



SAMRUK-ENERGY JSC

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

31 December 2014

(Translated from the Russian original)

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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, which comprise the consolidated statement of financial position as at 31 December 2014 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.

Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A, 4th floor, 050059, Almaty, Kazakhstan
T: +7 (727) 330-3200, F: +7 (727) 244 6868, www.pwc.com/kz



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 Samruk-Energy JSC and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
2 March 2015

Approved and signed by:


Dana Akmatbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance
of the Republic of Kazakhstan №0000006 dated 21 October 1999)
Audit Partner
(Qualified Auditor's Certificate №0492 dated 18 January 2000)



Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.


SAMRUK-ENERGY JSC
Consolidated Statement of Financial Position

<i>In thousands of Kazakhstan Tenge</i>	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	7	710,404,916	235,145,703
Investment property	10	882,542	824,943
Intangible assets	8	2,052,308	1,332,626
Exploration asset	9	11,448,375	9,237,988
Investments in joint ventures and associates	11	78,896,702	242,883,017
Other non-current assets	12	18,665,204	30,723,532
Total non-current assets		822,350,047	520,147,809
Current assets			
Inventories	13	12,035,047	8,211,800
Trade and other receivables	14	11,726,504	10,984,506
Other current assets	15	42,438,992	61,994,236
Income tax prepaid		1,281,982	1,320,560
Cash and cash equivalents	16	20,592,055	15,241,998
Assets of disposal group, classified as held-for-sale	17	43,984,770	343,557
Total current assets		132,059,350	98,096,657
TOTAL ASSETS		954,409,397	618,244,466

Signed on behalf of management on 2 March 2015.


 Kairat B. Maxutov
 Deputy Chairman of Management Board






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

SAMRUK-ENERGY JSC
Consolidated Statement of Financial Position (continued)

<i>In thousands of Kazakhstan Tenge</i>	Note	31 December 2014	31 December 2013
EQUITY			
Share capital	18	355,364,386	233,946,269
Other reserves	18	54,993,097	75,308,815
Retained earnings		80,553,684	72,276,222
Equity attributable to the Group's equity holders		490,911,167	381,531,306
Non-controlling interest	32	2,138,284	3,021,709
TOTAL EQUITY		493,049,451	384,553,015
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision		1,203,172	508,248
Employee benefit obligations	19	1,033,125	1,257,622
Borrowings	20	280,326,306	166,109,523
Other non-current liabilities	21	6,500,623	6,801,835
Deferred income tax liabilities	29	77,289,181	10,093,806
Total non-current liabilities		366,352,407	184,771,034
Current liabilities			
Ash dump restoration provision		85,020	-
Borrowings	18	38,840,232	11,297,915
Employee benefit obligations	19	69,518	82,624
Provisions for liabilities and charges	29	-	2,053,593
Trade and other payables	22	36,239,177	29,768,379
Taxes payable and other payables to budget	29	1,309,377	1,540,131
Income tax payable	29	148,636	168,138
Liabilities of disposal group, classified as held-for-sale	17	18,315,579	4,009,637
Total current liabilities		95,007,539	48,920,417
TOTAL LIABILITIES		461,359,946	233,691,451
TOTAL LIABILITIES AND EQUITY		954,409,397	618,244,466

Signed on behalf of management on 2 March 2015.


 Kairat B. Maxutov
 Deputy Chairman of Management Board


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

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

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013 (restated) *
Revenue	23	178,084,928	95,919,697
Cost of sales	24	(120,997,240)	(74,195,257)
Gross profit		57,087,688	21,724,440
Selling expense		(2,415,531)	(104,948)
General and administrative expenses	26	(11,287,412)	(8,142,058)
Share in profit of joint ventures and associates	11	12,957,577	30,105,859
Impairment of Goodwill	4	(75,875,134)	-
Finance income	27	8,665,287	3,284,112
Finance costs	28	(23,567,179)	(8,891,473)
Other income	25	58,628,812	2,594,937
Other expense	25	(3,869,049)	(200,114)
Profit before income tax		20,325,059	40,370,755
Income tax expense	29	(10,061,057)	(4,017,733)
Profit for the year from continuing operations		10,264,002	36,353,022
Profit for the year from discontinued operations	30	2,986,593	5,523,388
Profit for the year		13,250,595	41,876,410
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		(152,764)	(162,072)
Total comprehensive income for the year		13,097,831	41,714,338
Profit attributable to:			
Equity holders of the Group		15,946,974	40,853,022
Non-controlling interest		(2,696,379)	1,023,388
Profit for the Year		13,250,595	41,876,410
Total comprehensive income attributable to:			
Equity holders of the Group		15,794,210	40,690,950
Non-controlling interest		(2,696,379)	1,023,388
Total comprehensive income for the year		13,097,831	41,714,338

* - Comparative information has been adjusted to reflect discontinued operations (note 30).

SAMRUK-ENERGY JSC
Consolidated Statement of Changes in Equity

<i>In thousands of Kazakhstan Tenge</i>	Note	Attributable to equity holders of the Group				Non- controlling interest	Total equity
		Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2013		222,868,957	86,622,525	34,236,867	343,728,349	1,998,321	345,726,670
Profit for the year		-	-	40,853,022	40,853,022	1,023,388	41,876,410
Other comprehensive loss		-	(162,072)	-	(162,072)	-	(162,072)
Total comprehensive income		-	(162,072)	40,853,022	40,690,950	1,023,388	41,714,338
Share issue	18	11,077,312	-	-	11,077,312	-	11,077,312
Result of transactions with shareholders and merger reserve	18	-	(11,151,638)	-	(11,151,638)	-	(11,151,638)
Dividends		-	-	(2,813,667)	(2,813,667)	-	(2,813,667)
Balance at 31 December 2013		233,946,269	75,308,815	72,276,222	381,531,306	3,021,709	384,553,015
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		-	(152,764)	15,946,974	15,794,210	(2,696,379)	13,097,831
Share issue	18	21,418,117	-	-	21,418,117	-	21,418,117
Acquisition of Moinak HPS'	18	-	(20,162,954)	-	(20,162,954)	1,812,954	(18,350,000)
Gain from initial recognition of loan from Samruk- Kazyna	20	-	18,922,380	-	18,922,380	-	18,922,380
Derecognition of gain from initial recognition due to loan modification	20	100,000,000	(18,922,380)	501,093	81,578,713	-	81,578,713
Dividends		-	-	(8,170,605)	(8,170,605)	-	(8,170,605)
Balance at 31 December 2014		355,364,386	54,993,097	80,553,684	490,911,167	2,138,284	493,049,451

The accompanying notes on pages 6 to 67 are an integral part of these consolidated financial statements.
Translated from the Russian original

SAMRUK-ENERGY JSC
Consolidated Statement of Cash Flow

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013
Cash flows from operating activities			
Profit before income tax of continued operations		20,325,059	40,370,755
Profit before income tax of discontinued operations	30	3,980,434	7,127,880
Adjustments for:			
Depreciation and amortisation		28,623,006	10,601,853
Losses on disposal of property, plant and equipment		-	121,225
Reversal of provision for impairment of trade and other receivables	26	57,371	(460,743)
Charge/(reversal) of provision on obsolete and slow-moving inventories	24	862,654	(278,564)
Amortisation of income from connection of additional capacities	25	(379,358)	(438,723)
Current service cost and actuarial losses on employee benefits		(27,840)	314,619
Finance costs	28	23,567,179	8,891,473
Finance income	27	(8,665,287)	(3,284,112)
Share in profit of joint ventures and associates	11	(12,957,577)	(30,105,859)
Gain of fair value measurement of previously held interest	25	(56,682,576)	-
Goodwill impairment	4	75,875,134	-
Income from assets received free of charge		(131,000)	(238,000)
Impairment of property, plant and equipment	25	2,785,109	-
Others		(88,500)	(167,455)
Operating cash flows before working capital changes:		77,143,808	32,454,349
Decrease/(increase) in trade and other receivables and other current assets		1,242,296	(3,647,701)
Increase in inventories		(936,449)	(2,111,769)
Decrease in trade and other payables		(2,018,647)	(3,928,507)
Decrease in employee benefits payable		(14,676)	(123,507)
(Decrease)/increase in taxes payable		(126,510)	235,063
Cash generated from operations		75,289,822	22,877,928
Income tax paid		(4,578,919)	(653,294)
Interest paid		(20,679,561)	(5,246,529)
Dividends received		5,771,472	6,328,126
Net cash from operating activities of continuing operation		55,802,814	23,306,231
Net cash from operating activities of disposal group	30	4,870,923	6,657,225
Cash flows from investing activities			
Purchase of property, plant and equipment		(75,246,928)	(44,141,535)
Acquisition of intangible assets		(266,694)	(22,693)
Exploration and evaluation expenditures		(1,708,070)	(532,641)
Acquisition of subsidiary, net of cash acquired	34	(233,037,485)	(15,622)
Investment in Moinak HPS	18	(18,350,000)	-
Acquisition of share in associates	11	(6,059,620)	(554,000)
Interest income received		-	121,240
Cash proceeds from sale of Property, Plant and Equipment		2,452	82,339
Proceeds from sale of interest in subsidiary		45,500	-
Withdrawal/(Placement) of bank deposits		40,320,275	(49,967,345)
Loans provided		-	(3,987,819)
Proceeds from loans provided		3,669,540	5,218,612
Proceeds/Purchase of Financial Assets		412,739	(3,589,263)
Withdrawal of restricted cash		1,463,491	-
Others		-	94,943
Net cash used in investing activities of continuing operation		(288,761,700)	(97,293,784)
Net cash used investing activities of disposal group	30	(6,601,771)	(6,908,652)
Cash flows from financing activities:			
Proceeds from issue of shares	18	21,418,117	-
Proceeds from issue of bonds		-	2,956,595
Proceeds from borrowings		230,629,717	17,720,263
Repayment of borrowings		(11,708,286)	(16,631,663)
Repayment of bonds		(10,030,112)	-
Dividends paid to shareholders		(8,170,605)	(2,813,667)
Dividends paid to non-controlling interest holders		(121,094)	(356,069)
Repayment of loans from customers		(616,518)	(1,205,008)
Other payments attributable to shareholders		-	(3,991,200)
Others		-	14,808
Net cash from/(used) financing activities of continuing operation		221,401,219	(4,305,941)
Net cash from/(used) financing activities of disposal group	30	2,554,153	(2,136,393)
Foreign exchange effect on Cash and cash equivalents		17,150,531	1,124,402
Net (decrease)/increase in cash and cash equivalents		5,592,864	(77,169,092)
Cash and cash equivalents at the beginning of the year	16	15,241,998	94,991,109
Cash and cash equivalents at the year- end of continuing operations	16	20,592,055	15,241,998
Cash and cash equivalents at the year- end of discontinued operations	17	1,066,112	192,199

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 2014 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 18).

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 and others. Principal subsidiaries, joint ventures and associates are disclosed in note 33.

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets and the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariffs for heat and electricity supply, transmission and technical distribution services in the grid are determined in accordance with the Pricing Rules on Regulated Markets approved by the Decree of the Government of the Republic of Kazakhstan dated 3 March 2009, and approved by the Committee on Regulation of Natural Monopolies of the Ministry of Economics of the Republic of Kazakhstan. The tariffs for electricity sold by the energy producing entities are determined in accordance with the Rules for Determination of Tariff and Approval of Cap and Individual Tariffs approved by the Decree of the Government of the Republic of Kazakhstan dated 10 March 2009, and are subject to confirmation and approval by the Ministry of Energy of the Republic of Kazakhstan.

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 2014 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 182.35 (31 December 2014: US Dollar = Tenge 153.61). 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.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. 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	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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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'.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

(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.

2 Basis of Preparation and Significant Accounting Policies (Continued)

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.

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.

3 New Accounting Pronouncements

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

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying 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) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Group.

3 New Accounting Pronouncements (Continued)

“Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Group.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Group.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Group.

Listed below are new standards and interpretations that have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2015 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.
- 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.

3 New Accounting Pronouncements (Continued)

- 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.

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 amendment is not expected to have any material 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, unless otherwise stated below). 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 2014.

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 Group is currently assessing the impact of the amendments on its 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 Group is currently assessing the impact of the amendments on its financial statements.

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. The amendment is not expected to have any material impact on the Group’s financial statements.

3 New Accounting Pronouncements (Continued)

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. The new standard will not to have any material impact on the Group's financial statements.

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. The amendment is not expected to have any material impact on the Group's financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The new standard is not expected to have any material impact on the Group's financial statements.

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. The amendment is not expected to have any material impact on the Group's financial statements.

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. The amendment is not expected to have any material impact on the Group's financial statements.

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

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". The Group is currently assessing the impact of the amendments on its financial statements.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and 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:

Estimated impairment of goodwill.

The Group tests goodwill for impairment at least annually.

Goodwill was allocated to EGRES-1 cash-generating unit (CGU, which represents the lowest level within the Group at which the goodwill is monitored by management and which is not larger than a segment) (note 34).

The significant decline in electricity consumption in second half of 2014 and in the forecast for 2015 as estimated by KEGOC, the national grid company, was mainly caused by general economic slowdown with the lower demand from the industrial plants, which consume approximately 50% of total production of the electricity in the Republic of Kazakhstan. A general decline in demand and low prices for metals in international markets have led to revision of the production plan by the majority of metallurgical plants. Additionally, in 2015 the electricity export to Russia has been discontinued due to excess supply of electricity within the Russian domestic market. The Group has considered the impact of these factors on the assumptions used for the impairment test of the CGU's carrying value.

The recoverable amount was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3.9%. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

The discount rates used are after-tax, and reflect specific risks relating to the CGU. The Group used the weighted average cost of capital ("WACC") as the discount rate. After-tax discount rate is 13%.

Other assumptions used for value-in-use calculations to which the recoverable amount is sensitive were:

	2015	2016	2017	2018	2019
Sales volume, thousand kWh	10,553,331	11,938,619	12,536,876	13,165,107	13,823,363
Average tariff per kWh, Tenge	7.8	8.71	9.35	10.04	10.78

Management estimates that negative signs of the current economic situation will last for approximately 4-5 years with steady improvements further when the entity will reach optimal load of the power station as a result of the Industrial programs of the Government of the Republic of Kazakhstan and improvement in the international metals market.

Management determined the budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports.

If the revised estimated after-tax discount rate applied to the discounted cash flows of the CGU had been 1% higher than management's estimates, the Group would need to reduce further the carrying value of property, plant and equipment by Tenge 59,500 million. The CGU carrying amount would be equal to value in use at a discount rate of 12% p.a.

The carrying amount of the CGU exceeds its recoverable amount by Tenge 77,375,134 thousand. As a result of value-in-use calculations impairment provision was created for goodwill in the amount of Tenge 75,875,134 thousand as well as property, plant and equipment to the amount of Tenge 1,500,000 thousand.

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)

In 2014, management of the Group concluded that there were indicators of possible impairment of property, plant and equipment and conducted an impairment test.

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. The Group's management has concluded that the significant slowdown of economic growth from 4.5%-7% in the period of 2011-2014 to 1.5% in 2015 leads to reconsideration of the forecast and budgets therefore the necessity of impairment test for non-financial assets of ALES and AZhK, which are more sensitive to changes and the significant entities of the Group after EGRES-1.

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.

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

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:

- forecast sales volumes of electricity and heat energy and the forecasted tariffs:

	2015	2016	2017	2018	2019
Sale of electricity, thousands kWh	4,260,897	4,260,897	4,280,013	4,361,738	4,361,741
Sale of heat energy, thousands Gcal	5,319	5,614	6,071	6,071	6,071
Tariff on sale of electricity, Tenge/kWh	8.60	9.65	10.00	10.43	11.20
Tariff on sale of heat energy, Tenge/Gcal	3,043	3,486	3,486	3,486	3,486

Sales volume forecast is based on past performance and management's expectation. Possible change in assumption does not have a significant impact on the recoverable amount of property, plant and equipment.

- After-tax discount rate is equal to 12.11%

Cash flows have been discounted using after-tax discount rate of 12.11% per annum, which has been determined based on the weighted average cost of capital. Increase / decrease in discount rate of 1%, will result in recoverable amount of fixed assets reduced by 1,305,379 thousand Tenge / increase by 1,344,416 thousand Tenge.

- Long-term inflation rate used to calculate the terminal value is 3.92% per annum

As a result the recoverable amount of property, plant and equipment at 31 December 2014 was estimated at Tenge 84,167,850 thousand, which is Tenge 9,027,219 thousand higher than their carrying value. Accordingly, no impairment provision was recognised in 2014, except for impairment losses of individual assets.

AZhK

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

- Forecasted sales volume and tariff

	2015	2016	2017	2018	2019
Sales volume, thousand kWh	6,564,513	6,668,666	6,881,156	7,151,239	7,423,142
Tariff, Tenge/kWh	5.21	5.43	5.58	5.94	6.10

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

Sales volume forecast is based on past performance and management's expectation. It was assumed that sales will increase by approximately 4% per year, mainly as a result of increased consumption and population growth in Almaty and Almaty region. Possible change in assumption does not have a significant impact on the recoverable amount of property, plant and equipment.

Tariff forecast for kWh is based on tariffs approved, by Agency on Regulation of National Monopolies.

- After-tax discount rate is equal to 12.34% annum.

Cash flows have been discounted using pre-tax discount rate of 12.34% per annum, which has been determined based on the weighted average cost of capital. Increase / decrease in discount rate of 1%, will result in recoverable amount of fixed assets reduced by 10,897,089 thousand Tenge / increase by 13,883,810 thousand Tenge.

- Long-term inflation rate used to calculate the terminal value is 4% per annum

As a result recoverable amount of property, plant and equipment at 31 December 2014 was estimated at Tenge 93,254,094 thousand, which is Tenge 1,773,566 thousand higher than their carrying value. Accordingly, no impairment provision was recognised.

Impairment of Kapchagai Solar Plant

The management has concluded that the change in regulation on Renewable Energy adopted in 2014 has a negative impact on the recoverability of the project and has therefore been considered as an impairment indicator. Accordingly, the Group undertook the impairment test for the Kapchagai Solar Plant project. As a result of impairment test recoverable amount of property, plant and equipment at 31 December 2014 was estimated at Tenge 960,842 thousand, which is Tenge 739,235 thousand, lower than their book value. Accordingly, the Group has recognized impairment loss in the amount of Tenge 739,235 thousand.

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.

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.

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

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 2014 the carrying amount of investment property is Tenge 718,950 thousand (31 December 2013: Tenge 824,943 thousand).

Based on estimation of fair value of investment property at 31 December 2014 the Group did not identify any indication of impairment of investment property (31 December 2013: 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.

Where the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2014 would be to increase/decrease it by Tenge 2,637,969 thousand (31 December 2013: increase/decrease by Tenge 1,030,536 thousand).

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

Settlement agreement with Akimat

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

As of 31 December, 2014 the liability in the amount of Tenge 6,841,514 thousand (2013 : Tenge 7,274,872 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.

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 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 effects, related to acquisition and other similar effects. Sequence for identification of EBITDA by Group might be different from sequence used by other companies.

Discontinued operations (note 30) continue to engage in business activity of the Group, operating results are regularly reviewed by the CODM and there is discrete financial information available to facilitate the review. Results of discontinued operations are included in segment information.

(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 adjusted EBITDA.

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2014

5 Segment Information (Continued)

In thousands of Kazakhstan Tenge	Production of electricity and heating energy				Electricity transmission and distribution				Sale of electricity				Others		Total	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	
External revenues	97,519,257	25,144,417	12,378,520	11,757,747	111,252,564	98,952,095	-	-	-	-	221,150,341	135,854,259	-	-	-	
Inter-segment revenue	42,642,759	38,953,660	38,621,435	34,736,869	11,003	61,734	-	-	-	-	81,275,197	76,098,375	-	-	-	
Total revenue	140,162,016	64,087,481	50,999,955	46,494,616	111,263,567	99,013,829	-	-	-	-	302,425,538	211,942,038	-	-	-	
Share of profit of joint ventures	9,018,696	25,292,306	-	-	-	-	-	-	3,938,881	4,851,791	12,957,577	30,144,097	-	-	-	
Adjusted EBITDA	74,115,440	47,160,623	14,664,823	16,262,578	(923,505)	879,707	879,707	879,707	2,094,505	295,647	89,951,263	64,598,555	-	-	-	
Depreciation and amortisation	(21,739,349)	(7,188,561)	(6,410,845)	(4,889,893)	(133,654)	(117,351)	-	-	(339,156)	(129,507)	(28,623,006)	(12,325,312)	-	-	-	
Finance income	(5,821,777)	204,960	365,047	660,647	30,080	-	-	-	14,091,937	2,421,679	8,665,287	3,294,095	-	-	-	
Finance expense	(3,002,404)	(2,932,649)	(502,987)	(680,333)	(57,254)	6,809	-	-	(20,004,534)	(5,647,466)	(23,567,179)	(9,346,461)	-	-	-	
Impairment of property, plant and equipment	(2,785,108)	356	-	(10,326)	-	(2,011)	-	-	-	-	(2,785,108)	(11,981)	-	-	-	
Income from legal claims	-	1,327,977	-	-	-	-	-	-	-	-	-	1,327,977	-	-	-	
Goodwill impairment	(75,875,134)	-	-	-	-	-	-	-	-	-	(75,875,134)	-	-	-	-	
Gain on fair value measurement of previously held interest	56,682,576	-	-	-	-	-	-	-	-	-	56,682,576	-	-	-	-	
Share of profit or loss of associates	(143,206)	(38,238)	-	-	-	-	-	-	-	-	(143,206)	(38,238)	-	-	-	
Profit before income tax	21,431,038	38,534,468	8,116,038	11,342,673	(1,084,333)	681,141	681,141	681,141	(4,157,250)	(3,059,647)	24,305,493	47,498,635	-	-	-	
Reportable segment assets	741,262,500	380,088,972	135,760,979	132,605,147	9,368,960	8,312,487	109,847,554	128,316,891	109,847,554	128,316,891	996,239,993	649,323,498	-	-	-	
Capital expenditure	64,247,151	32,352,120	15,707,656	17,735,573	89,710	96,437	3,778,946	1,679,499	3,778,946	1,679,499	83,823,463	51,863,629	-	-	-	
Reportable segment liabilities	198,525,058	88,022,985	57,851,650	56,403,480	10,638,969	7,765,164	235,051,274	111,533,624	235,051,274	111,533,624	502,066,951	263,725,253	-	-	-	

5 Segment Information (Continued)

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

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
Total revenues for reportable segments	302,425,538	209,595,926
Revenues from other operations	-	2,346,112
Total revenue	302,425,538	211,942,038
Elimination of sales between segments	(81,275,197)	(76,098,375)
Discontinued operations	(43,065,413)	-
Total consolidated revenues	178,084,928	135,843,663

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
Total reportable segment results	24,305,493	47,498,635
Discontinued operations	(3,980,434)	(7,127,880)
Profit before tax	20,325,059	40,370,755

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
Total reportable segment assets	886,392,439	521,006,606
Assets from other operations	109,847,554	128,316,891
Total assets	996,239,993	649,323,497
Elimination of balances between segments	(41,830,596)	(31,079,031)
Total consolidated assets	954,409,397	618,244,466

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
Total reportable segment liabilities	267,015,677	152,191,628
Liabilities from other operations	235,051,274	111,533,624
Total liabilities	502,066,951	263,725,252
Elimination of balances between segments	(40,707,005)	(30,033,801)
Total consolidated liabilities	461,359,946	233,691,451

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 23. Majority of sales of the Group are within Kazakhstan.

(g) Major customers

During the years ended 31 December 2014 and 31 December 2013 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 2014, 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 (2013: 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 (2013: Tenge 12,285,000 thousand)
- Governmental guarantee to the amount of 25,000,000 USD for outstanding loan to Development Bank of Kazakhstan (2013: 25,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of Tenge 70,070,000 thousand for outstanding loan of EGRES-2 to Eurasian development bank

Key management compensation is presented below:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2014	31 December 2013
Key management compensation	330,205	345,475
Total key management compensation	330,205	345,475

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2014 include 9 persons (31 December 2013: 9 persons).

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2014 and 31 December 2013 is detailed below.

At 31 December 2014, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	2,139,390	341,047	-	-	3,388,283
Cash and cash equivalents	33,253	-	-	-	-
Other non-current assets	3,660,539	-	-	223,491	-
Other current assets	397,340	2,991,591	3,185	-	-
Borrowings	-	-	-	130,817,459	17,691,141
Trade and other payables	1,023,080	2,523,591	90,550	77,260	1,006,008

6 Balances and Transactions with Related Parties (Continued)

At 31 December 2013, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Trade and other receivables	24,182	13,063	217,000	-	3,855,081
Cash and cash equivalents	1,686,509	-	-	-	-
Other non-current assets	3,306,339	-	-	218,239	-
Other current assets	10,216,123	4,197,872	-	-	4,429,829
Borrowings	420,206	-	-	30,892,547	17,663,395
Trade and other payables	1,289,879	375,217	319,874	-	7,613,699

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>	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
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	-	-	-

The income and expense items with related parties for the year ended 31 December 2013 were as follows:

<i>In thousands of Kazakhstan Tenge</i>	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	5,331,704	-	4,874,956	-	16,019,614
Cost of sales	16,900,600	21,606,756	262,120	-	3,023,783
General and administrative expenses	357,521	-	-	-	-
Distribution costs	1,245	-	-	-	-
Other expenses	110,438	-	-	-	-
Other income	2,646	21,963	31,075	-	1,403,978
Finance costs	324,381	-	-	2,367,771	1,109,844
Finance income	509,496	125,343	-	-	-
Loss on foreign exchange	20,446	-	-	-	-

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>	Compa- nies under common control	JVs and associates of Samruk- Kazyna	Govern- ment related entities	Total 2014	Compa- nies under common control	JVs and associates of Samruk- Kazyna	Govern- ment related entities	Total 2013
Sale of electricity	16,408,033	2,609,892	16,674,562	33,642,295	1,663,795	3,676,902	15,293,626	20,634,323
Electricity transmission	24,840	-	733,491	758,331	3,665,089	1,198,054	725,988	5,589,131
Other	4,759			4,759	2,820	-	-	2,820
Total	16,437,632	2,609,892	17,408,053	34,405,385	5,331,704	6,073,010	16,019,614	26,226,274

Purchases from related parties include:

<i>In thousands of Kazakhstan tenge</i>	Compa- nies under common control	JVs and associates of Samruk- Kazyna	Govern- ment related entities	Total 2014	Compa- nies under common control	JVs and associates of Samruk- Kazyna	Govern- ment related entities	Total 2013
Fuel	5,459,118	35,608,973	29,410	41,097,501	9,129,805	21,868,876	541,817	31,540,498
Water supply	-	-	2,554,979	2,554,979	5,806,684	-	2,481,966	8,288,650
Electricity transmission and other services	7,073,077	396	-	7,073,473	-	-	-	-
Electricity losses on transmission		-	-	-	1,555,711	-	-	1,555,711
Others	195,356	-	-	195,356	408,400	-	-	408,400
Total	12,727,551	35,609,369	2,584,389	50,921,309	16,900,600	21,868,876	3,023,783	41,793,259

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>	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2013	79,293,150	131,474,041	6,096,718	39,701,027	256,564,936
Accumulated depreciation and impairment	(17,249,677)	(31,671,160)	(2,371,668)	(121,984)	(51,414,489)
Carrying amount at 1 January 2013	62,043,473	99,802,881	3,725,050	39,579,043	205,150,447
Additions	2,200,443	3,506,455	1,770,077	34,588,769	42,065,744
Capitalised borrowing costs	-	-	-	179,413	179,413
Transfers	17,241,464	32,030,945	164,412	(49,436,821)	-
Depreciation	(3,797,391)	(7,447,280)	(670,247)	-	(11,914,918)
Disposals	(26,405)	(41,289)	(56,153)	(1,124)	(124,971)
Transfer to other assets	-	-	-	(210,013)	(210,013)
Carrying amount at 31 December 2013	77,661,585	127,851,712	4,933,139	24,699,267	235,145,703
Cost at 31 December 2013	98,591,330	166,797,761	7,909,168	24,821,252	298,119,510
Accumulated depreciation and impairment	(20,929,745)	(38,946,049)	(2,976,029)	(121,984)	(62,973,807)
Carrying amount at 31 December 2013	77,661,585	127,851,712	4,933,139	24,699,268	235,145,703
Additions	2,270,785	849,361	1,564,630	76,422,556	81,107,332
Transfers	12,120,955	79,546,679	221,940	(91,889,574)	-
Depreciation	(8,075,453)	(19,095,847)	(1,059,405)	-	(28,230,705)
Disposal	(29,576)	(164,627)	(45,002)	(140,342)	(379,547)
Acquisition through business combination	74,685,224	295,058,045	5,462,373	87,245,742	462,451,384
Reclassification to disposal group	(9,508,040)	(17,897,049)	(1,462,486)	(8,036,568)	(36,904,143)
Impairment charge to profit or loss	(1,616,845)	(201,661)	(2,467)	(964,135)	(2,785,108)
Carrying amount at 31 December 2014	147,508,635	465,946,613	9,612,722	87,336,947	710,404,916
Cost at 31 December 2014	176,513,833	523,988,509	13,648,156	87,458,931	801,609,428
Accumulated depreciation and impairment	(29,005,198)	(58,041,896)	(4,035,434)	(121,984)	(91,204,512)
Carrying amount at 31 December 2014	147,508,635	465,946,613	9,612,722	87,336,947	710,404,916

Additions for the year ended 31 December 2014 include capitalized borrowing costs in amount of Tenge 1,528,623 thousand (2013: Tenge 179,413 thousand).

As at 31 December 2014 the property, plant and equipment with carrying value of Tenge 4,648,573 thousand (31 December 2013: Tenge 3,614,546 thousand) were pledged as collateral for borrowings received by the Group from JSC "Development Bank of Kazakhstan" (Note 20).

7 Property, Plant and Equipment (Continued)

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 EGRES-1 to the amount of Tenge 1,500,000 thousand and impairment of Kapchagai Solar Plant to the amount of Tenge 739,235 thousand.

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Cost of sales		
General and administrative expenses	25,162,898	11,699,799
Discontinued operations	849,896	215,119
Прочие операционные расходы	2,202,604	-
	15,307	
Total depreciation charges	28,230,705	11,914,918

8 Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	Licenses	Computer software	Other	Total
Cost at 1 January 2013	125,466	1,069,888	490,771	1,686,125
Accumulated amortisation	(88,717)	(414,390)	-	(503,107)
Carrying amount at 1 January 2013	36,749	655,498	490,771	1,183,018
Additions	7,108	127,847	45,468	180,422
Disposals	-	(6,247)	-	(6,247)
Transfers	-	209,201	-	209,201
Amortisation charge	(18,198)	(209,401)	(6,169)	(233,768)
Carrying amount at 31 December 2013	25,659	766,680	540,287	1,332,626
Cost at 31 December 2013	132,573	1,390,471	546,457	2,069,501
Accumulated amortisation	(106,914)	(623,791)	(6,170)	(736,875)
Carrying amount at 31 December 2013	25,659	766,680	540,287	1,332,626
Additions	95,471	1,075,987	361,904	1,533,362
Amortisation charge	(18,208)	(257,790)	(13,193)	(289,191)
Impairment charge to profit or loss	-	-	(126,254)	(126,254)
Reclassification to disposal group	-	(398,235)	-	(398,235)
Carrying amount at 31 December 2014	102,922	1,186,642	762,744	2,052,308
Cost at 31 December 2014	225,134	1,982,943	782,107	2,990,184
Accumulated amortisation	(122,212)	(796,301)	(19,363)	(937,876)
Carrying amount at 31 December 2014	102,922	1,186,642	762,744	2,052,308

9 Exploration Assets

The Group acquired a local entity, Tegis Munai LLP, in December 2012 for Tenge 8,904,241 thousand (Tenge 8,464,970 thousand is exploration asset and remaining is 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 2,210,387 thousand (2013: Tenge 773,018 thousand).

10 Investment Property

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013
Cost at 1 January		1,497,162	1,497,162
Accumulated depreciation		(672,219)	(569,101)
Carrying amount at 1 January		824,943	928,061
Result of business combination	34	163,592	-
Depreciation		(105,993)	(103,118)
Cost at 31 December		1,660,754	1,497,162
Accumulated depreciation		(778,212)	(672,219)
Carrying amount at 31 December		882,542	824,943

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>	31 December 2014	31 December 2013
Within 1 year	1,022,550	1,022,550
Between 1 year and 5 years	4,090,200	4,090,200
Above 5 years	3,955,798	4,978,348
Total future minimum lease payments	9,068,548	10,091,098

During the year ended 31 December 2014 the Group received income from the operating lease of Bukhtarminskaya hydropower station in the amount of Tenge 2,050,282 thousand (2012: Tenge 1,882,627 thousand) (Note 23).

The fair value of the investment property, determined as a sum of discounted minimum lease payments, at 31 December 2014 is Tenge 6,799,268 thousand (31 December 2013: Tenge 7,451,007 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>	Joint ventures			Associate		Total
	EGRES-2	Forum Muider	ZhGRES	EGRES-1	BTES	
Balance at 1 January 2013	29,646,096	29,837,320	-	154,960,528	4,124,115	218,568,059
Contribution to share capital		-	-	-	554,000	554,000
Share of profit or loss of joint ventures and associates	9,015,575	4,851,791	-	16,276,731	(38,238)	30,105,859
Dividend received	-	(6,344,901)	-	-	-	(6,344,901)
Balance at 31 December 2013	38,661,671	28,344,210	-	171,237,259	4,639,877	242,883,017
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 34)	-	-	-	(231,952,794)	-	(231,952,794)
Balance at 31 December 2014	42,290,615	26,049,797	-	-	10,556,290	78,896,702

As of 31 December 2014, 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.
- ZhGRES– 50%. Remaining 50% interest is owned by Tarazenergo-2005 LLP. Group's share in ZhGRES was fully impaired.

The Group acquired control over EGRES-1 on 31 March 2014 (note 34) 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.

EGRES-2 has incurred the exchange losses of Tenge 4.7 billion on the loans denominated in the foreign currencies as a result of Tenge devaluation in February 2014 and accrued an environmental claim of Tenge 1.3 billion during the year.

In 2013 and 2014 ZhGRES received annual subsidies from the Government for purchases of fuel to compensate its losses from the operating activities. Subsidies are recognised as current period revenue. ZhGRES will be a loss making company without the Government subsidies on a consistent basis and therefore the investment in the company was impaired. ZhGRES has net income for 2014 due to government subsidies, however management believes this practice is not sustainable and it may further incur operating losses. The Board of Directors of the Group approved a plan to sell ZhGRES, in accordance with the Governmental Decree on privatization of national companies (note 17).

The Group has interest in the following associate: Balkhashskaya TES (25% plus one share): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2008 for construction of Balkhash thermal power station.

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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 2014 and 2013 and for the years then ended:

In thousands of Kazakhstani Tenge	EGRES-2		Forum Muider		ZhGRES		EGRES-1		BTES	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Total current assets	10,632,932	11,063,270	16,328,274	39,701,828	7,826,956	3,264,266	-	17,488,324	20,967,915	966,631
Total non-current assets	145,570,528	132,584,004	66,535,959	42,152,437	3,226,591	5,356,259	-	359,982,781	22,110,034	18,461,074
Total current liabilities	(10,766,604)	(56,903,216)	19,955,908	(11,980,542)	7,692,635	(5,402,614)	-	(12,440,224)	(852,789)	(572,086)
Total non-current liabilities	60,855,626	(9,420,716)	10,808,731	(13,185,303)	(360,300)	(192,474)	-	(22,556,364)	-	(296,110)
Net assets	84,581,230	77,323,342	52,099,594	56,688,420	3,000,612	3,025,437	-	342,474,517	42,225,160	18,559,509
Revenue	35,733,384	43,379,379	91,959,769	96,331,212	20,796,921	12,255,873	-	82,337,544	-	-
Governmental subsidies	-	-	-	-	2,791,012	4,118,711	-	-	-	-
Profit or loss before tax	13,967,065	22,913,271	11,667,004	13,837,629	453,403	2,404,180	-	42,562,160	(572,828)	(62,144)
Total comprehensive income/(loss)	10,257,888	18,031,150	7,877,762	9,703,582	452,886	2,404,180	-	33,729,462	(572,828)	(152,953)

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 31. Transactions and balances with joint ventures are presented in Note 6.

12 Other Non-Current Assets

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013
Prepayments for non-current assets		12,157,253	11,832,305
Bonds	6	3,867,000	3,294,007
Non-current VAT recoverable		1,738,069	2,321,466
Restricted cash		524,586	408,220
Long-term deposits		320,537	12,750,188
Other		57,759	117,346
Total other non-current assets		18,665,204	30,723,532

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>	2014	2013
Reconstruction and expansion of HPP-2 of ALES	4,537,773	2,449,785
Modernization of Shardara GES	3,231,623	1,893,260
Construction of First Wind Power station	2,328,900	6,928,921
Construction of administrative building	1,100,000	-
Construction and reconstruction of substations in Almaty and Almaty region	492,994	460,878
Other	465,963	99,461
Total prepayments for non-current assets	12,157,253	11,832,305

13 Inventories

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Auxiliary production materials	6,993,488	3,099,281
Fuel	5,035,481	4,538,167
Spare parts	1,283,914	622,936
Raw materials	13,254	43,800
Other materials	597,952	791,681
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,889,042)	(884,065)
Total inventories	12,035,047	8,211,800

Significant increase in provision relates to slow-moving inventories of EGRES-1.

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>	2014	2013
Provision, 1 January	884,065	1,176,877
Provision charged/(reversed)	862,654	(278,564)
Acquisition through business combination	148,028	-
Inventories written off during the year	(5,705)	(14,248)
Provision for impairment at 31 December	1,889,042	884,065

SAMRUK-ENERGY JSC
Notes to the Consolidated Financial Statements – 31 December 2014

14 Trade and Other Receivables

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Trade receivables		
Receivable from Almaty Heat Network JSC	11,992,719	9,889,435
Other receivables	-	1,491,922
Less: impairment provision	-	187,367
	(290,812)	(839,997)
Total financial assets	11,701,907	10,728,727
Other receivables		
Less: impairment provision	3,749,485	301,957
	(3,724,888)	(46,178)
Total trade and other receivables	11,726,504	10,984,506

Increase in impairment provision for other receivables is explained by acquisition through business combination. As of 31 December 2014 the receivable from LLP "Maikuben Vest" in the amount of Tenge 3,683,806 was fully impaired. A provision for impairment was accrued the history of overdue receivables from LLP "Maikuben Vest".

Financial assets of the Group at 31 December 2014 and 31 December 2013 are denominated in Tenge. Presented below is movement in the Group's provision for impairment of financial receivables:

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Provision for impairment at 1 January		
Provision for impairment charged during the year	839,997	4,359,267
Reversal of provision during the year	57,371	324,416
Reclassification to disposal group	-	(426,696)
Amounts written off during the year as uncollectible	(515,056)	
	(91,500)	(3,416,990)
Provision for impairment at 31 December	290,812	839,997

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Current and not impaired	8,620,901	7,008,665
Total current and not impaired	8,620,901	7,008,665
<i>Past due but not impaired</i>		
- up to 30 days overdue	1,998,609	2,133,437
- 30 to 90 days overdue	989,577	760,488
- 90 to 180 days overdue	50,810	91,418
- 180 days -360 days overdue	42,010	734,719
Total past due but not impaired	3,081,006	3,720,062
<i>Total individually impaired (gross)</i>		
- to 90 days overdue	5,235	31,949
- 90 to 180 days overdue	61,028	42,615
- 180 to 360 days overdue	38,163	343,350
- over 360 days overdue	186,386	422,083
Total individually impaired	290,812	839,997
Less: impairment provision	(290,812)	(839,997)
Total financial assets	11,701,907	10,728,727

15 Other Current Assets

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Term deposits	26,202,745	45,651,277
VAT recoverable and prepaid taxes	7,163,496	5,478,032
Restricted cash denominated in USD	4,257,052	4,827,511
Advances to suppliers	2,083,758	1,574,002
Dividends receivable	2,252,360	281,239
Short-term loans to related parties	12,613	3,702,847
Other	466,968	479,328
Total other current assets	42,438,992	61,994,236

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 4,257,052 thousand (31 December 2013: Tenge 4,827,511 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.

16 Cash and Cash Equivalents

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Cash at current bank accounts	13,174,464	9,969,783
Demand deposits	7,406,688	5,253,000
Cash on hand	10,903	19,215
Total cash and cash equivalents	20,592,055	15,241,998

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>	2014	2013
Kazakhstani Tenge	11,511,220	12,621,246
US Dollar	9,022,216	2,536,448
Other currencies	58,619	84,304
Total cash and cash equivalents	20,592,055	15,241,998

17 Non-current Assets Held for Sale and Disposal Groups

On 24 July 2014, Board of Directors approved the disposal of number of subsidiaries including of EKREDC, SET, MEDC, Aktobe TEC, ZhGRES, in accordance with the Governmental Decree on privatization of national companies. At 31 December 2014 these subsidiaries are classified as a disposal group and their assets and liabilities were accordingly reclassified in the consolidated statement of financial position. Since operations of EKREDC, SET, MEDC, Aktobe TEC, ZhGRES represented separate major types of the Group's operations, these disposal groups are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income (note 30), and therefore the comparatives have been restated and presented in accordance with the presentation of the current year. As of 31 December 2014, investment in ZhGRES was fully impaired (note 11)

17 Non-current Assets Held for Sale and Disposal Groups (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	Aktobe TPS	MEDC	EKREDC	SET	Total
Property, plant and equipment	8,304,524	16,597,944	11,878,182	123,493	36,904,143
Intangible assets	26,609	141,020	203,536	27,070	398,235
Other non-current assets	102,135	15,960	-	-	118,095
Deferred income tax assets	-	-	-	201,305	201,305
Inventories	433,887	222,189	347,681	14,990	1,018,747
Trade receivables	570,627	333,369	143,895	2,157,411	3,205,302
Other current assets	139,813	602,312	79,192	251,516	1,072,833
Cash and cash equivalents	62,772	685,637	306,967	10,734	1,066,110
<i>Total non-current assets and assets of disposal groups classified as held for sale</i>	9,640,367	18,598,431	12,959,453	2,786,519	43,984,770
Employee benefits	148,761	63,396	116,978	-	329,135
Loans	-	3,591,188	410,641	857,694	4,859,523
Deferred income tax liability	307,757	1,192,372	708,629	-	2,208,758
Other liabilities	554,220	2,569,125	978,628	1,254,038	5,356,011
Trade payables	1,250,602	1,871,103	1,965,193	475,254	5,562,152
<i>Total liabilities of disposal groups classified as held for sale and liabilities directly associated with disposal groups</i>	2,261,340	9,287,184	4,180,069	2,586,986	18,315,579

Comparative amounts represent assets and liabilities of Samruk-EnergoStroyService LLP ("SESS"). The Group has disposed SESS LLP in February of 2014 for Tenge 45,500 thousand. In 2013 Group recognized after-tax loss on the remeasurement of net assets of SESS to the lower of carrying amount and fair value less costs to sell to the amount of Tenge 55,788 thousand (note 30).

18 Equity

Share Capital

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share Capital, (thousands of Tenge)
Balance at 1 January 2013		5,418,513		222,868,957
Payment of unpaid portion of previous issues:				
9 th issue of shares (4 rd stage)	22 of March 2013	30,000	257,456	7,723,689
10 th issue of shares	27 of March 2013	14,924	224,713	3,353,623
Balance at 31 December 2013		5,463,437		233,946,269
Payment of unpaid portion of previous issues:				
11 th issue of shares	26 of March 2014	21,000	1,000,000	21,000,000
12 th issue of shares	6 of October 2014	100,000	1,000,000	100,000,000
13 th issue of shares	1 of September 2014	1,000	418,117	418,117
Balance at 31 December 2014		5,585,437		355,364,386

18 Equity (Continued)

At 31 December 2014, 5,585,437 issued common shares were fully paid (31 December 2013: 5,463,437 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2014		31 December 2013	
	Samruk-Kazyna	Total	Samruk-Kazyna	Total
Number of paid common shares	5,585,437	5,585,437	5,463,437	5,463,437
% of ownership	100%	100%	100%	100%
Total share capital	355,364,386	355,364,386	233,946,269	233,946,269

Other reserves

	Merger reserve	Result of transactions with shareholder	Other comprehensive loss	Total
<i>In thousands of Kazakhstan Tenge</i>				
Balance at 1 January 2013	57,519,567	29,102,958	-	86,622,525
Other comprehensive loss	-	-	(162,072)	(162,072)
Acquisition of EKREDC	(74,326)	(7,723,647)	-	(7,797,963)
Transfer of assets	-	(3,353,675)	-	(3,353,675)
Balance at 31 December 2013	57,445,241	18,025,646	(162,072)	75,308,815
Other comprehensive loss	-	-	(152,764)	(152,764)
Acquisition of non-controlling interest in Moinak HPS	(20,162,954)	-	-	(20,162,954)
Gain on initial recognition on Samruk-Kazyna loan (Note 20)	-	18,922,380	-	18,922,380
Derecognition of gain on origination due to loan modification (Note 20)	-	(18,922,380)	-	(18,922,380)
Balance at 31 December 2014	37,282,287	18,025,646	(314,836)	54,993,097

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.

Moinak HPS acquisition of non-controlling interest

On 16 June 2014, Group has acquired the non-controlling interest in Moinak HPS from JSC "Birlik", the minority shareholder in the amount of Tenge 18,350,000 thousands. The difference between the fair value of the consideration transferred and that of the non-controlling interest acquired is recorded in other reserve. The Group's non-controlling interest at the date of acquisition was equal to the sum of non-controlling interest at 1 January 2014 in the amount of Tenge 1,284,689 thousand and the Group's share of total comprehensive loss attributable to non-controlling interest for the period of 1 January – 16 June amounted to the Tenge 3,097,643 thousand.

Dividends

On 29 April 2014, the Group declared dividends in amount of Tenge 1,489.78 per ordinary share (2013: Tenge 519.27) and paid on 31 July 2014.

19 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>	2014	2013
Present value of defined benefit obligations at 1 January	1,340,246	1,010,465
Actuarial losses	98,389	257,004
Unwinding of the present value discount	48,916	60,316
Discontinued operations	(329,135)	
Current service cost	29,095	97,575
Benefits paid	(84,868)	(85,113)
Present value of defined benefit obligations at 31 December	1,102,643	1,340,246

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Short-term portion of defined benefit obligations	69,518	82,624
Long-term portion of defined benefit obligations	1,033,125	1,257,622
Total	1,102,643	1,340,246

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Actuarial losses	98,389	257,004
Unwinding of the present value discount	48,916	60,316
Current service cost	29,095	97,575
Expense recognised in profit and loss for the period	176,400	414,895

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

Principal actuarial assumptions used at 31 December 2014 and 31 December 2013 were as follows:

	2014	2013
Discount rate	5.86%-6.78%	5.33%-5.77%
Annual minimum salary and monthly calculation index increase	6%-8%	6%-8%
Average lapse rate:		
- administrative and management personnel	5.32%-14.65%	13.97%-20.13%
- production personnel	9.18%-9.59%	9.18%-9.59%

20 Borrowings

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Non-current portion		
Bank term loans	59,749,620	54,876,102
Loans from Samruk-Kazyna	127,617,869	28,367,143
Loans from customers	2,062,539	2,748,737
Bonds issued	90,896,278	79,753,966
Notes payable	-	363,575
Total borrowings-non-current portion	280,326,306	166,109,523
Current portion		
Bank term loans	31,431,352	7,070,732
Bonds issued	3,221,065	886,288
Loans from Samruk-Kazyna	3,199,590	2,525,404
Loans from customers	582,991	815,491
Notes payable	405,234	-
Total borrowings-current portion	38,840,232	11,297,915
Total borrowings	319,166,538	177,407,438

20 Borrowings (Continued)

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
<i>Samruk-Energy</i>		
Samruk-Kazyna	130,817,459	30,804,906
ATF Bank	8,235,581	-
Eurobonds	93,966,800	79,552,885
Total Samruk-Energy	233,019,840	110,357,791
<i>AZhC</i>		
Loans from customers	2,645,530	2,782,569
Notes payable	405,234	363,575
Total AZhC	3,050,764	3,146,144.00
<i>Moinak HPS</i>		
State Development Bank of China	32,802,578	28,838,359
Development Bank of Kazakhstan	17,691,141	17,663,395
Total Moinak HPS	50,493,719	46,501,754
<i>MEDC</i>		
Bonds issued	-	864,532
Loans from customers	-	781,660
Total MEDC	-	1,646,192
<i>Almaty Power Station</i>		
VTB Bank Kazakhstan	2,126,007	3,015,760
KazInvestBank	1,320,842	2,515,801
Halyk Bank	2,655,542	-
Citibank Kazakhstan	-	690,000
Total Almaty Power Station	6,102,391	6,221,561
<i>AlmatyEnergoSbyt</i>		
Bonds issued	150,543	310,477
Alfa Bank	560,677	-
Total AlmatyEnergoSbyt	711,220	310,477
<i>PVES</i>		
Eurasian Development Bank	12,670,341	9,223,519
Total PVES	12,670,341	9,223,519
<i>EGRES-1</i>		
SberBank	13,118,263	-
Total EGRES-1	13,118,263	-
Total borrowings	319,166,538	177,407,438

20 Borrowings (Continued)

Below table represents carrying amounts and fair values of borrowings.

<i>In thousands of Kazakhstan Tenge</i>	<u>Carrying amounts</u>		<u>Fair values</u>	
	2014	2013	2014	2013
Bonds	94,117,343	80,640,254	91,045,657	80,640,253
Loans from customers	2,645,530	3,564,228	3,407,549	4,821,746
Bank term loans	91,180,972	61,946,834	91,180,972	61,946,834
Notes payable	405,234	363,575	429,331	382,559
Loan from Samruk-Kazyna	130,817,459	30,892,547	128,629,627	30,892,547
Total borrowings	319,166,538	177,407,438	314,693,136	178,683,939

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.

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% is payable by semi-annual payments starting from 1 June 2014. Market interest rate was 9.5% per annum on the date of recognition. The Group recorded gain from initial recognition of these financial instruments of Tenge 18,922,380 thousand, net of effect of income tax, directly in equity, since management believes that when providing the loan with interest rate below market rate Samruk-Kazyna acted as the shareholder of the Company. Gain from initial recognition of the loan provided was recognized as a difference between nominal value of the consideration received and its fair value at the date of recognition determined using the discounted cash flow method and the market rate.

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 (12th 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.

Therefore, the Group derecognized gain from initial recognition in the consolidated financial statements (Note 18).

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.

20 Borrowings (Continued)

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 are repayable in November 2015.

On 11 February 2014 the National Bank of the Republic of Kazakhstan decided to stop supporting the Tenge exchange rate and decrease currency interventions. As a result, the exchange rate of Tenge depreciated from 155.56 to 182.35 Tenge for 1 USD at 31 December 2014. The Group recognised foreign exchange losses, amounting to Tenge 14,370,000 in relation to its eurobonds.

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 9% per annum.

AZhC

Notes payable

On 1 August 2005 the Group issued long-term notes in the amount of Tenge 450,358 thousand for Powerfin Holding Investment B.V. ("Powerfin"), and paid back the part of the principal debt in the amount of Tenge 1,200 thousand. The note is interest free and matures not later than 1 August 2015. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%. Interest is paid on a monthly basis.

Loans from customers

In accordance with the decree of the Government of the Republic of Kazakhstan dated on 21 February 2007 the Group received loans from customers for additional electrical capacity through construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest free and are not secured by any collateral. Loans from customers received by the Group are repayable by equal installments within 20 years.

The loans from customers are initially recognized at their fair value applying the discounted cash flow method and using the prevailing market interest rate; subsequently they are carried at amortised cost. Loans from customers on connection of additional capacity as of 31 December 2014 were Tenge 2,645,530 thousand (31 December 2013: Tenge 2,808,151 thousand). The difference between consideration received and its fair value is recognised as deferred income. As of 31 December 2014 deferred income was Tenge 3,284,331 thousand (31 December 2013: Tenge 3,793,578 thousand). Subsequently deferred income is recognised in profit and loss over the useful life of property, plant and equipment. For the year ended 31 December 2014, amortisation of deferred income was Tenge 379,358 thousand (the year ended 31 December 2013: Tenge 438,723 thousand).

In accordance with the Law of the Republic of Kazakhstan No.116-IV dated 29 December 2008 "On Making Changes and Additions to Some Legislative Acts of the Republic of Kazakhstan Concerning Activity of Independent Industry Regulators", certain changes were made to the Law "On Electric Power Industry" effective from 1 January 2009, which excludes the obligation of the consumers of electric energy and heating energy to compensate costs incurred on connection of additional capacities.

Almaty Power Station

Citibank Kazakhstan

On 5 October 2012 the Group entered into a short-term general purpose loan agreement with Citibank Kazakhstan. Based on the loan agreement the loan is provided to Almaty Power Station with the condition that the cumulative unpaid amount of loan does not exceed Tenge 690,000 thousand. Interest is payable on a monthly basis based on a rate of 5.55% per annum. Each tranche is repayable within three months and interest is payable on a monthly basis. In April 2014, the Group has repaid the loan.

Kazinvestbank

On 14 November 2011 ALES entered into short-term agreement with Kazinvestbank. In accordance with the agreement ALES is provided with loans in total not exceeding Tenge 2,500,000 thousand. The Loan bears interest of 8.5% per annum payable on a monthly basis. The maturity of each loan is 90 days. The loan is secured with cash from future contracts with Almaty Heat Network LLP. Under the agreement with Kazinvestbank, during 2014 ALES has obtained additional funds in the amount of Tenge 1,310,964 thousand and made repayments amounting to Tenge 2,500,000 thousand.

20 Borrowings (Continued)

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 2014 ALES has made repayments amounting to Tenge 887,220 thousand.

Moinak HPS

Development Bank of Kazakhstan

On 14 May 2005 and 16 January 2008 Moinak HPS received loan in the form of two tranches from the Development Bank of Kazakhstan JSC, which is a related party, in the amount of USD 25,000,000 and USD 26,058,000 at the interest rates of $1.15 \times 6\text{MLIBOR} + 1.15\%$ and 8% per annum, respectively. Loans were provided for 20 years. On 6 December 2012 the Group signed an additional agreement pursuant to which the interest rate was decreased from 8% to 7.55% for the outstanding amount of USD 1,563,053.

On 17 July 2011 Moinak HPS signed 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 provided for 17 years. On 6 December 2012 the Group signed an additional agreement pursuant to which the interest rate was decreased from 12% to 7.55% for the outstanding amount of Tenge 5,039,547 thousand. During the year 2013, Moinak HPS received additional funds to the amount of 1,784,632 thousands under the provision of third tranche.

Bank loans are secured by the following funds:

- Governmental guarantee of Ministry of Finance of Republic of Kazakhstan for the amount of US Dollar 25,000,000. Counter-guarantee of second-tier bank for the amount of Tenge 392,809 thousand.
- Construction in progress items in the amount of Tenge 492,961 thousand (2011: Tenge 1,293,563 thousand), and also all capitalized expenditures of future periods.
- Property, plant and equipment with carrying amount of Tenge 3,121,585 thousand (2012: Tenge 3,846,696 thousand).
- 20% of payments to be received from sale of electric energy in future.
- Corporate guarantee of Samruk-Kazyna in the amount of Tenge 12,285,000 thousand.

State Development Bank of China

On 14 June 2006 the Moinak HPS received credit line from the State Development Bank of China in the amount of USD 200,000,000 at an interest rate of $6\text{MLIBOR} + 1.2\%$. The loan was provided for 20 years. Moinak HPS used this loan in the amount of USD 196,337,143 for HPS construction for the period from 2006 to 2012, and the remaining amount of USD 3,662,857 will not be used. The loan is secured by the following funds:

- Corporate guarantee of Samruk-Kazyna in the amount of US Dollar 50,000,000.
- 80% of payments to be received from the sale of electric energy in future.

20 Borrowings (Continued)

AlmatyEnergoSbyt

Bonds issued

During 2013 AlmatyEnergoSbyt placed 10,659 thousand bonds. In 2014, AlmatyEnergoSbyt has early redeemed 150,194 bonds. As of 31 December 2014 there are 139,867 thousand bonds outstanding each with a nominal par value of Tenge 1 and fixed interest of 15% per annum. In 2015 AlmatyEnergoSbyt plans to complete the redemption of the corporate bonds.

PVES

Eurasian Development Bank

During 2013 PVES received credit line from the Eurasian Development Bank of Kazakhstan in the amount of Tenge 10,170,460 thousand at an interest rate 7.5%. The loan was provided for 10 years. PVES used this loan for the construction of First Wind Power Farm.

EGRES-1

Sberbank

During 2014 EGRES-1 entered into a short-term general purpose loan agreement with Sberbank. Interest is payable on a monthly basis based on a rate of 10% per annum.

The Group's borrowings mature as follows:

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Borrowings due:		
- within 1 year	38,840,826	11,297,914
- from 2 to 5 years	133,284,018	93,241,548
- over 5 years	147,041,694	72,867,976
Total borrowings	319,166,538	177,407,438

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Borrowings denominated in:		
- Tenge	187,148,721	64,812,619
- US Dollars	132,017,817	112,594,819
Total borrowings	319,166,538	177,407,438

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 2014.

21 Other Non-Current Liabilities

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013
Deferred income:			
- AZhC		3,284,331	3,793,578
- MEDC		-	1,664,159
Payable to contractor on Moinak HPS	31	2,096,507	-
Trade payables		770,416	912,182
Liabilities related to preference shares of subsidiaries		309,014	44,000
Other		179,460	387,916
Total other non-current liabilities		6,639,729	6,801,835

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

Presented below is movement of deferred income:

<i>In thousands of Kazakhstan Tenge</i>	AZhC	MEDC	Total
Balance at 1 January 2013	4,815,050	1,731,288	6,546,338
Change in the carrying amount of loans from customers adjusted against deferred income	(582,749)	-	(582,749)
Recognition of income	(438,723)	(67,129)	(505,852)
Balance at 31 December 2013	3,793,578	1,664,159	5,457,737
Balance at 1 January 2014	3,793,578	1,664,159	5,457,737
Reclassification to disposal group	-	(1,664,159)	(1,664,159)
Change in the carrying amount of loans from customers adjusted against deferred income	(129,889)	-	(129,889)
Recognition of income	(379,358)	-	(379,358)
Balance at 31 December 2014	3,284,331	-	3,284,331

22 Trade and Other Payables

<i>In thousands of Kazakhstan Tenge</i>	2014	2013
Trade payables	19,027,548	13,026,360
Payable to Almaty Akimat	6,841,513	7,724,672
Dividends payable	620,970	657,609
Other financial payables	1,245,002	381,434
Total financial payables	27,735,033	21,790,075
Advances received from suppliers and contractors	5,167,532	5,269,133
Salaries payable	911,741	1,075,607
Accrued provisions for unused vacations	976,899	1,126,461
Other payables	1,447,972	507,104
Total trade and other payables	36,239,177	29,768,379

23 Revenue

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Sale of electricity	156,408,609	79,288,994
Sale of heat energy	16,565,640	12,563,893
Electricity transmission	1,062,656	1,121,523
Income from lease of investment property	2,050,282	1,883,937
Sale of chemical water	1,791,858	955,130
Other	205,883	106,219
Total revenue	178,084,928	95,919,697

24 Cost of Sales

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Fuel	32,387,729	18,506,328
Depreciation of property, plant and equipment and amortisation of intangible assets	25,303,086	10,273,193
Payroll and related expenses	17,977,543	14,621,424
Cost of purchased electricity	14,272,216	11,850,779
Electricity transmission and other services	7,885,802	5,817,208
Repairing and maintenance	7,074,301	4,903,295
Taxes other than on income	5,101,029	2,041,870
Water supply	3,941,448	1,984,281
Materials	1,756,227	601,738
Third party services	1,718,242	81,386
Security services	754,274	900,316
Electricity losses on transmission	211,876	208,628
Rent services	155,092	145,403
Provision/(reversal) of provision on obsolete and slow-moving inventories	862,654	(278,564)
Other	1,595,721	2,537,973
Total cost of sales	120,997,240	74,195,257

25 Other Income, net

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013 (restated) *
Gain on fair value measurement of previously held interest	34	56,682,576	-
Income from legal claims		-	1,198,832
Income from connection of additional capacities		379,358	438,723
Income from sale of inventory		749,716	180,792
Income from liability write-off		8,838	309,310
Other income		808,324	467,280
Total other income		58,628,812	2,594,937
Impairment of property, plant and equipment	4	(2,785,109)	-
Loss on disposal of property, plant and equipment		(373,095)	(121,225)
Other expenses		(710,845)	(78,889)
Total other expense		(3,869,049)	(200,114)
Total other income, net		58,628,812	2,394,822

* - Comparative information has been adjusted to reflect discontinued operations (note 30)

26 General and Administrative Expenses

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Payroll and related expenses	5,009,489	4,244,250
Depreciation of property, plant and equipment and amortisation of intangible assets	1,102,038	328,660
Consulting and other professional services	851,422	991,662
Donations and public assistance	820,480	580,832
Rent expense	544,544	445,400
Taxes other than on income	351,297	63,293
Business trips and representative expenses	234,286	226,830
Materials	231,633	110,407
Security services	169,612	49,832
Repair and maintenance	143,647	104,700
Bank charges	129,936	140,859
Communication expenses	92,623	119,602
Transportation	107,868	45,780
State duties	41,143	382,717
Insurance	20,257	39,760
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets	57,371	(460,743)
Other	1,379,766	728,217
Total general and administrative expenses	11,287,412	8,142,058

27 Finance Income

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Foreign exchange gains less losses	5,027,606	-
Interest income on bank deposits	3,230,471	3,106,257
Interest income on bonds	182,178	-
Other	225,032	187,855
Total finance income	8,665,287	3,294,112

28 Finance Costs

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Interest expense on borrowings	20,647,694	5,455,780
Foreign exchange losses less gains	-	969,936
Dividends on preference shares of subsidiaries	141,107	112,761
Unwinding of the present value discount:		
- loans and financial aid from shareholders	2,132,928	1,658,634
- notes payable	41,659	22,534
- employee benefit payable	48,916	37,000
- ash dump restoration provision	32,850	27,140
- loans from customers	340,415	523,848
- bonds issued	659	41,518
Other	180,951	42,322
Total finance costs	23,567,179	8,891,473

* - Comparative information has been adjusted to reflect discontinued operations (note 30)

29 Taxes

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Current income tax expense	5,521,232	1,219,397
Deferred income tax expense	4,539,825	2,798,336
Total income tax expense	10,061,057	4,017,733

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

<i>In thousands of Kazakhstan Tenge</i>	2014	2013 (restated) *
Profit before tax under IFRS	20,325,059	40,370,755
Theoretical tax expense at statutory rate of 20% (2013: 20%)	4,065,012	8,074,151
Adjustments for:		
Impairment of goodwill	4	15,175,027
Gain on fair value measurement of previously held interest	25	(11,336,515)
Permanent difference on loan extinguishment		100,218
Share of profit of joint ventures not subject to income tax		(2,591,515)
Non-deductible expenses		973,436
Non-taxable income		-
Adjustment of prior years income tax		344,544
Withholding tax		372,842
Temporary differences that will be recognised upon termination of investment contract		730,648
Profit or loss of Moinak HPS exempted from income tax		952,752
Changes in unrecognised deferred income tax assets		1,274,608
Total income tax expense	10,061,057	4,017,733

* - Comparative information has been adjusted to reflect discontinued operations (note 30)

29 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>	1 January 2014	Business Combination	Charged/ credited) to profit or loss	Discontinued operations	31 December 2014
Tax effect of deductible temporary differences					
Tax losses carried forward	7,130,690		(189,149)	-	6,941,541
Employee benefit obligation	-	23,643	95,100	(68,547)	50,196
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	(30,965)	377,808
Trade and other receivables	177,235	62,247	20,951	(202,271)	58,162
Taxes other than income tax	53,266	-	17,157	(2,104)	68,319
Provision for unused vacation	67,402	-	246,492	(96,530)	217,364
Other	61,302	-	(60,965)	(5,404)	(5,067)
Gross deferred income tax assets					
Unrecognised gross deferred income tax assets	7,766,369	286,560	301,849	(405,821)	7,948,957
Less offsetting with deferred income tax liabilities	(1,414,685)	-	(1,274,608)	-	(2,689,293)
	(6,351,684)	(286,560)	972,759	405,821	(5,259,664)
Recognised deferred income tax assets					
	-	-	-	-	-
Tax effect of taxable temporary differences					
Property, plant and equipment	(13,104,580)	(64,694,230)	(4,151,408)	2,507,416	(79,442,802)
Borrowings	(3,673,740)	-	342,433	225,264	(3,106,043)
Other	332,831	-	(13,425)	(319,406)	-
Gross deferred income tax liabilities					
Less offsetting with deferred income tax assets	(16,445,490)	(64,694,230)	(3,822,400)	2,413,274	(82,548,845)
	(6,351,684)	(286,560)	972,759	405,821	(5,259,664)
Recognised deferred income tax liabilities					
	(10,093,806)	(64,407,670)	(4,795,159)	2,007,453	(77,289,181)
Continuing operations	-	-	(4,539,825)	-	-
Discontinued operations	-	-	(255,334)	-	-

29 Taxes (Continued)

<i>In thousands of Kazakhstan Tenge</i>	1 January 2013	Charged/ credited) to profit or loss	31 December 2013
Tax effect of deductible temporary differences			
Tax losses carried forward	5,684,833	1,177,808	7,130,690
Employee benefit obligation	163,150	104,899	-
Trade and other payables	42,017	(44,006)	(1,989)
Ash dump restoration provision	76,746	24,904	101,650
Inventories	208,921	(32,108)	176,813
Trade and other receivables	74,391	102,844	177,235
Taxes other than income tax	5,496	47,770	53,266
Provision for unused vacation	95,095	(27,693)	67,402
Other	43,130	18,172	61,302
Gross deferred income tax assets	6,393,779	1,372,592	7,766,369
Unrecognised gross deferred income tax assets	(525,917)	(888,768)	(1,414,685)
Less offsetting with deferred income tax liabilities	(5,867,862)	(483,824)	(6,351,684)
Recognised deferred income tax assets	-	-	-
Tax effect of taxable temporary differences			
Property, plant and equipment	(9,052,492)	(4,052,088)	(13,104,580)
Borrowings	(4,076,275)	402,535	(3,673,740)
Other	346,255	(13,426)	332,831
Gross deferred income tax liabilities	(12,782,512)	(3,662,980)	(16,445,490)
Less offsetting with deferred income tax assets	5,867,862	(483,824)	(6,351,684)
Recognised deferred income tax liabilities	(6,914,650)	(3,179,156)	(10,093,806)
Continuing operations	-	2,798,336	-
Discontinued operations	-	380,820	-

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 2,591,515 thousand in 2014 (2013: Tenge 6,028,819 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.

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of Tenge 6,941,541 thousand (2013: Tenge 7,130,690 thousand). The tax loss carry forwards expire as follows:

<i>In thousands of Kazakhstani Tenge</i>	2014	2013
Tax loss carry-forwards expiring by the end of:		
- 31 December 2019	3,957,408	4,180,476
- 31 December 2020	240,623	237,888
- 31 December 2021	170,073	168,140
- 31 December 2022	2,573,436	2,544,186
Total tax loss carry forwards	6,941,541	7,130,690

29 Taxes (Continued)

Taxes payable

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
Income tax	148,636	168,138
Income tax payable	148,636	168,138
VAT	23,248	825,338
Individual income tax	222,767	244,706
Environmental taxes	650,653	168,337
Social tax	183,338	207,876
Other taxes	229,371	93,874
Taxes payable other than income tax	1,309,377	1,540,131
Total taxes payable	1,458,013	1,708,269

30 Discontinued Operations

On 24 July 2014, the Board of Directors approved disposal of number of subsidiaries including of EKREDC, SET, MEDC, Aktobe TEC, ZhGRES, in accordance with the Governmental Decree on privatization of national companies. At 31 December 2014 these subsidiaries are classified as a disposal group and assets and liabilities were accordingly reclassified in the consolidated statement of financial position. Since operations of EKREDC, SET, MEDC, Aktobe TEC, ZhGRES represented separate major types of the Group's operations, these disposal groups are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income, and therefore the comparatives have been restated and presented in accordance with the presentation of the current year.

The analysis of the results of discontinued operations for the year ended 31 December 2014 is presented below:

<i>In thousands of Kazakhstan tenge</i>	Aktobe TPS	MEDC	SET	EKREDC	Total
Revenue	5,710,240	8,655,210	26,221,988	10,904,711	51,492,149
Expenses	(5,193,605)	(6,819,088)	(26,584,696)	(8,914,326)	(47,511,715)
Profit or loss before tax of discontinued operations	516,635	1,836,122	(362,708)	1,990,385	3,980,434
Income tax expense	(134,564)	(401,551)	(3,335)	(454,391)	(993,841)
Profit or loss for the year from discontinued operations	382,071	1,434,571	(366,043)	1,535,994	2,986,593

30 Discontinued Operations (Continued)

An analysis of the result of discontinued operations for the year 2013, and the result recognised on the remeasurement of assets or the disposal group is as follows:

<i>In thousands of Kazakhstan tenge</i>	SESS	Aktobe TPS	MEDC	SET	EKREDC	Total
Revenue	2,302,235	5,110,160	7,831,097	24,276,641	10,170,093	42,226,200
Expenses	(2,346,920)	(3,796,202)	(5,708,153)	(23,151,863)	(7,559,208)	(35,098,320)
Profit or loss before tax of discontinued operations	(44,685)	1,313,958	2,122,944	1,124,778	2,610,885	7,127,880
Income tax benefit/(expense)	8,937	(292,894)	(438,364)	(265,559)	(560,824)	(1,548,704)
Profit or loss after tax of discontinued operations	(35,748)	1,021,064	1,684,580	859,219	2,050,061	5,579,176
Pre-tax loss recognised on the remeasurement of net assets constituting the discontinued operation to the lower of carrying amount and fair value less costs to sell	(69,675)	-	-	-	-	(69,675)
Income tax effect of remeasurement	13,887	-	-	-	-	13,887
Profit or loss for the year from discontinued operations	(91,536)	1,021,064	1,684,580	859,219	2,050,061	5,523,388

The Group has disposed SESS LLP in February of 2014 for Tenge 45,500 thousand.

An analyses of the cash flows of discontinued operations is as follows:

<i>In thousands of Kazakhstan tenge</i>	2014	2013
Operating cash flows	4,870,923	6,657,225
Investing cash flows	(6,601,771)	(6,908,652)
Financing cash flows	2,554,153	(2,136,393)
Total cash flows	823,305	(2,387,820)

31 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

The economy of the Republic of Kazakhstan displays some characteristics inherent to emerging markets. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency. The economy is especially sensitive to fluctuation in prices of mineral resources, particularly, of oil and gas. The tax, currency and customs legislation of the Republic of Kazakhstan continue to develop and are subject to varying interpretations.

The Kazakhstan economy is highly connected with economy of the Russian Federation. The negative impact on the Russian economy, due to recent political and economic turmoil witnessed in Russian Federation region, in particular the developments in Ukraine, including current and future international sanctions against Russian companies may have a significant impact on the economy of Kazakhstan, the effect of which is difficult to predict. The Russian Rouble has significantly devalued starting from November 2014.

The remaining uncertainty and volatility of the financial markets and other risks could have negative impact on the Kazakhstan financial and corporate sector. The future economic and regulatory situation may differ from management's expectations. These prospects for future economic stability in Kazakhstan in 2015-2016 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Group's operations.

On 11 February 2014 National Bank of Republic of Kazakhstan stopped supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate depreciated to 185 Tenge for 1 USD or approximately 19%. The exchange rate has had minimal fluctuations since then.

Additionally, the electricity energy sector is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group'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 is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Group. 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.

31 Contingencies, Commitments and Operating Risks (Continued)

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.

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 2014 the carrying amount of ash dump restoration provision was Tenge 1,203,172 thousand (31 December 2013: Tenge 508,248 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 2014 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 191,852,755 thousand, excluding capital commitments of Joint Ventures (31 December 2013: Tenge 35,660,956 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 2,422,263 thousand. Management believes that the Group will have sufficient funds to fulfil its capital commitments.

Capital commitments of joint ventures

As at 31 December 2014 the Group's share in capital expenditure commitments of Forum Muider, and EGRES-2 comprised Tenge 14,930,977 thousand (31 December 2013: Tenge 105,829,998 thousand including EGRES-1). ZhGRES does not have any material capital expenditure commitments as at 31 December 2014.

Investment commitments

In accordance with 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 2014 of Tenge 70,918,949 thousand (31 December 2013: Tenge 15,257,240 thousand). As of 31 December 2014 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 73,016,563 thousand (31 December 2013: Tenge 15,549,150 thousand).

31 Contingencies, Commitments and Operating Risks (Continued)

Investment commitments of joint ventures

As at 31 December 2014 the Group's share in investment commitments of EGRES-2 comprised Tenge 9,450,100 thousand (31 December 2013: Tenge 42,377,350 thousand including EGRES-1). ZhGRES does not have any material investments commitments as at 31 December 2014.

Disputes with contractors

In the course of Moinak HPS construction, the matter of increase of contractual price has 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.

Management has estimated that the obligation amounted Tenge 1,959,620 thousands. Group has recorded provision, increasing the value of fixed assets at 31 December 2012.

In subsequent negotiations between Moinak HPS and contractor, Moinak HPS hired external expert to evaluate contractor's claim against Moinak HPS. Under the agreement, the expert opinion should cover the following issues: whether the additional work to remove water seepage, with geological landslides, road construction, to ensure the safety of operations, as well as costs associated with power shortages and other costs to include and whether these costs are associated with unexpected factors, and whether the claim is legitimate, taking into account the provisions of the agreement concluded between the Company and contractor and legal requirements of the Republic of Kazakhstan, if such costs are additional and are reimbursable by the Company to estimate the amount of such costs and the validity of their remittance.

As part of the agreement, external expert hired various subcontractors, including Institute of Geophysical Research. In December 2013 external expert provided a report, which presented the results of the different geophysical surveys, as well as the view that the additional work performed by contractor and incurred costs to be reimbursed by the Company. Overall actual costs incurred by the contractor are estimated at 14,430,866 USD, including VAT.

On 20 May 2014 Company 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. According to the additional agreement, the obligation should be paid by 31 December 2016. The company conducted an appropriate adjustment in property, plant and equipment and provisions for liabilities and charges. Therefore, the Company recognized non-current liability (note 21) in the amount of Tenge 2,096,507 thousand as of 31 December, 2014.

Contingencies of joint ventures

As of 31 December 2014 the joint ventures of the Group do not have any material contingencies except for capital expenditure commitments described above (2013: 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 was in compliance with covenants at 31 December 2014 and 31 December 2013.

32 Non-Controlling Interest

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

<i>In thousands of Kazakhstani Tenge</i>	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
Year ended 31 December 2014						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	135,086	147,679	121,094
MEDC	Kazakhstan	21,36%	21,36%	306,424	1,766,263	58,071
ES	Kazakhstan	49%	49%	(40,245)	(72,745)	-
Total				401,264	1,841,197	179,165
Year ended 31 December 2013						
Moinak HPS	Kazakhstan	49%	49%	571,656	1,581,776	-
Bukhtarminskaya HPS	Kazakhstan	9%	9%	124,233	12,593	78,679
MEDC	Kazakhstan	21,36%	21,36%	359,826	1,459,839	58,071
ES	Kazakhstan	49%	49%	32,327	(32,499)	-
TOTAL				1,088,042	3,021,709	136,750

The summarised financial information of these subsidiaries was as follows at 31 December 2014 and 31 December 2013:

<i>In thousands of Kazakhstani Tenge</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income	Cash flows
Year ended 31 December 2014								
Bukhtarminskaya HPS	1,170,434	1,455,614	209,571	160,330	2,048,849	1,500,955	1,500,955	(7,172)
MEDC	2,244,308	16,754,925	3,108,449	7,478,823	8,655,210	1,434,570	1,434,570	(635,673)
ES	7,144	59,894	215,247	2,590	-	(82,133)	(82,133)	(1,158)
Total	3,421,886	18,270,433	3,533,267	7,641,743	10,704,059	2,853,392	2,853,392	(644,003)
Year ended 31 December 2013								
Moinak HPS	7,621,197	45,377,184	5,406,156	45,051,727	6,594,717	1,166,645	1,166,645	(1,775,952)
Bukhtarminskaya HPS	1,879,974	1,327,383	185,611	169,505	1,892,627	1,380,370	1,380,370	(66,912)
MEDC	2,753,782	13,693,564	4,120,637	5,012,401	7,831,097	1,684,580	1,684,580	497,867
ES	8,087	42,964	117,128	2,590	-	(65,974)	(65,974)	6,105
Total	12,263,041	60,441,095	9,829,532	50,236,229	16,308,441	4,165,621	4,165,621	(1,338,892)

33 Principal Subsidiaries, Associates and Joint Venture

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
<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. The company is constructing a wind farm near to Astana.	100%	100%	Kazakhstan
<i>Energiya Semirechiya LLP ("ES")</i>	Finalized construction of Solar plant near Almaty	51%	100%	Kazakhstan
<i>East-Kazakhstan regional electricity distribution company ("EKREDC")</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
Associates:				
<i>Balkhashskaya TES</i>	Construction of Balkhash thermal power station	25%	25%	Kazakhstan
Joint ventures:				
<i>Stantsiya 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
<i>Zhambylskaya GRES named after T.I. Baturov JSC ("ZhGRES")</i>	Production of electricity and heat energy on the basis of hydrocarbons and its sale in the Southern Kazakhstan	50%	50%	Kazakhstan

34 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 3000 MWtts. The total consideration paid was Tenge 236,651,998 thousand.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

<i>In thousands of Kazakhstani Tenge</i>	
Cash consideration paid	236,652,005
Fair value of previously held interest in the acquiree	231,952,794
Total purchase consideration and previously held interest in the acquiree	468,604,799

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 (note 11) was recognised in statement of profit or loss and other comprehensive income.

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. These two different approaches can lead to differences; and, as set out in the table below, recognition of goodwill.

Details of the assets and liabilities acquired and goodwill arising are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Attributed fair value
Property, plant and equipment *	7	462,451,384
Other non-current assets		248,627
Inventories		5,891,733
Trade and other receivables		2,193,456
Other current assets		3,980,939
Cash and cash equivalents		3,614,520
Borrowings		10,070,430
Other non-current liabilities		743,765
Deferred income tax liabilities	29	64,407,670
Trade and other payables		8,856,311
Other current liabilities		1,572,818
Fair value of identifiable net assets of subsidiary		392,729,665
Goodwill arising from the acquisition		75,875,134
Fair value of previously held interest in the acquiree		231,952,794
Less: Cash and cash equivalents of subsidiary acquired		3,614,520
Outflow of cash and cash equivalents on acquisition		233,037,485

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.

Goodwill on the acquisition of Tenge 75,875,134 thousand arose from a number of factors, including effect of devaluation of the Tenge into purchase consideration, which was set in US dollars. 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. Goodwill is not deductible for tax purposes.

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 73,792,288.

35 Financial Instruments by Category

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

<i>In thousands of Kazakhstan Tenge</i>	31 December 2014	31 December 2013
<i>Loans and receivables</i>		
Cash and cash equivalents	20,592,055	15,241,998
Restricted cash	4,781,638	5,235,732
Term deposit	26,523,282	58,401,465
Financial receivables	11,701,907	10,728,727
Dividends receivable	2,252,360	281,239
Short term loans	12,613	3,702,847
<i>Held to maturity</i>		
Bonds	3,867,000	3,613,997
Total financial assets	69,730,855	97,206,005
<i>Financial liabilities carried at amortised cost</i>		
Borrowings	319,166,538	177,407,438
Financial payables	27,735,033	21,790,075
Non-current trade payables	2,866,923	912,182
Other financial liabilities	309,014	44,000
Total financial liabilities	350,077,508	200,153,695

36 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.

36 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>	2014	2013
BBB- (outlook negative)	4,407,052	4,445,740
BB (outlook negative)	10,718,700	6,245,586
B+ (outlook stable)	8,355,396	3,162,196
B (outlook negative)	17,959,586	28,231,267
B- (outlook negative)	7,812,434	13,627,200
CCC (outlook negative)	-	15,364,318
D	2,640,767	6,696,917
Not available	-	1,105,971
Total cash and cash equivalents, term deposits and restricted cash	51,893,935	78,879,194

(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 2024). 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>	On demand and within 1 month	Between 1 and 3 months	From 3 to 12 months	Between 12 months and 5 years	Over 5 years
<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	2,720,319	-	-
Total financial liabilities	16,580,789	15,870,329	46,706,894	204,494,247	258,953,070
<i>At 31 December 2013</i>					
Borrowings	409,688	9,611,461	6,106,821	132,827,646	89,504,029
Other non-current financial liabilities	-	-	-	912,182	-
Trade and other payables	8,009,547	2,606,886	11,173,642	-	-
Total financial liabilities	8,419,235	12,218,347	17,280,463	133,739,828	89,504,029

(c) Market risk

Currency risk

The Group's certain borrowings (Note 20) and trade payables (Note 22) 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.

36 Financial Risk Management (Continued)

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

<i>In thousands of Kazakhstan Tenge</i>	USD	Euro	Other currencies	Total
<i>At 31 December 2014</i>				
Assets	43,734,199	27,883	30,735	43,792,817
Liabilities	(132,085,066)	(28,684)	(2,749)	(132,116,498)
Net position	(88,350,867)	(801)	27,986	(88,323,681)
<i>At 31 December 2013</i>				
Assets	57,804,045	84,303	1	57,888,349
Liabilities	(112,590,590)	(311,865)	(1,520)	(112,903,974)
Net position	(54,786,546)	(227,562)	(1,518)	(55,015,626)

At 31 December 2014, if Tenge had weakened/strengthened by 30% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 26,505,260 thousand (31 December 2013: decreased by Tenge 13,148,771 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated borrowings.

At 31 December 2014, if Tenge had weakened/strengthened by 30% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 8,605 thousand (31 December 2013: decreased/increased by Tenge 236,665 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 100 basis points higher at 31 December 2014 (2013: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 381,987 thousand (2013: Tenge 367,180 thousand) less, mainly as a result of higher interest expense on floating interest rate liabilities.

If interest rates had been 100 basis points lower at 31 December 2014 (2013: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 381,987 thousand (2013: Tenge 367,180 thousand) higher, mainly as a result of lower interest expense on floating interest rate liabilities.

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.

36 Financial Risk Management (Continued)

<i>In thousands of Kazakhstan Tenge</i>	Note	2014	2013
Total borrowings	20	319,166,538	177,407,437
<i>Less:</i>			
Cash and cash equivalents	16	20,592,055	15,241,998
Net borrowings		298,574,483	162,165,439
Total equity		493,049,451	384,610,803
Total capital		791,623,934	546,776,242
Gearing ratio		38%	30%

37 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.

37 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>	31 December 2014				31 December 2013			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS								
Cash and cash equivalents	-	-	20,592,055	20,592,055	-	-	15,241,998	15,241,998
Restricted cash	-	-	4,781,638	4,781,638	-	-	5,235,732	5,235,732
Term deposit	-	-	26,523,282	26,523,282	-	-	58,401,465	58,401,465
Financial receivables	-	-	11,701,907	11,701,907	-	-	10,728,727	10,728,727
Dividends receivable	-	-	2,252,360	2,252,360	-	-	281,239	281,239
Fair value of future minimum lease payments on operating lease of Bukhtarinskaya HPS	-	-	6,799,268	882,542	-	-	7,451,007	824,943
Short term loans	-	-	12,613	12,613	-	-	3,702,847	3,702,847
Bonds	3,741,206	-	-	3,867,000	3,528,094	-	-	3,613,997
Total Financial assets	3,741,206	-	72,663,123	70,613,397	3,528,094	-	101,043,015	98,030,948
Financial assets of disposal group	-	-	4,271,412	4,271,412	-	-	192,999	192,999
LIABILITIES								
Borrowings	91,045,657	-	223,647,479	319,166,538	77,250,033	-	94,899,063	177,407,438
Financial payables	-	-	27,735,033	27,735,033	-	-	21,790,075	21,790,075
Non-current trade payables	-	-	2,866,923	2,866,923	-	-	912,182	912,182
Other financial liabilities	-	-	309,014	309,014	-	-	44,000	44,000
Total Financial liabilities	91,045,657	-	254,558,449	350,077,508	77,250,033	-	117,645,320	200,153,695
Financial liabilities of disposal group	-	-	10,967,370	10,421,675	-	-	3,345,293	3,345,293

36 Events Occurring After the Reporting Period

There were no significant events after the reporting date.