b>	<b>411,003,382</b>	<b>324,026,082</b>	<b>388,533,013</b>	<b>317,424,116</b>

**Samruk-Energy**
*Samruk-Kazyna*

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 48,200,000 thousand 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 Tenge 7,000,000 thousand for the purpose of financing construction of substation of AZhC. 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.

## **19 Borrowings (Continued)**

On 16 January 2014 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 200,000,000 thousand for the purpose of acquisition of remaining 50% 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 to the loan agreement №369 in the following way:

- Principal amount Tenge 100,000,000 thousand was extinguished as a contribution to share capital (12<sup>th</sup> issue of shares).
- Interest rate on the remaining principal amount of Tenge 100,000,000 thousand 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 #369, 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 Tenge 72,581,903 thousand 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

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 USD 1,000 (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 19 December 2012 under the number ISIN-XS0868359166. The Group issued and placed Eurobonds for the full amount of US Dollars 500,000 thousand.

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

### *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 Tenge 4,500,000 thousand for replenishing of working capital. The interest rate on the loan was set as 11%. The loan is not secured.

### *Halyk Bank*

On 25 May 2015 the Group has concluded renewable short-term loan agreement for amount of Tenge 10,000,000 thousand 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 Tenge 20,698,000 thousand and has repaid loans for total amount of Tenge 14,500,000 thousand. As of 31 December 2015 the outstanding principal and interest payable amount is Tenge 6,240,502 thousand. The loan is secured by future cash payments received on current accounts of the Group at Halyk Bank for amount of Tenge 35,715,632 thousand.

## **19 Borrowings (Continued)**

### *Kazkommertsbank*

During 2015 a loan for the amount of Tenge 10,000,000 thousand 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%.

### **AZhC**

#### *Notes payable*

On 1 August 2005 AZhC issued long-term notes in the amount of Tenge 450,358 thousand 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 yet 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%.

#### *Halyk Bank of Kazakhstan*

On 30 June 2015 AZhC and Halyk Bank of Kazakhstan JSC ("Halyk Bank") signed an agreement on a credit line of Tenge 1,745,211 thousand 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 in compliance 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 a 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 Tenge 247,471 thousand 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 AZhC concluded an additional agreement on the increase in the credit line to Tenge 3,245,211 thousand and received a tranche of Tenge 1,500,000 thousand 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 instalments, starting from the date the tranche was received.

#### *Nurbank JSC*

On 24 December 2015 AZhC and Nurbank JSC ("Nurbank") concluded an agreement on a credit line of Tenge 1,000,000 thousand 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, as part of the credit line, a tranche of Tenge 500,000 thousand 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.

#### *Loans from customers*

In accordance with the resolution of Government of the Republic of Kazakhstan dated 21 February 2007, AZhC 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 AZhC are repayable by equal payments within 20 years, beginning from the 4<sup>th</sup> year from AZhC'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 2015 amounted to Tenge 2,489,183 thousand (31 December 2014: Tenge 2,645,530 thousand). The difference between the nominal value and fair value of consideration received is recognised as deferred income.



## **19 Borrowings (Continued)**

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.

### **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 Tenge 2,500,000 thousand. 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 a 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 Tenge 1,071,000 thousand for 6 months, and on terms of not renewable line within the limit of the issuance for the amount of Tenge 1,429,000 thousand for 24 months. The credit line was extended till 14 November 2017. The interest rate is 15% per annum.

During the year ended 31 December 2015 Almaty Power Stations repaid loans for the amount of Tenge 2,902,844 thousand, and obtained the loans for the amount of Tenge 3,020,880 thousand.

#### *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 AZhC, as well as full guarantee of Samruk-Energy. Four loans were received under this credit line for the total amount of Tenge 3,992,490 thousand with a maturity of up to 30 September 2016. Starting from 15 June 2012 the interest rate was decreased to 8% per annum.

On 21 May, 2013 ALES signed additional agreement pursuant to which Tenge 30,000 thousand should be provided as collateral for the credit line. During the year 2015 ALES has made repayments amounting to Tenge 887,220 thousand.

#### *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 obtain a loan provided that the aggregate amount of loans outstanding will not exceed Tenge 4,000,000 thousand. 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. In June 2015 Almaty Power Stations repaid the loan for the amount of Tenge 2,638,215 thousand. On 24 July 2015 Almaty Power Stations obtained a loan for the amount of Tenge 1,348,532 thousand with the interest rate of 11% per annum and a maturity date of up to 22 January 2016. On 12 October 2015 Almaty Power Stations obtained a loan for the amount of Tenge 2,651,468 thousand with the interest rate of 14% per annum and maturity date of 11 April 2016.

## **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 USD 200,000,000 with the interest rate of 6MLIBOR+1.2%. The loan was granted for the period of 20 years. Moinak HPS used loan amount of USD 196,337,143 for the construction of HPS in the period from 2006 to 31 December 2013. The remaining amount of USD 3,662,857 will not be used. During 2015 and 2014 Moinak HPS did not receive cash on the loan. During 2015 the amount of payments on the loan amounted to Tenge 2,885,489 thousand (2014: Tenge 1,980,288 thousand). The loan is secured as follows:

- Corporate guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of USD 50,000,000;
- Rights to collect 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. At 31 December 2015, the amount of 0.0298 USD equals to 10.13 Tenge at the exchange rate as of this date. Also in accordance with paragraph 27 of Loan Agreement the basis of default of Moinak HPS will be tariff lower than 0.02 USD per 1kWh, which is equivalent to 6.8 Tenge at the exchange rate as of 31 December 2015.

During 2015 Moinak HPS sold electricity at tariff of 9.5 Tenge per 1 kWh. This tariff is lower than tariff prescribed in paragraph 25 but is not considered as default indicator prescribed by paragraph 27. Tariff for electricity is set and monitored by the Committee on regulation of Natural Monopolies of Republic of Kazakhstan.

Nevertheless, management believes that strong relationships between the “State Development Bank of China” JSC and the Government of Kazakhstan will be a good support for Moinak HPS’s activity in future. Price for electricity is set and controlled by the Committee on regulation of natural monopolies and protection of competition under the Ministry of National Economy of the Republic of Kazakhstan. Management intends to file request for the increase of electricity tariff in the first half of 2016, and for loan restructuring despite of macroeconomic uncertainty factors.

#### *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 USD 25,000,000 and USD 26,058,000 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 USD 1,563,053.

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 Tenge 12,285,000 thousand 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 Tenge 8,924,392 thousand. During 2015 Moinak HPS received cash on the third tranche in the amount of Tenge 1,867,551 thousand pursuant to additional agreements No22 and No23 dated 4 August 2015 and 8 September 2015, respectively. During 2015 the amount of payments on the loan amounted to Tenge 2,613,863 thousand (2014: Tenge 2,533,627 thousand).

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 USD 25,000,000. The second-tier bank counter-guarantee for the amount of Tenge 859,395 thousand.
- Property, plant and equipment with carrying amount of Tenge 5,606,947 thousand (2014: Tenge 4,648,573 thousand) (Note 7).
- Rights to collect 20% of received payments for electricity.
- Corporate guarantee of National Welfare fund Samruk-Kazyna JSC in the amount of Tenge 12,285,000 thousand as the collateral for the third tranche from the Development Bank of Kazakhstan JSC.

***AlmatyEnergoSbyt******Bonds issued***

As of 31 December 2014 there were 139,867 thousand bonds outstanding each with a nominal par value of Tenge 1 and fixed interest of 15% per annum. In 2015 AlmatyEnergoSbyt completed the redemption of the corporate bonds.

***Halyk Bank***

AlmatEnergoSbyt has short-term credit line with Halyk Bank for purpose of replenishing of working capital. During 2015 loans were obtained for periods of 3 and 6 months. The interest rate on these loans was in the range of 13-17%.

***Alfa Bank***

In July 2015 AlmatyEnergoSbyt has repaid the outstanding principal and interest payable amount of Tenge 560,677 thousand of loans obtained from AlfaBank on 18 November and 19 December 2014.

***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, 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 2015 PVES has capitalised the interest rate to construction in progress account for total amount of Tenge 622,359 thousand (2014: Tenge 782,395 thousand) (Note 7). During 2015 PVES has repaid principal amount of Tenge 1,397,018 thousand and interest amount of Tenge 782,450 thousand. As of 31 December 2015 PVES has outstanding amount of principal and interest payable for the amount of Tenge 11,842,965 thousand at interest rate of 7.5% and Tenge 2,467,456 thousand at interest rate of 14%.

***EGRES-1******Sberbank***

During 2014 EGRES-1 entered into a short-term general purpose loan agreement with Sberbank to replenish the working capital with a period from 20 May 2014 to 19 May 2015. According to the terms of the contract the interest rate is effective and is 10% per annum. The effective rate of interest is 10.968% per annum. In May 2015 EGRES-1 fully repaid the loan.

## **19 Borrowings (Continued)**

In April of 2015 EGRES-1 prolonged its credit line with Sberbank and obtained a short-term bank loan for the amount of Tenge 15,000,000 thousand 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 Tenge 23,000,000 thousand with the same rate.

### *Halyk Bank of Kazakhstan*

In April of 2015 a loan agreement with “Halyk Bank of Kazakhstan” JSC was signed for the amount of Tenge 12,000,000 thousand 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.

### **Aktobe TPS**

#### *Halyk Bank*

In June 2015 Aktobe TPS has signed a loan agreement with Halyk Bank for purposes of replenishing of working capital for total amount of Tenge 300,000 thousand. The effective interest rate on this agreement is 14% per annum.

As of 31 December 2015 Aktobe TPS has obtained funds for total amount of Tenge 250,000 thousand under this agreement. Bank loan is secured by future payments from sale of electricity to companies Aktobeelectrosnab LLP and Energosistema LLP.

### **Shardara HPS JSC**

#### *European Bank of Reconstruction and Development*

On 2 December 2015 Shardara HPS JSC obtained a loan from European Bank of Reconstruction and Development (EBRD) for the amount of Tenge 7,500,000 thousand 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 13 years.

### **ShygysEnergoTrade**

#### *Sberbank*

In 2015 ShygysEnergoTrade has repaid outstanding loan amount to Sberbank.

#### *BankCenterCredit*

In December 2015 ShygysEnergoTrade has entered into agreement with BankCenterCredit to open a credit line for total amount of Tenge 1,800,000 thousand for purpose of replenishing of working capital. The interest rate on the credit line is 18.6% per annum. Bank loan is secured by future cash payments for total amount of Tenge 3,708,655 thousand. No funds were obtained under this credit line in 2015.

### **VKREC**

#### *BankCenterCredit*

In 2014 VKREC has concluded short-term loan agreement with BankCenterCredit for total amount of Tenge 410,000 thousand and in 2015 for amount of Tenge 2,306,500 thousand. The purpose of credit line is replenishing of working capital. During 2015 VKREC has repaid loans for total amount of Tenge 1,716,719 thousand.

## **19 Borrowings (Continued)**

### **MEDC**

#### *Bonds*

During 2015, MEDC authorized and issued Tenge 2,464,500 thousand 8th issue of coupon bonds denominated in Kazakhstani Tenge, with nominal amount 93.5 tenge and annual interest rate of 9%. Bonds of 8th issue were issued without pledge on Kazakhstani Stock Exchange KASE and bought by JSC "Zim Capital". Bonds issued with goal of financing investment program. All MEDC's loans as of 31 December 2015 and 31 December 2014 were denominated in Tenge except indexed obligations. Indexed obligations of 8th issue was denominated in Tenge, but its nominal amount is adjusted for according to change of exchange rate of USD to KZT, which settled during morning session of KASE on day of coupon payments or bond repayment in comparison to exchange rate during the issuance. As of 31 December 2015 original amount of indexed bonds amounted to Tenge 3,198,106 thousand.

#### *Loans from customers*

In accordance with decree of Government of Republic of Kazakhstan #1044 dated 8 October 2004 MEDC received loans from customers for purposes of construction of infrastructure connection to transmission lines or reconstruction of current infrastructure. These loans are interest-free and are repayable in 25 years. Received loans are initially recognised at fair value using the effective interest rate method based on market rate (2009: 16%, 2008: 16% and 2007: 12%), afterwards loans are recorded at amortised cost as part of non-current portion of borrowings. Total amount of loans from customers as of 31 December 2015 was Tenge 637,697 thousand (2014: Tenge 726,072 thousand). The difference between received funds and fair value was recognised as part of deferred income (Note 20). As of 31 December 2015 the amount of deferred income of MEDC was Tenge 1,529,902 thousand (2014: Tenge 1,597,030 thousand). Deferred income is subsequently recognised in statement of profit or loss and other comprehensive income during useful life of property, plant and equipment. MEDC has recognised income for the year ended 31 December 2015 in statement of profit or loss and other comprehensive income for amount of Tenge 67,129 thousand (2014: Tenge 67,128 thousand) (Note 20).

MEDC received Tenge 51,480 thousand, Tenge 2,094,596 thousand and Tenge 449,820 thousand as the customer contributions in 2009, 2008 and 2007, respectively.

In accordance with the Law of Republic of Kazakhstan #116-IV dated 29 December 2008 effective from 1 January 2009 such practice of customer contributions was discontinued. Therefore, no new finances were obtained since 2009. The finance received in 2009 relates to agreements made before 2009.

During 2015 MEDC repaid long term loans in the amount of Tenge 192,349 thousand and unwinding of discount amount was Tenge 146,851 thousand.

#### *Karazhanbasmunai*

In April 2015 MEDC has concluded agreement with Karazhanbasmunai JSC for interest-free unsecured loan for amount of Tenge 200,000 thousand and maturity date of 30 June 2017. As of date of loan agreement the fair value of the loan was Tenge 150,591 thousand and MEDC has recognised gain on initial recognition of loan for amount of Tenge 49,409 thousand. Under this agreement the loan is repaid in one installment at the maturity date. As of 31 December 2015 the loan amount outstanding to Karazhanbasmunai is Tenge 164,330 thousand.

#### *Halyk Bank*

On 11 August 2015 MEDC has concluded short-term credit line agreement with Halyk Bank. Under this agreement the loans are given to MEDC under condition that total outstanding amount does not exceed Tenge 400,000 thousand. The loan is obtained for replenishing of working capital and the interest rate is 13% per annum. The repayment of principal amount is due at the end of each tranche, the maturity of each tranche is 6 months, the interest is payable on a monthly basis. The loan is secured by cash on current accounts of MEDC at Halyk Bank and future cash payments for amount of Tenge 1,000,000 thousand. Under this credit line agreement MEDC has obtained loans for total amount of Tenge 400,000 thousand and has repaid loans for total amount of Tenge 266,667 thousand.

## **19 Borrowings (Continued)**

The Group's borrowings maturity analysis is presented below:

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
<b>Borrowings due:</b>		
- within 1 year	66,828,852	40,301,856
- from 2 to 5 years	214,759,329	133,284,018
- over 5 years	129,415,201	150,440,208
<b>Total borrowings</b>	<b>411,003,382</b>	<b>324,026,082</b>

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
<b>Borrowings denominated in:</b>		
- Tenge	169,155,971	192 008 265
- US Dollars	241,847,411	132,017,817
<b>Total borrowings</b>	<b>411,003,382</b>	<b>324,026,082</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 2015.

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

**20 Other Non-Current Liabilities**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated) *</b>
Deferred income:			
- AZhC		2,741,276	3,284,331
- MEDC		1,529,902	1,597,030
Liabilities related to preference shares of subsidiaries		354,202	357,693
Trade payables		69,673	770,417
Payable to contractor on Moinak HPS		-	2,096,506
Other		40,357	40,353
<b>Total other non-current liabilities</b>		<b>4,735,410</b>	<b>8,146,330</b>

Deferred income represents the difference between the nominal value of loans from customers received by AZhC and MEDC for construction and reconstruction of power transmission lines and infrastructure 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 assets.

In the course of Moinak HPS construction, the matter of increase of contractual price had arisen between Moinak HPS and the general contractor, the Chinese International Corporation on Water Management and Energy ("Contractor"). Moinak HPS received letters claiming reimbursement of such expenses as related to water ingress, electricity supply shortage, customs conditions changes, exchange differences and other. On 20 May 2014 Moinak HPS and contractor concluded additional agreement #12 to the agreement #08-06-09 dated 9 April 2008, which increased the amount of liability to USD 12,876,815, including VAT. Moinak HPS paid the obligation to the Contractor during the second half of the year 2015.

Presented below is movement of deferred income:

<i>In thousands of Kazakhstan Tenge</i>	<b>AZhC</b>	<b>MEDC</b>	<b>Total</b>
Balance at 1 January 2014	<b>3,793,578</b>	<b>1,664,159</b>	<b>5,457,737</b>
Change in the carrying amount of loans from customers adjusted against deferred income	(129,889)	-	(129,889)
Recognition of income	(379,358)	(67,129)	(446,487)
<b>Balance at 31 December 2014</b>	<b>3,284,331</b>	<b>1,597,030</b>	<b>4,881,361</b>
Balance at 1 January 2015	3,284,331	1,597,030	4,881,361
Recognition of income	(543,055)	(67,128)	(610,183)
<b>Balance at 31 December 2015</b>	<b>2,741,276</b>	<b>1,529,902</b>	<b>4,271,178</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).

**21 Trade and Other Payables**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Trade payables	21,182,414	25,241,874
Payable to Almaty Akimat	5,841,513	6,841,513
Dividends payable	718,770	675,375
Other financial payables	2,767,560	592,829
<b>Total financial payables</b>	<b>30,510,257</b>	<b>33,351,591</b>
Advances received from suppliers and contractors	5,179,377	6,933,331
Salaries payable	1,235,366	1,093,953
Accrued provisions for unused vacations	1,694,679	1,510,846
Other payables	3,426,940	2,507,538
Other distributions to shareholder (Note 15)	1,174,068	-
<b>Total trade and other payables</b>	<b>43,220,687</b>	<b>45,397,259</b>

On behalf of the Shareholder, the Group made a commitment for the construction of a kindergarten in Astana for the amount of Tenge 1,174,068 thousand, which was recorded as other distribution to shareholder. The Group has accrued liability for the estimated amount of construction equalling Tenge 1,174,068 thousand as other distributions to shareholder. As at 31 December 2015 the Company incurred expenses associated with the construction of a kindergarten of Tenge 988,787 thousand and transferred an advance payment of Tenge 36,306 thousand. 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 2016 as the distribution of income to the shareholder pursuant to the Protocol of the meeting with the participation of the President of Kazakhstan on 27 November 2013.

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2).



**SAMRUK-ENERGY JSC****Notes to the Consolidated Financial Statements – 31 December 2015****22 Revenue**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Sale of electricity	193,176,894	188,340,841
Sale of heat energy	15,746,882	16,565,640
Electricity transmission	13,241,331	12,195,837
Income from lease of investment property	2,563,782	2,050,282
Income from lease of renewable energy power plants (Note 7)	1,850,634	-
Sale of chemical water	1,670,914	1,791,858
Other	614,642	205,879
<b>Total revenue</b>	<b>228,865,079</b>	<b>221,150,337</b>

**23 Cost of Sales**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Fuel	54,263,160	51,134,630
Depreciation of property, plant and equipment and amortisation of intangible assets	37,647,606	27,401,186
Payroll and related expenses	23,038,909	23,800,219
Electricity transmission and other services	11,198,123	8,690,999
Taxes other than on income	6,354,016	5,714,004
Materials	5,424,220	5,321,049
Repairing and maintenance	4,993,271	4,872,638
Cost of purchased electricity	4,526,608	14,272,216
Water supply	4,455,596	4,438,273
Electricity losses on transmission	4,260,058	4,659,405
Third party services	3,105,370	2,174,455
Security services	1,004,958	926,315
Rent services	243,181	198,085
Provision/(reversal) of provision on obsolete and slow-moving inventories	(248,629)	881,417
Other	5,665,278	2,722,194
<b>Total cost of sales</b>	<b>165,931,725</b>	<b>157,207,085</b>

**24 Other Income, net**

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014 (restated) *</b>
Gain on fair value measurement of previously held interest	32	-	56,682,576
Income from connection of additional capacities		364,926	379,358
Income from sale of inventory		540,164	781,587
Income from liability write-off		25,001	8,838
Other income		1,064,551	1,125,956
<b>Total other income</b>		<b>1,994,642</b>	<b>58,978,315</b>
Loss on disposal of property, plant and equipment		(932,943)	(441,062)
Other expenses		(816,675)	(757,545)
<b>Total other expense</b>		<b>(1,749,618)</b>	<b>(1,198,607)</b>
<b>Total other income, net</b>		<b>245,024</b>	<b>57,779,708</b>

\* - Comparative information has been adjusted to reflect discontinued operations (Note 2)

**24 Other Income, net (Continued)**

In 2014 the investment in EGRES-1 was revalued to fair value at the date of acquisition and gain on fair value measurement of previously held interest for total amount of Tenge 56,682,576 thousand was recognised in statement of profit and loss and other comprehensive income in 2014 (Note 32).

**25 General and Administrative Expenses**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Payroll and related expenses	5,801,768	5,870,305
Depreciation of property, plant and equipment and amortisation of intangible assets	1,282,947	1,191,852
Consulting and other professional services	1,128,516	921,456
Rent expense	745,022	599,413
Taxes other than on income	620,152	650,163
Donations and public assistance	453,584	874,827
Business trips and representative expenses	296,953	275,419
Materials	255,767	285,122
Security services	238,795	180,671
Bank charges	219,034	152,727
Repair and maintenance	172,792	164,868
Communication expenses	149,701	111,387
State duties	113,652	47,275
Transportation	95,994	158,490
Insurance	77,471	29,725
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets	(220,855)	538,353
Other	2,508,228	1,838,678
<b>Total general and administrative expenses</b>	<b>13,939,521</b>	<b>13,890,731</b>

**26 Finance Income**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Interest income on bank deposits	2,474,471	3,276,600
Interest income on bonds	220,362	182,178
Foreign exchange gains less losses	-	5,028,656
Other	33,738	222,788
<b>Total finance income</b>	<b>2,728,571</b>	<b>8,710,222</b>

**27 Finance Costs**

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Foreign exchange losses less gains	85,802,284	-
Interest expense on borrowings	20,288,566	20,724,469
Dividends on preference shares of subsidiaries	336,386	141,107
Unwinding of the present value of discount:		
- loans and financial aids from shareholders	1,824,235	2,132,928
- notes payable	45,124	41,659
- employee benefit payable	61,252	48,916
- ash dump restoration provision	87,391	32,850
- loans from customers	316,058	340,415
Other	453,375	555,776
<b>Total finance costs</b>	<b>109,214,671</b>	<b>24,018,120</b>

\* - Comparative information has been adjusted to reflect discontinued operations (Note 2)

## 28 Taxes

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
Current income tax expense	5,476,180	6,259,742
Deferred income tax expense	398,982	4,795,160
<b>Total income tax expense</b>	<b>5,875,162</b>	<b>11,054,902</b>

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

<i>In thousands of Kazakhstan Tenge</i>	<b>2015</b>	<b>2014 (restated) *</b>
<b>(Loss)/Profit before tax under IFRS</b>	<b>(74,039,046)</b>	<b>24,305,497</b>
Theoretical tax expense at statutory rate of 20% (2014: 20%)	(14,807,809)	4,861,099
Adjustments for:		
Impairment of goodwill	-	15,175,027
Gain on fair value measurement of previously held interest	-	(11,336,515)
Permanent difference on loan extinguishment	-	100,218
Share in loss/(profit) of joint ventures and associates not subject to income tax	2,034,507	(2,591,515)
Other non-deductible expenses	1,412,733	810,485
Adjustment of prior years income tax	7,535	340,177
Withholding tax	250,528	372,842
Temporary differences that will be recognised upon termination of investment contract	244,009	730,648
Loss of Moinak HPS exempted from income tax	5,418,694	1,182,689
Changes in unrecognised deferred income tax assets	11,314,965	1,409,827
<b>Total income tax expense</b>	<b>5,875,162</b>	<b>11,054,902</b>

\* - Comparative information has been adjusted to reflect transfer from 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 is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement.

<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>

**28 Taxes (Continued)**

	<b>1 January 2014</b>	<b>Business Combination</b>	<b>Charged/ credited) to profit or loss</b>	<b>31 December 2014 (restated) *</b>
<i>In thousands of Kazakhstan Tenge</i>				
<b>Tax effect of deductible temporary differences</b>				
Tax losses carried forward	7,130,690	-	(292,853)	6,837,837
Employee benefit obligation	-	23,643	95,101	118,744
Trade and other payables	(1,989)	-	1,989	-
Ash dump restoration provision	101,650	148,753	(9,769)	240,634
Inventories	176,813	51,917	180,043	408,773
Trade and other receivables	177,235	62,247	20,951	260,433
Taxes other than income tax	53,266	-	17,158	70,424
Provision for unused vacation	67,402	-	246,492	313,894
Other	61,302	-	(60,965)	337
<b>Gross deferred income tax assets</b>	<b>7,766,369</b>	<b>286,560</b>	<b>198,147</b>	<b>8,251,076</b>
Unrecognised gross deferred income tax assets	(1,414,685)	-	(1,170,904)	(2,585,589)
Less offsetting with deferred income tax liabilities	(6,351,684)	(286,560)	972,757	(5,665,487)
<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	(13,104,580)	(64,694,230)	(4,151,411)	(81,950,221)
Borrowings	(3,673,740)	-	342,433	(3,331,307)
Other	332,831	-	(13,425)	319,406
<b>Gross deferred income tax liabilities</b>	<b>(16,445,489)</b>	<b>(64,694,230)</b>	<b>(3,822,403)</b>	<b>(84,962,122)</b>
Less offsetting with deferred income tax assets	(6,351,684)	(286,560)	972,757	(5,665,487)
<b>Recognised deferred income tax liabilities</b>	<b>(10,093,805)</b>	<b>(64,407,670)</b>	<b>(4,795,160)</b>	<b>(79,296,635)</b>

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 2,034,507 thousand in 2015 (2014: Tenge 2,591,515 thousand) 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.

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

**28 Taxes (Continued)**

The Group has potential deferred tax assets in respect of unused tax loss carry forwards of Tenge 20,294,602 thousand (2014: Tenge 6,837,837 thousand). The tax loss carry forwards expire as follows:

<i>In thousands of Kazakhstani Tenge</i>	<b>2015</b>	<b>2014</b>
Tax loss carry-forwards expiring by the end of:		
- 31 December 2019	2,248,581	3,957,408
- 31 December 2020	126,420	240,623
- 31 December 2021	158,491	170,073
- 31 December 2022	423,860	2,469,733
- 31 December 2023	648,385	-
- 31 December 2024	3,335,803	-
- 31 December 2025	13,353,062	-
<b>Total tax loss carry forwards</b>	<b>20,294,602</b>	<b>6,837,837</b>

**Taxes payable**

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Income tax	466,619	152,790
<b>Income tax payable</b>	<b>466,619</b>	<b>152,790</b>
VAT	236,300	39,945
Individual income tax	312,823	263,045
Environmental taxes	647,478	657,865
Social tax	259,535	215,842
Other taxes	68,292	231,926
<b>Taxes payable other than income tax</b>	<b>1,524,428</b>	<b>1,408,623</b>
<b>Total taxes payable</b>	<b>1,991,047</b>	<b>1,561,413</b>

\* - Comparative information has been adjusted to reflect transfer from assets held for disposal (Note 2)

**29 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 at the date of this report the official exchange rate of the Kazakhstan Stock Exchange was Tenge 340.01 per USD 1, compared to Tenge 339.47 per USD 1 as at 31 December 2015 (31 December 2014: Tenge 182.35 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and the impact of this factor on the economy of the Republic of Kazakhstan.

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

In mid-January 2016, Standard & Poor's materially lowered its oil price assumptions for the period 2016-2019 and given Kazakhstan's economy depends heavily on the oil sector, the agencies started downgrading Kazakhstan's sovereign credit ratings, with outlook on the long-term ratings being negative. The negative outlook reflects agencies' view of risks to Kazakhstan's external and monetary profiles under the current weak and volatile global commodity environment.

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 electricity 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.

***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.

## **29 Contingencies, Commitments and Operating Risks (Continued)**

### ***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.

### ***Ash dump restoration provision***

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Company. At 31 December 2015 the carrying amount of ash dump restoration provision was Tenge 1,962,548 thousand (31 December 2014: Tenge 1,299,140 thousand)

The provision for ash dumps restoration 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 2015 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 128,417,221 thousand, excluding capital commitments of Joint Ventures (31 December 2014: Tenge 191,852,755 thousand). In accordance with the subsoil use license for a gas field the Group has a working program commitment for exploration works in the total amount of Tenge 856,135 thousand as at 31 December 2015. Management believes that the Group will have sufficient funds to fulfil its capital commitments.



## **29 Contingencies, Commitments and Operating Risks (Continued)**

### ***Capital commitments of joint ventures***

As at 31 December 2015 the Group's share in capital expenditure commitments of Forum Muider, and EGRES-2 comprised Tenge 49,037,395 thousand (31 December 2014: Tenge 14,930,977 thousand including EGRES-1).

### ***Investment commitments***

In accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Group entities involved in the production of electricity have investment obligations as of 31 December 2015 of Tenge 78,288,751 thousand (31 December 2014: Tenge 70,918,949 thousand). As of 31 December 2015 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 70,482,416 thousand (31 December 2014: Tenge 73,016,563 thousand).

### ***Investment commitments of joint ventures***

As at 31 December 2015 the Group's share in investment commitments of EGRES-2 comprised Tenge 5,300,639 thousand (31 December 2014: Tenge 9,450,100 thousand).

### ***Contingencies of joint ventures***

As of 31 December 2015 the joint ventures of the Group do not have any material contingencies except for capital expenditure commitments described above (2014: no material contingencies).

### ***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 2015 and 31 December 2014.

**30 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 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>
<b>Year ended 31 December 2014</b>						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	135,085	147,679	121,094
Shulbinskaya HPS	Kazakhstan	8%	8%	-	27,975	-
Ust-Kamenogorskaya HPS	Kazakhstan	10%	10%	-	4,180	-
MEDC	Kazakhstan	21.36%	21.36%	(2,791,219)	1,919,382	97,218
ES	Kazakhstan	49%	49%	(40,245)	(72,572)	-
<b>TOTAL</b>				<b>(2,696,379)</b>	<b>2,138,285</b>	<b>218,312</b>

The summarised financial information of these subsidiaries was as follows at 31 December 2015 and 31 December 2014:

	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 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>17,168,618</b>	<b>3,108,357</b>	<b>3,108,357</b>	<b>365,484</b>
<b>Year ended 31 December 2014</b>								
Bukhtarminskaya HPS	1,170,434	1,455,614	209,571	160,330	2,048,849	1,500,955	1,500,955	(7,172)
Shulbinskaya HPS	-	-	549,794	3,233	-	50,406	50,406	-
Ust-Kamenogorskaya HPS	-	-	81,063	30,304	-	(1,100)	(1,100)	-
MEDC	1,067,210	16,801,480	3,108,450	7,478,823	8,655,210	1,434,569	1,434,569	(635,673)
ES	7,144	59,894	215,247	2,590	-	(82,133)	(82,133)	(1,158)
<b>Total</b>	<b>2,244,788</b>	<b>18,316,988</b>	<b>4,164,125</b>	<b>7,675,280</b>	<b>10,704,059</b>	<b>2,902,697</b>	<b>2,902,697</b>	<b>(644,003)</b>

**31 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 ("AZhC")</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>Aktobe Thermal Power Station JSC ("Aktobe TPS")</i>	Production of electricity, heat energy and hot water in Aktobe city	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>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</i>	Gas field exploration and development activities	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%	100%	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.	100%	100%	Kazakhstan
<i>Energiya Semirechiya LLP ("ES")</i>	Production of electricity on wind farm. Finalized construction of Solar plant near Almaty	51%	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
<i>KaragandaGiproShaht and K LLP</i>	Project works for capital constructions (coal mine and open pit, mine and pits of ferrous and non-ferrous production sectors)	90%	90%	Kazakhstan
<i>KazGidroTekhEnergo LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>TeploEnergoMash LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<i>Shelek-28 LLP</i>	Development of renewable electricity	100%	100%	Kazakhstan
<b>Associates:</b>				
<i>Balkhashskaya TES</i>	Construction of Balkhash thermal power station	37.92%	37.92%	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

**32 Business Combination**

On 31 March 2014, the Group acquired the remaining 50% share capital in EGRES-1 and obtained control through its ability to cast a majority of votes in the general meeting of shareholders. EGRES-1 is a coal-fired power station with available capacity of 4000 MWts. The total consideration paid was Tenge 236,651,998 thousand for 50% share of capital of EGRES-1. As a result of the acquisition, the Group increased its share in the production of electric energy segment and became the largest power generation group in Kazakhstan.

Acquisition related costs of Tenge have been charged to consolidated statement of profit or loss and other comprehensive income and paid in 2013. The consideration paid by the Group was based on results of an external appraisal of the acquiree's business taken as a whole. However, in accordance with IFRS 3 "Business Combinations", the Group must account for acquisitions based on the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed.

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable property, plant and equipment was performed by an independent professional appraiser.

The investment in the EGRES-1 to the amount of Tenge 175,270,218 held prior to the acquisition was remeasured to its fair value at the acquisition date and a gain of Tenge 56,682,576 thousand was recognised in statement of profit or loss and other comprehensive income.

Difference between fair value of EGRES-1 as a whole and identifiable assets and liabilities and contingent liabilities measured at fair value was recognised as goodwill for the amount of Tenge 75,875,134 thousand at the date of acquisition. As of 31 December 2014 Group has performed impairment test in accordance with IFRS and has recorded an impairment loss in statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

Revenue of EGRES-1 included in the consolidated financial statements from 1 April 2014 to 31 December 2014 is equal to Tenge 73,792,288 thousand. Profit of EGRES-1 from the acquisition date of 1 April 2014 included in the consolidated financial statements was Tenge 25,909,703 thousand. If the acquisition had been made at the beginning of the year, the Group's profit would be increased by Tenge 4,032,959 thousand and revenue would be increased by Tenge 25,909,703 thousand.

### 33 Financial Instruments by Category

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

<i>In thousands of Kazakhstan Tenge</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
<i>Loans and receivables</i>		
Cash and cash equivalents	31,927,511	21,658,167
Restricted cash	6,616,683	4,781,638
Term deposit	30,369,413	26,523,282
Financial receivables	17,508,109	14,684,848
Dividends receivable	2,108,905	2,252,360
Short term loans	-	12,613
<i>Held to maturity</i>		
Bonds	7,050,737	3,867,000
<b>Total financial assets</b>	<b>95,581,358</b>	<b>73,779,908</b>
<i>Financial liabilities carried at amortised cost</i>		
Borrowings	411,003,381	324,026,082
Financial payables	30,510,280	33,351,591
Non-current trade payables	69,673	2,866,923
Other financial liabilities	354,202	357,693
<b>Total financial liabilities</b>	<b>441,937,536</b>	<b>360,602,289</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 shows credit ratings of Standard&Poors agency on banks with placed cash and cash equivalents, term deposits and restricted cash:

<i>In thousands of Kazakhstani tenge</i>	<b>2015</b>	<b>2014</b>
BBB+	13,323	-
BBB- (outlook negative)	6 698 321	4,407,052
BB (outlook negative)	10 197 091	10,718,700
BB-	1 284 484	-
B+ (outlook stable)	6 141 641	8,355,396
B (outlook negative)	8 760 404	17,959,586
B- (outlook negative)	27 948 884	7,812,434
CCC+	950 273	-
CCC (outlook negative)	6 840 490	-
D	-	2,640,767
Not available	78 694	-
<b>Total cash and cash equivalents, term deposits and restricted cash</b>	<b>68,913,605</b>	<b>51,893,935</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 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>
<i>At 31 December 2014</i>					
Borrowings	1,276,196	6,160,209	43,986,575	201,627,324	258,953,070
Other non-current financial liabilities	-	-	-	2,866,923	-
Trade and other payables	15,304,593	9,710,120	8,336,878	-	-
<b>Total financial liabilities</b>	<b>16,580,789</b>	<b>15,870,329</b>	<b>52,323,453</b>	<b>204,494,247</b>	<b>258,953,070</b>

**(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 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.

### 34 Financial Risk Management (Continued)

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 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>
<i>At 31 December 2014</i>				
Assets	43,734,199	27,883	31,063	43,793,145
Liabilities	(132,085,066)	(28,684)	(3,125)	(132,116,875)
<b>Net position</b>	<b>(88,350,867)</b>	<b>(801)</b>	<b>27,938</b>	<b>(88,323,730)</b>

At 31 December 2015, if Tenge had weakened by 60% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased by Tenge 115,785,665 thousand (31 December 2014: decreased by Tenge 53,010,520 thousand), mainly as a result of foreign exchange losses on translation of US dollar denominated borrowings.

At 31 December 2015, if Tenge had strengthened by 20% against the US dollar with all other variables held constant, the post-tax profit for the period would have increased by Tenge 38,595,222 thousand (31 December 2014: increased by Tenge 17,670,173 thousand), mainly as a result of foreign exchange gains on translation of US dollar denominated borrowings.

At 31 December 2015, if Tenge had weakened by 60% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 2,031,230 thousand (31 December 2014: decreased/increased by Tenge 480 thousand).

At 31 December 2015, if Tenge had strengthen by 20% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 677,077 thousand (31 December 2014: decreased/increased by Tenge 160 thousand).

#### **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 Company's cash flows.

The Company 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 50 basis points higher at 31 December, with all other variables held constant, profit for the year would have been Tenge 329,438 thousand less, mainly as a result of higher interest expense on floating interest rate liabilities.

If interest rates had been 12 basis points lower at 31 December, with all other variables held constant, profit for the year would have been Tenge 79,065 thousand 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 profile of the Group.

<i>In thousands of Kazakhstan Tenge</i>	<b>Note</b>	<b>2015</b>	<b>2014</b>
Total borrowings	19	411,003,381	324,026,082
Less:			
Cash and cash equivalents	16	31,927,511	21,658,167
Net borrowings		379,075,870	302,367,915
Total equity		482,520,437	493,049,451
<b>Total capital</b>		<b>861,596,307</b>	<b>795,417,366</b>
<b>Gearing ratio</b>		<b>44%</b>	<b>38%</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 2015</b>				<b>31 December 2014</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	-	-	31,927,511	31,927,511	-	-	21,658,167	21,658,167
Restricted cash	-	-	6,616,683	6,616,683	-	-	4,781,638	4,781,638
Term deposit	-	-	30,369,413	30,369,413	-	-	26,523,282	26,523,282
Financial receivables	-	-	17,508,109	17,508,109	-	-	14,684,848	14,684,848
Dividends receivable	-	-	2,108,905	2,108,905	-	-	2,252,360	2,252,360
Fair value of future minimum lease payments on operating lease of Bukhtarminskaya HPS	-	-	6,144,842	774,702	-	-	6,799,268	882,542
Short term loans	-	-	-	-	-	-	12,613	12,613
Bonds	6,835,820	-	-	7,050,737	3,741,206	-	-	3,867,000
<b>Total Financial assets</b>	<b>6,835,820</b>	<b>-</b>	<b>94,675,463</b>	<b>96,356,060</b>	<b>3,741,206</b>	<b>-</b>	<b>76,712,176</b>	<b>74,662,450</b>
<b>LIABILITIES</b>								
Borrowings	164,224,827	-	224,308,186	411,003,381	93,782,210	-	223,641,906	324,026,082
Financial payables	-	-	30,510,280	30,510,280	-	-	33,351,591	33,351,591
Non-current trade payables	-	-	69,673	69,673	-	-	2,866,923	2,866,923
Other financial liabilities	-	-	354,202	354,202	-	-	357,693	357,693
<b>Total Financial liabilities</b>	<b>164,224,827</b>	<b>-</b>	<b>255,242,341</b>	<b>441,937,536</b>	<b>93,782,210</b>	<b>-</b>	<b>260,218,113</b>	<b>360,602,289</b>

**36 Events Occurring After the Reporting Period**

During January 2016 and February 2016 the Group increased its share in Balkhashskaya TES to 39.2%.

On 22 January 2016 ALES repaid its loan to Halyk Bank for amount of Tenge 1,348,532 thousand. In January 2016 ALES has repaid its loan amount to VTB Kazakhstan for amount of Tenge 345,277 thousand.

In February 2016 under its credit line agreements with Kazinvestbank and Halyk bank ALES has obtained loans for amount of Tenge 1,071,000 thousand and Tenge 1,348,532 thousand respectively.