“Samruk-Energy” JSC

International Financial Reporting Standards
Separate Financial Statements and
Independent Auditor’s Report

31 December 2016

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

Report on the audit of the separate financial statements

Our opinion

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

What we have audited

The Company's separate financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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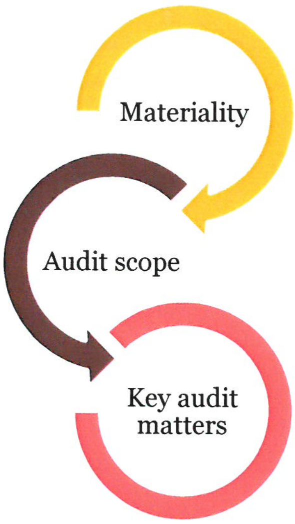
Our audit approach

Overview

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.



- Overall materiality on the level of the Company's financial statements: KZT 1,000,000 thousand, which represents 0.15% of the Company's total assets.

- Our audit scope addressed 80% of all the Company's assets.

- Impairment of investments in subsidiaries: *Ekibastuz GRES-1* ("EGRES-1"), *Alatau Zharyk Kompaniasy JSC* ("AZhK"), *Moinak GES JSC* (MGES) and *Almaty Electric Stations JSC* (AlES).
- Impairment of investments in joint venture *Station Ekibastuz GRES-2 JSC ("GRES-2").*
- Going concern.
- Prospects of BTPP: risk of impairment of the investment and obligation to repurchase shares.

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

Materiality

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

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

Overall materiality on the level of separate financial statements	KZT 1,000,000 thousand
How we determined it	0.15% of total assets.
Rationale for the materiality benchmark applied	We chose total assets value of the Company as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We have established materiality at the level of 0.15%. In practice, we set materiality at the level of 1%, which falls within the range of acceptable quantitative thresholds of materiality applicable to enterprises focused on investing in this sector, but in this case we have reduced this level to 0.15% based on our assessment of materiality that applied for consolidated statements.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment of investments in subsidiaries: EGRES-1, AZhK, AlES and MGES *Please see Note 4 of the separate financial statements.* Based on the analysis at 31 December 2016 the Company's management concluded that: a) Insufficiency of current tariffs for electricity transmission to cover capital expenditures of AZhK is an indicator of a possible impairment of fixed assets and intangible assets of AZhK (main components of the assets), and accordingly investment of the Company in AZhK. b) Increased competition in the electricity market, lower economic growth and their possible impact on the sales growth rate and tariffs of EGRES-1 in the future, are the factors of possible impairment of fixed assets (main components of the assets), and accordingly investment of the Company in EGRES-1.	Management of the Company engaged independent experts to conduct impairment tests of investments in EGRES-1, AZhK and AlES, and management performed impairment test of investment in MGES. We received, inspected and evaluated the models used by management to assess the impairment of investments in subsidiaries and evaluated the methodology and key assumptions used in the models and their consistency with budgets and business plans, external information and our expertise, taking into account the industry specifics. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment.

Key audit matter	How our audit addressed the Key audit matter
c) Management has performed analysis of impairment indicators of investment in ALES and concluded that no such indicators exist as of 31 December 2016. At the same time, as result of operations during first half of the year certain trends were observed, indicating a possible impairment of fixed assets, such as lower sales volumes of heat energy and disapproval by the competent authority of the planned increase in tariffs for heat energy in 2016. Also, due to the general instability on the financial market of the country, caused by decrease in commodity prices, volatility of the Tenge, increased borrowing rates and other factors, and taking into account the fact that the sensitivity analysis conducted by AlES when testing fixed assets for impairment as of 31 December 2015 showed that the test results are sensitive to certain assumptions, the Company engaged an Independent expert to test for impairment the Company's investment in AlES as of 31 October 2016. For this purpose, the independent expert estimated recoverable amount of investments in accordance with IAS 36 "Impairment of Assets" by constructing a model for calculating the value in use, and concluded that no impairment exists. Management has used the results of this evaluation to confirm the absence of impairment of investment of AlES. d) As a result of Tenge devaluation in 2015, MGES has recognised significant foreign exchange losses on the loans obtained in US dollars from the State Development Bank of China and the Development Bank of Kazakhstan JSC, the balance of net assets became negative. Insufficiency of current tariffs to cover foreign exchange losses, and accordingly repay the loan are factors of impairment of investments in MGES. The above factors were considered by management as indicators of possible impairment of investments in these subsidiaries.	Our procedures in respect of management's assessment of the impairment of fixed assets and intangible assets included: a) assessment of competence, qualifications, experience and objectivity of independent experts; b) analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets; c) verification of accuracy and relevance of key assumptions used by management to perform the test; d) consideration of other input data for the models and reconciliation of them with supporting documents, such as the development Plan and comparison of the development Plan with actual results, where relevant; e) making a series of inquiries with management to assess the impairment tests; f) consideration of the potential impact of reasonably possible changes in key assumptions. Also, we paid attention to the adequacy of disclosures in Note 4 to the separate financial statements in accordance with the requirements of IFRS (IAS) 36 "Impairment of Assets". As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of accrued impairment loss on the investment in MGES in the financial statements at the amount of KZT 5,399,568 thousand is sufficient, and respective disclosures meet the requirements of IFRS (IAS) 36 "Impairment of Assets".

Key audit matter	How our audit addressed the Key audit matter
We paid special attention to the issue of impairment of investments in subsidiaries due to materiality of their carrying amount (KZT 533,424,495 thousand at 31 December 2016, which comprises about 80% of the assets of the Company), and due to the fact that the process of evaluation by management of the value in use of investments is complex, since it is based on the use of significant judgements and evaluations regarding future market and economic conditions and financial performance of subsidiaries. Key assumptions used in assessing the value in use of fixed assets and intangible assets, included projected sales volumes and tariffs. In addition, key assumptions in assessing value in use were growth and discount rates.	
Going concern principle *See Note 4 to the financial statements.* At 31 December 2016, the amount of current liabilities of the Company exceeded the amount of current assets by KZT 91,163,762 thousand. The increase of current liabilities of the Company is related to maturity of Eurobonds of the Company in December 2017. Eurobonds of USD 500 million or KZT 166,645,000 thousand were classified as current liabilities at 31 December 2016. Accordingly, current liabilities of KZT 166,645,000 thousand, which comprises 66% of all current liabilities, represent Eurobonds payable in December 2017. The accounts payable on the principal activity and other short-term payables decreased significantly. We focused on whether the Company would have sufficient financial resources to settle its obligations when they mature and if there was significant uncertainty regarding the Company's ability to continue as a going concern.	As part of our assessment of appropriateness of using of the going concern principle in preparing the financial statements by the Company, we performed the following procedures: • We received and analysed future cash flows expected by management in 2017 and noted the sufficiency of such cash flows to cover existing liabilities of the Company. • We noted that in 2017 the Company was planning to repay its current liabilities using positive cash flow from operating activities, dividends from the subsidiaries and associates, and by refinancing Eurobonds. • The Company hired international experts to work out the best options of refinancing debt for Eurobonds. • The Company signed a loan agreement with EBRD of EUR 100 million or KZT 35,242,000 thousand to refinance Eurobonds on 9 December 2016. The Company expects more than KZT 30,000,000 thousand from the sale of assets in 2017. See Note 8 to the financial statements.

Key audit matter	How our audit addressed the Key audit matter
	• Private banks expressed their readiness to provide revolving credit lines of over KZT 40,000,000 thousand to refinance Eurobonds and for other purposes. • During our analysis, we also noted that the Company and its subsidiaries has a strategic importance to ensure reliability of the power system of the Republic of Kazakhstan. As a result of discussions with management of the Company and performed procedures, we concluded that as of the date of approval of the separate financial statements of the Company there were several options of receiving additional financial resources required for repayment and refinancing the debt on Eurobonds, and therefore there is no significant uncertainty, which could cast doubt on the Company's ability to continue as a going concern.
Prospects of BTPP: impairment of investment and commitment to repurchase a share. *See Notes 4 and 7 to the financial statements.* JSC Balkhash Thermal Power Plant ("BTPP") is an associate of the Company. The shareholders of BTPP are Samsung C&T Corporation and Samruk-Energy JSC, whose interests comprise 50% + 1 share and 50% - 1 share, respectively. In August 2016 Samsung C&T Corporation has officially announced that it intends to use its option to sell its shares in "BTPP" and suspend the EPC contract for the construction of the Balkhash thermal power plant. If the parties cannot come to a mutual agreement for the way forward for the joint activities then the Company will need to pay $192 million to purchase the shares of BTPP and there is a risk of impairment of investment in BTPP.	We have received and reviewed the correspondence and other documents relating to this matter as set out in the relevant notes to the separate financial statements. From this and our discussions with the management, we noted that the Company is supported by the Government of Kazakhstan to continue the negotiations with Samsung C&T Corporation, and also management of the Company and the authorized representatives of the Government have held a series of negotiations with Samsung C&T Corporation. These discussions and negotiations are still ongoing as at the date of this report. We received, inspected and evaluated BTPP project financial model and assessed the methodology and the main assumptions used in the model, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for project financial model.

Key audit matter	How our audit addressed the Key audit matter
This issue is very important for the Company, since the carrying amount of investments is significant (KZT 32,085,280 thousand at 31 December 2016), and its resolution requires extensive support of the Government of the Republic of Kazakhstan and NWF Samruk-Kazyna. We focused on accuracy of accounting and disclosure of this issue in the separate financial statements prepared according to IFRS.	We noted that a key assumption in the model is the existence of a power purchase agreement concluded between BTPP and JSC «KEGOC» (the national operator of the unified power system of the Republic of Kazakhstan), according to which the power capacity payments will be made to BTPP sufficient to ensure the return on investment in the project. Tariffs used in the model were based on this power purchase agreement. We also noted that the key condition for project's continuation is provision of Letter of support by the Government of the Republic of Kazakhstan. Currently the negotiations are ongoing regarding the terms of letter of support for the project between the government authorities and creditors. We have considered the technical requirements of IFRS (IAS) 36 "Impairment of Assets", IFRS (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS (IAS) 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" with respect to the accounting treatment and disclosures for investment into BTPP and Samsung C&T Corporation's put option. As result of these procedures we have not proposed any adjustments to the carrying values of investments or liabilities. We note that at the date of our report negotiations about the terms and conditions for continuation of the project are not finalized and, accordingly, such terms and conditions are not fixed in the form of a binding nature for all parties involved. As it is impossible to predict all future events related to all matters described above, there is no certainty that the Company will be able to fully recover the cost of investment in the future or will not incur additional liabilities. We also paid attention to the disclosure in the separate financial statements in respect of this mater and concluded that it is appropriate.

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the separate financial statements

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

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

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

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

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Independent Auditor's Report (continued)

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

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

PricewaterhouseCoopers LLP

2 May 2017
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova

Managing Director
PricewaterhouseCoopers LLP

(General state license of the Ministry of Finance of the Republic of Kazakhstan No. 0000005 dated 21 October 1999)

Signed by:

Baurzhan Burkhanbekov

Engagement leader on the audit based on which this audit report was issued.

Auditor-in-charge (Qualification certificate of an auditor No. 0000586 dated 30 October 2006)

SAMRUK-ENERGY JSC
Separate Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	620,644	839,024
Intangible assets	7	1,014,924	1,102,744
Investments in subsidiaries and jointly controlled entities	8	533,424,495	552,345,214
Loans issued	10	35,712,236	48,608,373
Other non-current assets	11	3,516,718	3,118,461
Total non-current assets		**574,289,017**	**606,013,816**
Current assets			
Receivables	12	-	2,103,822
Inventories		22,397	29,905
Loans issued	10	14,511,037	16,339,333
Other current assets	13	31,300,110	30,467,842
Cash and cash equivalents	14	4,812,476	6,635,292
Non-current assets held for sale	9	31,182,280	-
Total current assets		**81,828,300**	**55,576,194**
TOTAL ASSETS		**656,117,317**	**661,590,010**
EQUITY			
Share capital	15	373,314,888	355,650,405
Other reserves		91,668,501	91,668,501
Accumulated losses		(49,725,062)	(39,940,758)
TOTAL EQUITY		**415,258,327**	**407,378,148**
LIABILITIES			
Non-current liabilities			
Borrowings	16	66,434,655	234,201,959
Long-term financial guarantee	17	1,432,273	1,644,699
Total non-current liabilities		**67,866,928**	**235,846,658**
Current liabilitites			
Borrowings	16	170,832,678	14,299,257
Other trade and other payables and accrued liabilities	18	907,798	2,826,048
Liability for the benefit of the Shareholder	19	1,174,065	1,174,065
Other taxes payable		77,521	65,834
Total current liabilities		**172,992,062**	**18,365,204**
TOTAL LIABILITIES		**240,858,990**	**254,211,862**
TOTAL LIABILITIES AND EQUITY		**656,117,317**	**661,590,010**

Signed on behalf of management on May 02, 2017

Maxutov Kairat Berikovich
Managing Director for Economy and Finance

Tulekova Saule Bekzadayevna
Head of Accounting and Tax accounting Department –
Chief Accountant

«САМҰРЫҚ-ЭНЕРГО» АКЦИОНЕРЛІК ҚОҒАМЫ * ҚАЗАҚСТАН РЕСПУБЛИКАСЫ * РЕСПУБЛИКА КАЗАХСТАН АСТАНА ҚАЛАСЫ ГОРОД АСТАНА АКЦИОНЕРНОЕ ОБЩЕСТВО «САМРУК-ЭНЕРГО»
"Самұрық-Энерго"
БСН/БИН 070540008194

SAMRUK-ENERGY JSC
Separate Statement of Profit and Loss and Comprehensive Income

In thousands of Kazakhstani Tenge	Note	2016	2015
Dividend income	21	8,417,366	16,040,425
Other income		19,834	957,776
Other expenses	24	(5,551,876)	(258,333)
General and administrative expenses	20	(5,592,497)	(5,025,776)
(Loss)/profit from main activity		**(2,707,173)**	**11,714,092**
Finance income	22	6,411,270	22,758,425
Finance costs	23	(14,265,706)	(18,250,452)
Gains less losses from exchange rate differences		3,091,045	(55,166,652)
(Loss)/profit before income tax		**(7,470,564)**	**(38,944,587)**
Income tax expense	25	(272,740)	(277,567)
(Loss)/profit for the year from continuing operations		**(7,743,304)**	**(39,222,154)**
Profit for the year from discontinued operations	8	-	2,469,307
Total (loss)/profit for the year		**(7,743,304)**	**(36,752,847)**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(7,743,304)**	**(36,752,847)**

In thousands of Kazakhstani Tenge	**Note**	**Share capital**	**Other reserves**	**Retained earnings/ (Accumulated losses)**	**Total equity**
Balance at 1 January 2015		**355,364,386**	**19,086,598**	**2,767,227**	**377,218,211**
(Loss)/profit for the year		-	-	(36,752,847)	(36,752,847)
Total comprehensive income for the year		-	-	(36,752,847)	(36,752,847)
Increase of share capital	15	286,019	-	-	286,019
Gain from initial recognition of loan from Samruk Kazyna	16	-	72,581,903	-	72,581,903
Other distribution to shareholder	19	-	-	(1,174,065)	(1,174,065)
Dividends accrued		-	-	(4,781,073)	(4,781,073)
Balance at 31 December 2015		**355,650,405**	**91,668,501**	**(39,940,758)**	**407,378,148**
(Loss)/profit for the year		-	-	(7,743,304)	(7,743,304)
Total comprehensive loss for the year		-	-	(7,743,304)	(7,743,304)
Increase of share capital	15	17,664,483	-	-	17,664,483
Dividends accrued		-	-	(2,041,000)	(2,041,000)
Balance at 31 December 2016		**373,314,888**	**91,668,501**	**(49,725,062)**	**415,258,327**

SAMRUK-ENERGO JSC
Separate Statement of Cash Flows

In thousands of Kazakhstani Tenge	Note	2016	2015
Cash flows from operating activities:			
Loss before income tax		(7,470,564)	(38,944,587)
Adjustments for:			
Dividend income	21	(8,417,366)	(16,040,425)
Depreciation and amortisation		344,764	311,444
Finance costs	23	14,265,706	18,250,452
Finance income	22	(6,411,270)	(22,758,425)
Foreign exchange gain		(3,091,045)	55,166,651
Impairment of assets	24	5,530,870	5,441
Disposal of assets		33	194,678
Other proceeds		(151)	(59,981)
Operating cash flows before working capital changes :		**(5,249,023)**	**(3,874,752)**
Decrease in inventories		5,030	18,594
Increase in accounts receivable and other noncurrent assets		(252,439)	(2,759,861)
Increase/(decrease) in other accounts payable		(1,961,640)	4,361,908
Decrease in other taxes payable		(78,204)	(253,602)
Cash used in operating activities		**(7,536,276)**	**(2,507,713)**
Income tax paid		(272,740)	(277,568)
Dividends received		8,650,684	16,632,948
Interest paid		(9,976,540)	(16,571,452)
Net cash used in operating activities		**(9,134,872)**	**(2,723,785)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(169,926)	(1,741,497)
Acquisition of equity stake in associated organizations		(12,483,260)	(8,906,910)
Proceeds from sale of equity stake in associated organization		2,194,110	370,396
Proceeds from sale of subsidiaries		154,717	-
Borrowings and financial aid provided to subsidiaries and jointly controlled entities		(3,621,309)	(5,739,271)
Acquisition of debt instruments		(4,500,000)	(12,984,109)
Contribution to equity of subsidiaries		(5,805,512)	(6,306,761)
Placement of bank deposits, net		(1,354,621)	15,709,993
Interest received		5,389,270	4,772,498
Proceeds from repayment of financial aid provided to subsidiaries and jointly controlled entities		6,528,508	2,539,091
Proceeds from sale of financial instruments		-	2,369,001
Proceeds from repayment of financial instruments		16,279,276	6,163,000
others		-	(459)
Net cash received from/(used in) investing activities		**2,611,253**	**(3,755,028)**

In thousand Kazakhstani tenge	note	2016	2015
Cash flows from financing activities			
Proceeds from issue of shares	15	17,664,483	-
Proceeds from issue of bonds		-	(2,970,000)
Proceeds from borrowings		1,882,800	68,498,000
Repayment of borrowings		(10,698,000)	(56,743,000)
Repayment of loans from Samruk-Kazyna		(2,381,109)	(2,381,109)
Dividends paid		(2,041,000)	(4,781,073)
Others		(77,362)	(800,234)
Net cash flows from financing activities		**4,349,812**	**822,584**
Foreign exchange difference effect on cash and cash equivalents		350,991	3,011,441
Net decrease in cash and cash equivalents		**(1,822,816)**	**(2,644,788)**
Cash and cash equivalents at the beginning of the year	14	6,635,292	9,280,080
Cash and cash equivalents at the end of the year	14	**4,812,476**	**6,635,292**

1 Company and Its Operations

Samruk-Energy JSC (the “”Company”) was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company set up in accordance with regulations of the Republic of Kazakhstan.

The Company’s sole shareholder is Samruk-Kazyna National Welfare Fund JSC (“Samruk-Kazyna”), owing 100% of the Company. The Company’s ultimate controlling party is the Government of the Republic of Kazakhstan.

Principal activity

The Company is a holding company (the “Company”), including a number of companies (Note 8), whose principal activities are production of electricity, heat 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 hydro and heat power stations, and lease of property of hydro power plants

Registered address and place of business: 15A, Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These separate 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 separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Company has prepared these separate financial statements for management.

In addition, the Company has prepared consolidated financial statements in accordance with IFRS in relation to the Company and its subsidiaries (hereinafter the “Group”). In the consolidated financial statements the operations of subsidiaries, defined as companies in which the Group owns more than half of the voting shares directly or indirectly or in relation to which the Company has the ability to otherwise control their financial and operating policies, are fully consolidated. The consolidated financial statements of the Group may be received in Company’s office at the following address: 15A, Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

The separate financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, to obtain full information about financial position, operating results and changes in Company’s financial position as a whole.

The preparation of the separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the Management to exercise its judgment in the process of applying the Company’s accounting policies.

Currency exchange rates

At 31 December 2016 the official rate used for translating balances denominated in foreign currency was 333,29 tenge = US Dollar (31 December 2015: Tenge 340.01 = US Dollar). Currently, Tenge is not freely convertible outside of the Republic of Kazakhstan.

Property, plant and equipment

(i) recognition and subsequent evaluation

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where necessary. 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 a proportion of production overheads.

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 Company and the cost of the item can be measured reliably. Cost of replaced parts is written off. All other costs related to repair and maintenance are accounted for in profit and loss for the period as retired.

2 Basis of Preparation and Significant Accounting Policies (continued)

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

(ii) Depreciation

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 depending on the procedure of their use, and in particular:

	Useful service (number of years)
Other property, plant and equipment	3 – 10

The residual value of an asset is the estimated amount that the Company 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 is set equal to zero, if the Company 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 (when necessary) if there has been a change in the estimates used to determine the asset's value in use or its fair value less costs to sell.

Intangible assets

All of the Company's intangible assets have definite useful lives and primarily include capitalised computer software. 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 of 3 to 5 years as estimated by management. 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.

Investments to subsidiaries and joint ventures

For the purposes of these separate financial statements the Company's investments are carried at cost in the separate financial statements less provision for impairment

Financial instruments

(i) (i) Key measurement terms

The Company's financial instruments are carried amortised cost as described below.

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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 of the Group include loans and receivables. Management determines the classification of its financial assets at initial recognition.

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

(iii) Classification of financial liabilities

Financial liabilities of the Company are represented by the category “other financial liabilities” carried at amortised cost.

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recognized at fair value minus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. Profit or loss is accounted for at the initial recognition only when there is a difference between the fair value and the transaction price which can be evidenced by other transactions, currently observed on the market, with similar financial instruments or measurement approach which uses only actual market data as input variables.

(v) Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company 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 transfer.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate 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 sell the asset and settle the liability simultaneously

Advances to suppliers

Advances to suppliers are carried at the actually paid amounts 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. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. 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.

2 Basis of Preparation and Significant Accounting Policies (continued)

Inventories

Inventories are recorded at the lower of: cost and net selling price. Cost of inventories is determined on the FIFO basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (calculated based on statutory use of production facilities), but excludes borrowing costs. Net selling price is the estimated selling price in the ordinary course of business less the cost of completion and estimated selling expenses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, funds on 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 balance sheet date are included in other non-current assets; cash with restriction of more than three months but less than twelve months after the reporting period is included into other current assets.

Non-current assets held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as '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 Company's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for 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 or 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.

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 Company Board determines value of each share and number of shares at individual issue in accordance with the legislation.

Borrowings

Borrowings are initially recorded at fair value less transaction costs and subsequently measured at amortised cost; the difference between the amount received (less transaction costs) and the amount to be repaid is recognised in profit and loss during the loan period using the effective interest method.

If a loan is obtained from shareholders at interest rates different from market rates, the Company records income from initial recognition of in profit and loss for the year as proceeds or directly in equity as capital contribution. The accounting treatment used reflects the transaction's economic substance. It is applied consistently to all similar transactions and disclosed in the 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 as an expense using the effective interest method. The Company 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 Company 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 almost 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 Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2 Basis of Preparation and Significant Accounting Policies (continued)

Payables

Payables are accrued when the counterparty performed its obligations under the contract. Payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Payroll expense 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 period in which the associated services are rendered by the employees of the Company. On behalf of its employees, the Company withholds those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. Upon retirement of employees, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the cumulative pension fund.

Income taxes

Income taxes have been provided for in these 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 expense comprises current tax and deferred tax and is recognised in profit and 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.

Financial guarantees

Financial guarantees represent irrevocable assurances that the Company will make payments to compensate damage to a guarantee holder in the event that the respective debtor failed to meet its contractual obligations to pay third parties. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At each statement of financial position date, the financial guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of the reporting period.

3 New accounting provisions

The application of new and revised International Financial Reporting Standards (IFRS)

The following changes in the standards became binding on the Company from January 1, 2016, but did not have a significant impact on the Company.

- IFRS 14 Regulatory Deferral Accounts (issued in January 2014 and enters into force for annual periods beginning on or after January 1, 2016).

- "Accounting for transactions on acquisition of participation share in joint operations" - Amendments to IFRS 11 (issued on May 6, 2014 and effective for annual periods beginning on January 1, 2016 or after this date).

- "Explanation of acceptable methods for calculating depreciation of fixed assets and intangible assets" - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for annual periods beginning on or after January 1, 2016).

- Agriculture: Amendments to IAS 16 and IAS 41 - "Agriculture: Bearer Plants" (issued on 30 June 2014 and effective for annual periods beginning on 1 January 2016).

- Annual Improvements to International Financial Reporting Standards, 2014 (issued on September 25, 2014 and effective for annual periods beginning on 1 January 2016 or after this date).
- Disclosures - Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

3 New accounting provisions (continued)

New standards and interpretations

A number of new standards and interpretations have been published that are binding on annual periods beginning on or after 1 January 2017, and which the Company 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.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized 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 recognized, 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 capitalized and amortized over the period when the benefits of the contract are consumed. The Company is currently assessing how the new standard will affect financial reporting.

Clarifications to IFRS 15 Revenue from contracts with customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not entail changes in the basic principles of the standard, but explain how these principles should be implemented. The amendments clarify how to identify the obligation to perform in the contract (the promise to transfer goods or services to a customer); How to determine whether the company is a principal (supplier of a product or service) or an agent (responsible for organization of the delivery of goods or services), and how to determine whether to recognize revenue from granting of a license at a point in time or over time. In addition to clarification, amendments include two additional exemption from fulfilling requirements, which will allow the company applying the new standard for the first time to reduce costs and complexity of accounting. The Company is currently assessing how the new standard will affect financial reporting.

3 New accounting provisions (continued)

IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard defines the principles for the recognition, measurement, presentation and disclosure of information in respect of transactions in leases. All lease contracts result in the tenant getting the right to use the asset from the commencement of the lease, as well as to receiving financing if the lease payments are made during a period of time. Accordingly, IFRS 16 cancels the classification of leases as operational or financial as required by IAS 17, and instead introduces a single model for recording lease transactions for tenants. Tenants will have to recognize:

(A) assets and liabilities for all leases with a validity period of more than 12 months, except for cases when the value of leased property is insignificant; and

(B) the amortization of the leased assets is separate from interest on lease obligations in P&L statement.

With respect to accounting for leases of the lessor, IFRS 16, in fact, retains the accounting requirements of IAS 17. Thus, the lessor continues to classify lease contracts as an operating or financial lease and, accordingly, reflect them differently in the reporting. The Company is currently assessing how the new standard will affect financial reporting.

"Disclosure Initiatives" - Amendments to IAS 7 (issued **January 29, 2016 and enter into force for annual periods beginning on or after 1 January 2017).** Amendments to IAS 7 require disclosure of changes in liabilities arising from financial activities. The Company is currently assessing how the new standard will affect financial reporting.

It is expected that the standards and interpretations, after the entry into force, will not have a significant impact on the Company's financial statements.

- "Sale or contribution of assets to an associate or a joint venture by an investor" – Clarifications to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods beginning after the date determined by the International Accounting Standards Board).

- "Recognition of deferred tax assets for unrealized losses" - Amendments to IAS 12 (issued January 19, 2016 and effective for annual periods beginning on or after 1 January 2017).

Amendments to IFRS 2 “Share-based payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

- Application of IFRS 9 “Financial Instruments” and IFRS 4 “Insurance Contracts”

  Amendments to IFRS 4 (issued on September 12, 2016 and come into effect, depending on the approach chosen: for annual periods beginning on or after January 1, 2018, for organizations that choose temporary exemption, and for the annual period from which an organization implemented IFRS 9 for the first time - for organizations that chose the overlay approach.

Annual improvements of International Financial Reporting Standards, 2014-2016. (Issued on December 8, 2016 and effective with respect to the application of amendments to IFRS 12 - for annual periods beginning on or after 1 January 2017, as regards the application of amendments to IFRS 1 and IAS 28 - for annual periods beginning on or after 1 January 2018).

- IFRIC 22 - Foreign currency transactions and advance consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

- transfers from investment property - Amendments to IAS 40 (issued on December 8, 2016 and effective for annual periods beginning on January 1, 2018 or after this date).

Unless otherwise stated above, it is expected that these new standards and interpretations will not materially affect the Company's financial statements.

4 Important accounting estimates and professional judgments in applying accounting policies

The Company uses estimates and makes assumptions that influence assets and liabilities recognized in financial statements during the next financial year. Estimates and judgments are subject to constant critical analysis and are based on past management experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

Management also makes use of certain judgments, other than those required assessments, in the process of applying accounting policies. Judgments that have the most significant effect on figures reflected in financial statements and estimates that could lead to the need for a significant adjustment to the carrying amount of assets and liabilities within the next year include:

Going concern principle

Management prepared these separate financial statements on a going concern basis. The management decision is based on the financial position of the Company, its current intentions, profitability of operations and access to financial resources. As of December 31, 2016, the Company's current liabilities exceeded its current assets by 91,163,762 thousand KZT. The growth of current liabilities is associated with maturity of Samruk-Energy Eurobonds in December 2017. 500 mln. USD Eurobonds or 166,645,000 thousand tenge were classified as current liabilities as of December 31, 2016.

The following factors were considered when assessing the Company's ability to continue operating in the foreseeable future:

• The company, the parent company of the Group, is of strategic importance for ensuring the reliability of Kazakhstan's energy system.

• In 2017, the Company plans to settle its current liabilities by refinancing its short-term loans and borrowings.

• The company hired international experts to work out the best options for refinancing or restructuring Eurobonds.

• On December 9, 2016, the Company signed a € 100 million or 35,242,000 thousand tenge loan agreement with the EBRD to refinance the Eurobonds.

• The Company expects more than 30,000,000 thousand KZT from the sale of assets subject for sale in 2017.

• Banks expressed readiness to provide long-term loans in the amount of more than 40,000,000 thousand tenge for refinancing Eurobonds and for other purposes.

• Moreover, the management is considering a plan for partial restructuring of Eurobonds.

• The maturity of Eurobonds in December 2017, management expects that a sufficient amount of cash will be accumulated during the year to repay the bonds in accordance with the established procedure.

• The management and shareholders of the Company have neither the intention nor the need for dissolution of the Company.

These separate financial statements do not include any adjustments to the carrying amounts of assets and liabilities, income and expenses, and classification of the statement of financial position that would be required if it is not possible to continue operating activities, such adjustments may be significant.

Impairment of non-financial assets

At the end of each reporting period the management assesses whether there is evidence of impairment of individual assets or groups of assets and signs that an impairment loss for assets or groups of assets recognized in prior periods, other than goodwill, no longer exists or decreased. If any such evidences exist, the management estimates the recoverable amount of the asset, which is determined as the higher of its fair value less costs to sell and its value in use. The calculation of the use value requires the application of estimates and professional judgment on the part of management, which are considered justified in the circumstances.

Under IAS 36, one sign of impairment is the existence of material changes that have had negative consequences for the Company that occurred over a period or are expected in the near future in the technological, market, economic or legal conditions in which the Company operates or in the market for which the asset is intended.

In assessing the recoverable amount of assets, the Company uses estimates and makes judgments. Estimates and judgments are subject to constant critical analysis and are based on past management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes use of certain judgments, other than those required assessments, in the process of applying accounting policies.

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

As described in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2016, the management of the Group concluded that, at the balance sheet date, there are indications of impairment of EGRES-1 and AZhK fixed assets. For the purpose of preparing these separate financial statements, this fact was reviewed by the Company's management as a sign of possible impairment of investments in these subsidiaries. The carrying amount of investments in these subsidiaries was 338,272,063 thousand tenge and 51,208,403 thousand tenge, respectively.

As a result of tenge devaluation, MGES recognized a significant loss on exchange rate differences on loans received in US dollars from the "State Development Bank of China" and “Kazakhstan Development Bank" JSC and the balance of net assets was negative. Insufficiency of current rates to cover losses on exchange rate differences and, accordingly, for repayment of loans was reviewed by the Company's management as a sign of possible impairment of the investment in MGES. Accordingly, the management of the Company decided to conduct a test for impairment of investments in MGES as of December 31, 2016. The carrying amount of investments in MGES as at 31 December 2016, excluding impairment, was 21,864,416 thousand tenge.

EGRES-1

The Management refers all property, plant and equipment and intangible assets to a single cash-generating unit, since it is the least identifiable group of assets that generates cash flows largely independent of those cash flows generated by other assets, and the lowest level at which EGRES-1 controls over the reimbursement of assets value. Management assessed the recoverable amount of property, plant and equipment based on value in use, defined as the sum of the estimated discounted future cash flows that the Company expects to receive from their use.

Impairment test or income approach was performed using appropriate valuation techniques, with the aid of following key assumptions for calculating discounted cash flows for 2017-2025:

- Forecast tariffs:

Ceiling tariff is approved by the Government of the Republic of Kazakhstan for groups of energy producing organizations, formed by type of power plants, installed capacity, fuel type used, distance from the fuel location, for a term of 3 years, broken down by years and annually adjusted to ensure investment attractiveness of the industry. Ceiling tariffs for electricity generation have been approved until 2019.

Power producing organization independently establishes the selling price for electricity, but not higher than the ceiling tariff of the relevant group of power producing organizations. Currently, the prices for electricity generated are formed in competitive conditions, depending on demand and supply at tariffs that do not exceed the ceiling, estimated or individual tariff, except for cases of export sales. Thus, the tariffs for 2017 - 2019 were determined in the amount of 7.5 and 7.9 tenge for the domestic market, 9.6 and 10.1 tenge for exports.

The revenue forecast from 2019 includes an outcome of capacity market introduction, which changes the tariff setting structure for power producing organizations. Tariffs adopted at the level of ceiling tariffs of Group 1 of power producing companies that were approved by the Order No. 460 dated October 26, 2016 of the Republic of Kazakhstan Energy Minister “On approval of the ceiling tariff for electricity and the ceiling tariff for the service on maintaining the availability of capacity" were used to calculate the tariff for electricity consumers and the tariff for capacity sales in Kazakhstan from 2019.

- *Projected sales volumes*

Forecast of electricity sales in 2017-2025 was based on the forecast data of EGRES-1 and the forecast of the capacity balance of the Unified Energy System of Kazakhstan in 2017-2023 with an outlook to 2030 of the Ministry of Energy of the Republic of Kazakhstan. Further, the growth in electricity production was adopted at the level of 2023.

It is planned to complete the construction of new production facilities in the mining and metallurgical industry until 2021 and electricity consumption is expected to grow in the future.

From 2019-2021 the volume of sold capacity was determined at the level of EGRES-1forecast. Further, the growth in volumes was set according to capacity balance of the Northern Zone according to the Ministry of Energy.

Sales volumes	Measurement unit	2017	2018	2019	2020	2021	2022	2023	2024	2025
Export-Kyrgyzstan	thous.MWh	500	500	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Kazakhstan	Thous.MWh	10,087	13,516	15,474	17,494	20,417	20,467	20,682	20,899	21,118
Capacity	MW	-	-	30,000	30,000	30,000	30,411	30,822	31,238	38,263

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

If sales volumes decreased by 10%, the total fair value of property, plant and equipment would be 91,100,899 thousand tenge less.

• The discount rate is based on calculation of the weighted average cost of capital (WACC), and is considered equal to 12.0%.

If the weighted average cost of capital increases by 1%, the total fair value of the revalued property, plant and equipment will decrease by 44,689,405 thousand tenge, and accordingly the recoverable amount of the investment will increase / decrease by 43,070,368 thousand tenge.

According to results of performed test, the recoverable amount of property, plant and equipment as of December 31, 2016 amounted to 526,406,000 thousand tenge at their balance sheet value of 519,727,000 thousand tenge.

Thus, based on results of performed test for impairment of EGRES-1 fixed assets as of December 31, 2016, no impairment of property, plant and equipment was revealed. Taking into account that as of December 31, 2016, net assets of EGRES-1 amounted to 426,031,836 thousand tenge and significantly exceeded the book value of the relevant investment in the Company's separate financial statements, the Company's management concluded that there was no impairment of the investment in EGRES -1.

AZhK

The Management refers all property, plant and equipment and intangible assets of AZhK to a single cash-generating unit, since it is the least identifiable group of assets that generates cash flows largely independent of those cash flows generated by other assets, and the lowest level at which AZhK controls over the reimbursement of assets value. Management assessed the recoverable amount of property, plant and equipment based on value in use, defined as the sum of the estimated discounted future cash flows that the Company expects to receive from their use.

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

- Projected electricity sales volumes and tariffs:

	2017	**2018**	**2019**	**2020**	**2021**
Sales volume, mln.kWh	6,257	6,889	7,199	7,393	7,430
Price kWh	5.83	6.04	6.23	6.98	7.24

Sales volume was forecasted on the basis of information from previous years and management expectations. It was assumed that sales would increase by 10% in 2017-2018, mainly as a result of recovery of the previous consumption level and further growth in the population of Almaty and Almaty region. The forecast for 2019-2021 suggests a 5% - 1% increase in consumption, the forecast for the post forecast period assumes the volume of sales at the level of 2021. In case of increase / decrease in sales volume by 10%, the recoverable amount of property, plant and equipment will increase / decrease by 8,250,807 thousand tenge and accordingly the recoverable amount of investment will increase / decrease by 11,822,866 thousand tenge.

Forecast prices per unit kWh are based on the tariff approved by the CRNM and CP until the end of 2019.

• Discount rate after taxation was 12.22% per annum.

Cash flows were discounted at an interest rate of 12.22% per annum, which was determined on the basis of the Group's weighted average capital cost. In case of a 1% increase / decrease in the discount, the recoverable amount of property, plant and equipment will decrease by 6,602,882 thousand tenge/ increase by 7,976,096 thousand tenge, and accordingly the recoverable amount of investment will increase / decrease by 13,470,791 thousand tenge.

• The long-term rate of inflation used to calculate the terminal value is 3.21% per annum;

As a result of performed test, the value in use of property, plant and equipment and intangible assets as of October 31, 2016 was established in the amount of 102,245,000 thousand tenge, which is 8,290,000 thousand tenge higher than their book value.

Based on results of performed test for impairment of AZhK fixed assets as of December 31, 2016, no impairment of property, plant and equipment was identified.

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

Taking into account that as of December 31, 2016, net assets of the AZhK amounted to 71,282,076 thousand tenge and significantly exceeded the carrying amount of respective investment in the separate financial statements of the Company, the management of the Company concluded that there is no impairment of investments in AZhK investments.

MGES

In order to evaluate impairment of investments in MGES, the management has prepared free cash flow model to assess future dividends that the Company may receive from this investment. At the same time, the management relied on the assessment of assumed future revenues and cash outflows from the use of assets, discount rates and other indicators. These calculations include cash flow projections based on financial budgets approved by management and other forecasts.

The Management refers all property, plant and equipment and intangible assets to a single cash-generating unit, since it is the least identifiable group of assets that generates cash flows largely independent of those cash flows generated by other assets, and the lowest level at which MGES controls over the reimbursement of assets value. The Management assessed the recoverable amount of investments in MGES based on value in use, defined as the sum of the estimated discounted future cash flows that the Company expects to receive from their use.

In connection with redemption of interest expenses and principal debt until 2028, the distribution of dividends is limited and accordingly, insignificant dividends in favor of the shareholder are planned for this period. Dividends are expected to be distributed from 2028. Impairment test or income approach was performed using the appropriate valuation techniques, with the aid of the following key assumptions for calculating discounted cash flows for 2017-2029:

• forecast tariffs:

MGES has received individual tariffs for 2017 - 2018, which were determined in the amount of 9.5 tenge.

The forecast of the Company's revenues from 2019 includes the outcome of capacity market introduction, which changes the tariff setting structure for power producing organizations. Construction of hydropower plants is financed by borrowings, once the capacity market is introduced, the capacity tariff will be estimated and be based on the costs of investment program, ensure the return of borrowed funds previously used for construction of HPP. Thus, the estimated tariffs are 12.18 tenge in 2019 and are further adjusted for annual inflation.

• *Projected sales volumes*

The southern region of Kazakhstan's UES is scarce. The Company's management believes that the electricity generated by MGES power plants is in demand and will be fully sold, the tariff is sufficient to cover all operating and investment expenses, as well as generating good profit from the company.

Forecast of electricity sales in 2017-2018 was based on forecast data of MGES in the amount of 1,100 kWh at the level of 2016, since the level of rainfall is expected to be higher than the average. From 2017 to 2021 the volume of electricity sold in the amount of 900 kWh was established at the level of MGES's long-term forecast.

At the same time, there is no risk of insufficient amount of tariff to cover debt expenses, because with introduction of capacity market from 2019 any climate change that could affect the inflow of water on Charyn River as well as the output of "MGES" hydropower plant will be mitigated by the growth of tariff for capacity.

- The discount rate is based on calculation of the cost of equity and is considered equal to 13.9%.

If tariffs for sales decreased by 10 this would lead to an additional impairment of the Company's investments by 2,057,465 thousand tenge.

If the weighted average capital cost increases by 1%, this would lead to an additional impairment of the Company's investments by 2,002,549 thousand tenge.

As a result of performed impairment test, the Company recognized the impairment of investments in MGES in the amount of 5,399,568 thousand tenge in 2016.

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

Prospects for Balkhash TPP project

"Construction of Balkhash TPP" Project (hereinafter referred to as the Project) is implemented as part of intergovernmental agreement signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea. The agreement signed in 2011 includes economic cooperation in financing, engineering, construction, operation and maintenance of the power plant.

The shareholders of Balkhash TPP (hereinafter referred to as BTPP) are Samsung C & T Corporation (hereinafter Samsung C & T or Samsung C & T Corporation) and "Samruk-Energy" JSC with the equity stake 50% + 1 share and 50% -1 share, respectively, as of December 31, 2016 (Note 8). The company was established in 2008 as a joint-stock company. Initially, "Samruk-Energy" JSC was the owner of shares.

In June 2012, "BTPP" JSC and Samsung Engineering signed a contract for engineering, supply and construction of a 1320 MW Balkhash TPP ("EPC"). Samsung Engineering Co. Ltd and Samsung C & T Corporation are members of the joint venture for EPC.

The profitability of the project will be ensured through a long-term agreement for the purchase of services for maintaining the availability of capacity of newly commissioned generating facilities (hereinafter referred to as AMC) executed on June 19, 2014 between the BTPP and "KEGOC" JSC (power grids management company and national operator of the unified power system of the Republic of Kazakhstan), while tariffs are expressed in US dollars.

On February 14, 2012, "Samruk-Energy" JSC and Samsung C & T signed an Option Agreement for shares of Balkhash TPP. In accordance with this agreement, Samsung C & T has put option for BTPP shares, which implies that Samsung C & T has the right to exercise the option if the relevant conditions of the option agreement concerning the ratification of the Intergovernmental Agreement, adoption of laws enabling the execution of AMC and also timely execution of AMC with conditions sufficient to secure project financing are not met.

"Samruk-Energy" JSC and Samsung C & T repeatedly extended the put option before August 2016.

The feasibility study for the project was adjusted in 2014 due to weakening of the tenge's exchange rate against foreign currencies. The State Expertise approved the revised Feasibility Study on February 27, 2014 and the design and estimate documentation on July 25, 2014.

In order to arrange loan financing, potential lenders of the project require that protection of rights and interests of investors are ensured in accordance with international practice of project financing.

Due to the lack of an agreed version of the project support package, SAMSUNG C & T sent a notice to "Samruk-Energy" JSC on August 31, 2016 regarding the execution of put option for shares in accordance with the Option Agreement.

Due to lack of funding for the Project, Samsung Engineering Co. Ltd also sent a notice regarding the EPC contract termination to BTPP on August 31, 2016.

The book value of the equity capital of Samsung C & T in BTPP is 32,085 bln.tenge
Samsung C & T assessed the value of its stake in BTPP equal to 192 mln US dollars or 64 bln tenge.

After receipt of notification from Samsung C & T, "Samruk-Energy" JSC and the Government of Kazakhstan has taken a number of actions for resolving the issue from October 2016 to present.

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

In particular, the Government of the Republic of Kazakhstan and state bodies of the Republic of Kazakhstan held a series of meetings to discuss issues of Project's further implementation, including with participation of Samsung C & T.

The Ministry of Energy of the RK sent the following letters on December 29, 2016:

- to Samsung C & T with a draft letter of support;

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

- to the Ministry of Trade, Industry and Energy of the Republic of Korea with a draft amendment to the Intergovernmental Agreement.

In January 2017, as a result of continuation of negotiations on resuming the construction project, the parties entered into the following agreements that are valid provided that the Republic of Kazakhstan Government issues Letters of Support:

- Agreement between SAMSUNG C&T Corporation and "Samruk-Energy" JSC on provision of four guarantees in the amount of 10 million USD each by BTPP in order to obtain bank loans.
- Agreement between "Samruk-Energy" JSC, SAMSUNG C & T Corporation (Construction and Engineering), SAMSUNG Engineering Co. Ltd. and BTPP, which guarantees repayment of BTPP debt for costs related to the termination and suspension of construction by "Samruk-Energy" JSC in favor of Joint contractors. The agreement shall be effective subject to execution of the item below.
- Agreement between SAMSUNG C & T Corporation and "Samruk-Energy" JSC on providing of a letter of credit in the amount of 28 mln USD by SAMSUNG C & T Corporation in favor of "Samruk-Energy" JSC, depending on the item above.
- Agreement between "Dongfang Electric Co. Ltd.", BTPP, "SAMSUNG C & T Corporation" (Trade and Investment), SAMSUNG C & T Corporation (Construction and Engineering), "SAMSUNG Engineering Co. Ltd, "Samruk-Energy" JSC on provision of two letters of credit amounting to 57 million USD each in favor of "Dongfang Electric Co., Ltd." from SAMSUNG C & T Corporation (Trade and Investment) and "Samruk-Energy" JSC. This agreement includes BTPP's obligation to pay suspension costs in the amount of 13.3 million US dollars.
- Agreement between "Siemens Aktiengesellschaft", the Company, "SAMSUNG C & T Corporation" (Trade and Investment), "SAMSUNG C & T Corporation" (Construction and Design), "SAMSUNG Engineering Co. Ltd.", "Samruk-Energy" JSC on provision of two letters of credit in the amount of 23.25 million Euros each in favor of "Siemens Aktiengesellschaft" from parties "SAMSUNG C & T Corporation" (Trade and Investment) and "Samruk-Energy" JSC. This agreement includes BTPP's obligation to pay suspension costs in the amount of 6.7 million euros.
- On January 23, 2017, the Samsung C & T Supreme Management Committee and the Executive Committee of the Board of Directors took a decision regarding the execution of agreements on letters of credit with Siemens and Dongfang, issuance of standby letter of credit to "Samruk-Energy" JSC and guarantee of securing of BTPP bank loans.

On January 27, 2017, "Samruk-Energy" JSC Board of Directors approved the conclusion of agreements on letters of credit in favor of Siemens and Dongfang, indemnity contracts in favor of EPC contractor and banks for receiving a loan by BTPP.

The Group's management is confident that the Company will receive the necessary support from the Government of the Republic of Kazakhstan to continue construction and further joint activities with SAMSUNG C & T based on the following factors:

• Balkhash thermal power plant construction project is the subject of an intergovernmental agreement between the Republic of Kazakhstan and the Republic of Korea and is included in the state program of industrial and innovative development of Kazakhstan;

• The Government of the Republic of Kazakhstan set a future price for the service to maintain the availability of capacity of generating facilities in US dollars from 2018 to 2039 to support the implementation of the project through adoption of a tariff resolution.

Accordingly, the Company's management believes that the most likely outcome of negotiations will be the continuation of the Project within the existing joint venture and that the terms of the AMC including tariffs denominated in USD will provide sufficient cash inflows to recover investments, and that the probability of outflow of resources with respect to the option is insignificant. Currently, negotiations regarding conditions of the letter of support for the project between lenders and government agencies are underway. Based on results of the meetings held in Astana city on February 9-10, 2017, the parties have yet to agree on certain conditions of the letter of support for the project, including questions regarding the approval of changes in the tariff resolution (if any) by creditors, the need for documentary justification of the emergence of Government's obligations by lenders (state support or replacement). Then it is planned to hold meetings of state bodies regarding the resolution of these issues, which result in continuation of negotiations on the project's support package.

Based on the foregoing, the Company's management believes that, as of the date of approval of the separate financial statements, there is no need to recognize the impairment of the Group's investments in "BTPP" JSC as well as the accrual of additional liabilities associated with this project, including the option presented by Samsung C & T.

4 Important accounting estimates and professional judgments in applying accounting policies (continued)

At the same time, the Company's management notes that, as of the date of the signing of the separate financial statements, negotiations regarding the conditions for continuation of the project have not been completed, and accordingly such conditions are not formalized in a form that is binding on all parties involved. Some conditions for further implementation of this project have not yet been determined, and accordingly, it is not possible to assess the degree of their influence on the Group's operations and on these separate financial statements.

The financial statements do not include adjustments that might be required if BTPP was not able to continue as a going concern.

5 Settlements 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 etc.

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

In thousands of Kazakhstani Tenge	**Note**	**Shareholder**	**Companies under common control**	**Subsidiaries and JVs**
Loans issued to subsidiaries		-	-	6,313,014
Accounts receivable		-	-	-
Other current assets		-	-	4,367
Other asset in favor of the Shareholder	13	1,096,559	-	-
Other non-current assets		-	-	1,211,193
Interest receivable on loans issued		-	-	69,689
Dividends receivable		-	-	2,436,470
Related party securities		223,491	-	43,547,389
Other payables and accrued liabilities		-	-	234,388
Accounts payable		-	8,064	-
Liability to shareholder		1,174,065	-	-
Borrowings	16	58,381,852	-	-

5 Settlements and transactions with related parties (continued)

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

In thousands of Kazakhstani Tenge	Note	Shareholder	Companies under common control	Subsidiaries and JVs
Loans issued to subsidiaries		-	-	8,358,091
Financial aid provided to subsidiaries and jointly controlled entities		-	-	365,000
Other current assets		-	2,400	709,535
Receivables		-	-	-
Other asset in favor of the Shareholder		988,786	-	525,409
Dividends receivable		-	-	2,634,314
Related party securities		223,491	6,825,446	49,177,793
Other payables and accrued liabilities		-	5,887	-
Accounts payable		-	-	-
Borrowings	16	57,537,093	-	-

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

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and JVs
Dividend income	-	-	(8,417,366)
Finance income	(12,958)	(286,132)	(4,663,370)
Finance costs	5,335,735	-	832,398
General and administrative expenses	-	92,356	271,049
Foreign exchange gains/(losses)-net	-	(82,078)	35,477

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

In thousands of Kazakhstani Tenge	Shareholder	Companies under common control	Subsidiaries and JVs
Dividend income	-	-	(16,040,425)
Finance income	(12,958)	(207,404)	(21,013,551)
Finance costs	11,265,533	-	160,875
General and administrative expenses	-	69,396	-
Other income	(410)	(3,181,831)	(924,648)

Key executive staff remuneration for the period ended 31 December 2016, including salaries, bonuses and other short-term benefits to employees is 184,896 thousand tenge (for the period ended 31 December 2015: 403,487 thousand tenge). Key executive staff at 31 December 2016 consists of 8 persons (2015: 8 persons).

6 Property, Plant and Equipment

Movements on carrying values of property, plant and equipment are as follows:

In thousands of Kazakhstani Tenge	Other	Construction in progress	Total
Cost at 1 January 2015	936,439	505,468	1,441,907
Accumulated depreciation and impairment	(281,647)	-	(281,647)
Carrying amount at 1 January 2015	**654,792**	**505,468**	**1,160,260**
Addiitons	34,114	14,726	48,840
Transfers	5,377	(5,377)	-
Depreciation	(181,136)	-	(181,136)
Transfer to other assets	780	(189,720)	(188,940)
Carrying amount at 31 December 2015	**513,927**	**325,097**	**839,024**
Cost at 31 December 2015	941,624	325,097	1,266,721
Accumulated depreciation and impairment	(427,697)	-	(427,697)
Carrying amount at 31 December 2015	**513,927**	**325,097**	**839,024**
Additions	11,621	-	11,621
Depreciation	(179,448)	-	(179,448)
Disposals	(103,891)	-	(103,891)
Depreciation write off on disposed PPE	53,338	-	53,338
Carrying amount at 31 December 2016	**295,547**	**325,097**	**620,644**
Cost at 31 December 2016	884,439	325,097	1,209,537
Accumulated depreciation and impairment	(588,892)	-	(588,893)
Carrying amount at 31 December 2016	**295,547**	**325 097**	**620,644**

7 Intangible assets

Movements on carrying values of intangible assets are as follows:

In thousands of Kazakhstani Tenge	**software**	**others**	**total**
Cost at 1 January 2015	790,097	390,087	1,180,184
Accumulated depreciation and impairment	(313,775)	(53,443)	(367,218)
Carrying amount at 1 January 2015	**476,322**	**336,644**	**812,966**
Addiitons	555,184	59,582	614,766
Depreciation	(89,086)	(41,223)	(130,309)
Disposals	(344,135)		(344,135)
Depreciation write off on disposed of intangible assets	149,456		149,456
Carrying amount at 31 December 2015	**747,741**	**355,003**	**1,102,744**
Cost at 31 December 2015	1,001,146	449,669	1,450,815
Accumulated depreciation and impairment	(253,405)	(94,666)	(348,071)
Carrying amount at 31 December 2015	**747,741**	**355,003**	**1,102,744**
Additions	71,097	6,398	77,495
Depreciation	(123,537)	(41,778)	(165,315)
Carrying amount at 31 December 2016	**695,301**	**319,623**	**1,014,924**
Cost at 31 December 2016	1,072,242	456,067	1,528,309
Accumulated depreciation and impairment	(376,941)	(136,444)	(513,385)
Carrying amount at 31 December 2016	**695,301**	**319,623**	**1,014,924**

8 Investments in Subsidiaries and Joint Ventures

At 31 December 2016 the cost of investment was as follows:

	Note	Date of acquisition	Country of registration	Carrying amount of investments at 31 December 2016, in thousands of tenge	Ownership percentage at 31 December 2016
a) Investments in subsidiaries					
"Ekibastuz GRES-1 named after Bulat Nurzhanov" LLP		31.10.2012	Kazakhstan	338,272,063	100%
"Alatau Zharyk Kompaniasy" JSC		29.07.2009	Kazakhstan	51,208,403	100%
"Almaty Power Plants" JSC		26.07.2011	Kazakhstan	30,212,480	100%
"Moynak GES" JSC		04.01.2008	Kazakhstan	21,864,616	100%
"First Wind Power Plant" LLP		28.05.2015	Kazakhstan	8,809,618	100%
"Samruk-Green Energy" LLP		13.06.2012	Kazakhstan	2,739,234	100%
"Shulbinsk HPP" JSC		04.01.2008	Kazakhstan	1,230,658	92%
"Bukhtarminsk HPP" JSC		04.01.2008	Kazakhstan	1,050,790	90%
"Shardarinsk HPP" JSC		03.06.2011	Kazakhstan	1,109,544	100%
"Ust-Kamenogorsk HPP" JSC		04.01.2008	Kazakhstan	465,019	90%
"Ereymentau Wind Power" LLP		28.05.2015	Kazakhstan	1,299,616	100%
"Almatyenergosbyt" LLP		26.07.2011	Kazakhstan	136,003	100%
"Kazhydrotechenergo" LLP		31.03.2014	Kazakhstan	222,506	100%
"Energia Semirechia" LLP		28.05.2015	Kazakhstan	15,319	51%
"Energy Solutions Center" LLP (earlier "Kapshagay HPP" LLP)		16.03.2016	Kazakhstan	53,150	100%
b) Investments in joint ventures					
Forum Muider B.V.		23.12.2008	The Netherlands	41,759,543	50%
"Ekibastuz GRES-2 Plant" JSC		04.01.2008	Kazakhstan	8,725,133	50%
c) Investments in associated companies					
"Balkhash TPP" JSC		24.06.2008	Kazakhstan	32,085,280	49,99%
Less:					
Impairment of investments				(7,834,480)	
Total investments				**533,424,495**	

The Company and "Alatau Zharyk Kompaniasy " JSC ("AZhK") signed Agreement for the sale and purchase of 100% shares of Aktobe CHP in the amount of 366, 768 shares (price of one share - 19, 567.5 tenge) at the balance-sheet value of Aktobe CHP net assets as of the date of the decision on conclusion of the deal equal to 7,176,726 thousand tenge. The right to ownership of shares was transferred against repurchase of AZhK shares in the amount of 12,827,331 (price of one share - 520 tenge) for a total of 6,670,212 thousand tenge, and bonds in the amount of 506,514 (the price of one bond is 1,000 tenge) for a total of 506,514 thousand tenge. In 2016, the Company contributed 4.707.293 thousand tenge to the authorized capital of AZhK in respect of this deal.

In 2016, the Company invested 330,809 thousand tenge in "Ereymentau Wind Power" LLP for operating needs. Also, the Company increased its stake in Balkhash TPP for the amount of 12,483,260 thousand tenge to 50% minus one share, where Samsung C & T is the controlling party for continuation of the project construction (note 4).

As a result of the impairment test, the Company recognized the impairment of investments in "Moynak HPP" JSC in the amount of 5,399,568 thousand tenge in 2016 (note 4).

On July 8, 2016, the Company signed a deal for the sale of "Karagandagiproshakht and K" LLP for the value of 154,716 thousand tenge. Registration of title transfer was completed on October 12, 2016.

8 Investments in Subsidiaries and Joint Ventures (continued)

At 31 December 2015 the cost of investments was as follows:

	Note	Date of acquisition	Country of registration	Carrying amount of investments at 31 December 2015, in thousands of tenge	Ownership percentage at 31 December 2015
a) Investments in subsidiaries:					
"Ekibastuz EGRES-1 named after Bulat Nurzhanov" LLP		31.10.2012	Kazakhstan	338,272,063	100%
"Alatau Zharyk Kompaniasy" JSC		29.07.2009	Kazakhstan	46,501,110	100%
"Almaty Power Plants" JSC		26.07.2011	Kazakhstan	30,212,480	100%
"Moynak GES" JSC		04.01.2008	Kazakhstan	21,864,616	100%
"Tegis Munay" LLP		29.12.2012	Kazakhstan	14,835,069	100%
"First Wind Power Plant" LLP		28.05.2015	Kazakhstan	9,092,563	100%
"East Kazakhstan Regional Energy Company" JSC		31.03.2012	Kazakhstan	7,723,741	100%
"Aktobe CHP" JSC		03.12.2015	Kazakhstan	7,176,726	100%
"Samruk-Green Energy" LLP		13.06.2012	Kazakhstan	2,739,234	100%
"Shulbinsk HPP" JSC		04.01.2008	Kazakhstan	1,230,658	92%
"Bukhtarminsk HPP" JSC		04.01.2008	Kazakhstan	1,050,790	90%
"Shardarinsk HPP" JSC		03.06.2011	Kazakhstan	1,221,089	100%
"Ust-Kamenogorsk HPP" JSC		04.01.2008	Kazakhstan	465,019	90%
"Ereymentau Wind Power" LLP		28.05.2015	Kazakhstan	968,807	100%
"Mangistau Distribution Power Grid Company" JSC		04.01.2008	Kazakhstan	785,297	77%
"Karagandagiproshakht and K" LLP		15.06.2015	Kazakhstan	286,019	90%
"Almatyenergosbyt" LLP		26.07.2011	Kazakhstan	136,003	100%
"Kazhydrotechenergo" LLP		31.03.2014	Kazakhstan	116,675	100%
"Energia Semirechia" LLP		28.05.2015	Kazakhstan	15,319	51%
"Kapshagay HPP" JSC (earlier "New Light Energy" LLP)		28.05.2015	Kazakhstan	152	100%
б) Investments in joint ventures					
Forum Muider B.V.		23.12.2008	The Netherlands	41,759,543	50%
"Ekibastuz GRES-2 Plant" JSC		04.01.2008	Kazakhstan	8,725,133	50%
в) Investments in associated companies					
"Balkhash TPP" JSC		24.06.2008	Kazakhstan	19,602,020	37.92%
Less:					
Investments impairment				(2,434,912)	
Total investments				**552,345,214**	

Transactions and balances with subsidiaries and joint ventures are disclosed in Note 5.

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

Changes in the legislation on renewable energy sources adopted in 2014 had a negative impact on the recoverable value of "Samruk-Green Energy" LLP assets. As a result of the impairment test, the Management recognized the impairment loss on investments in "Samruk-Green Energy" LLP as at 31 December 2014 in the amount of 739 235 thousand tenge. Investments in "Ust-Kamenogorsk HPP" JSC and "Shulbinsk HPP" JSC in the amount of 465 019 thousand tenge and 1 230 658 thousand tenge as of December 31, 2008, respectively, were depreciated and provisions for impairment were recognized in the profit and loss statement for 2008 since hydroelectric companies do not generate economic benefits for the Company.

9 Assets held for sale

On November 23, 2016, the Board of Directors approved the conditions for sale of a number of subsidiaries in accordance with the Government Decree on assets privatization. As of December 31, 2016, investments in EK REC, MDPGC, Aktobe CHP and TM were included in the disposal group.

The information about assets held for sale as at December 31, 2015 is as follows:

In thousands of Kazakhstani tenge	**31 December 2016**
Investments in “Tegis Munay” LLP	15,496,517
Investments in “EK REC” JSC	7,723,741
Investments in “Aktobe CHP” JSC	7,176,726
Investments in “MDPGC” JSC	785,297
Total assets held for sale	**31,182,280**

The Company invested 661,448 thousand tenge in “Tegis Munay” LLP during 2016 for operational needs of the subsidiary.

10 Loans issued

In thousands of Kazakhstani Tenge	**31 December 2016**	**31 December 2015**
Non-current portion		
“Almaty Power Plants” JSC bonds	24,329,000	31,148,000
“Alatau Zharyk Kompaniasy” JSC bonds	4,463,486	10,043,515
Loan issued to “Alatau Zharyk Kompaniasy” JSC	3,691,503	3,408,643
Loan issued to “First Wind Power Plant” JSC (FWPP)	1,651,325	1,828,288
“MDPGC” JSC bonds	1,198,337	1,191,941
Interest accrued on “FWPP” LLP loan	378,585	
“Samruk-Kazyna” SWF” JSC bonds	-	220,000
Loan issued to “EK REC” JSC	-	767,986
Total loans issued – non-current portion	**35,712,236**	**48,608,373**
Current portion		
“Alatau Zharyk Kompaniasy” JSC bonds	10,043,515	-
“Almaty Power Plants” JSC bonds	2,745,000	6,187,401
Interest accrued on bonds	771,542	635,673
Loan issued to “Energia Semirechia” LLP	450,901	65,000
Bonds of “Samruk-Kazyna” SWF” JSC	220,000	-
Loan issued to “Aktobe CHP” JSC	180,000	450,000
Interest accrued on loans issued	69,689	89,795
Financial aid provided to “Ust-Kamenogorsk HPP” JSC	30,390	30,390
Loans issued to “Zhambyl SDPP named after T.I.Baturov” JSC	5,442	5,442
“Kazakhstan Engineering” JSC bonds	-	6,800,200
Loan issued to “EK REC” JSC	-	511,991
Loan issued to “Almaty Power Plants” JSC	-	1,568,883
Others	-	-
Less impairment	(5,442)	(5,442)
Total loans issued – current portion	**14,511,037**	**16,339,333**

Bonds purchased from "Almaty Power Plants" JSC

As part of first bond program, "Almaty Power Plants" JSC placed 75, 488, 780 in March 2014 and placed 74,488,780 indexed bonds at a nominal value of 100 tenge and with an interest rate of 6% per annum in April 2014. The bonds were issued in order to finance investment project "Reconstruction and expansion of Almaty CHP-2. III stage”

10 Loans issued (continued)

Boiler unit of St. 8 investment project. Maturity of bonds is 2 to 6 years. The unsecured bonds were issued at Kazakhstan Stock Exchange and repurchased by Samruk-Energy.

In February and September 2015 the Company acquired additional bonds of “Almaty Power Plants” JSC in the amount of 14,587,785 thousand tenge with a nominal value of 100 Tenge and maturity period of up to 3 years. Coupon interest rate is fixed at 6% per annum

During the year ended December 31, 2016 "Almaty Power Plants" JSC redeemed bonds of the second and seventh issues in the amount of 32,988,780 at the indexed nominal value of 6,150,676 thousand tenge and early paid off the eighth issue bonds in the amount of 18,500,000 at an indexed face value of 3,404,000 thousand tenge.

"Alatau Zharyk Kompaniasy" JSC bonds

The Company purchased "Alatau Zharyk Kompaniasy" JSC bonds in December 2012 in the amount of 10,405,337 thousand tenge with a nominal value, maturity of 5 years and a fixed interest rate of 7% per annum. As of December 31, 2016, these “Alatau Zharyk Kompaniasy” JSC bonds in the amount of 10,043,515 thousand tenge were classified as current assets, as the maturity of the bonds is December 2017. As of December 31, 2015, these bonds were classified as long-term assets.

the Company additionally purchased bonds of “Alatau Zharyk Kompaniasy" JSC in August 2016 in the amount of 4,463,486 thousand tenge with a nominal value of 1,000 tenge and a maturity of up to 5 years.

The coupon interest rate is fixed at 15.5% per annum.

“MDPGC” JSC bonds

The Company purchased bonds of its subsidiary "MDPGC" JSC in August 2013 in the amount of 1,601,674 thousand tenge with a nominal value of 1 tenge and a maturity of 10 years. The coupon interest rate is fixed at 8% per annum.

“Samruk-Kazyna” JSC bonds

As of December 31, 2016, SWF “Samruk-Kazyna” JSC bonds in the amount of 220,000 thousand tenge were classified as current assets, as the maturity of bonds is October 2017.

As of December 31, 2015, these bonds were classified as long-term assets.

“Kazakhstan Engineering” JSC bonds

"NC “Kazakhstan Engineering" JSC redeemed bonds in the amount of 20,000 thousand US dollars during the year.

The loan issued to "Almaty Power Plants" JSC

Loan agreements were executed with "Almaty Power Plants" JSC for the amount of 1,000,000 thousand tenge and 1,249,331 thousand tenge, respectively for a 12 months term, in September 17, 2015 and November 5, 2015. The loans were provided for the purpose of financing the investment project "Reconstruction and expansion of Almaty CHP-2 of "APP" JSC III stage. Boiler unit of plant No.8. The interest rate was 14% per annum. During 2016 the Company received loans for a total of 644,648 thousand tenge. Loans under these agreements were repaid on September 18, 2016 and September 29, 2016.

A loan agreement for a total of KZT 2,500,000 thousand for a term of 12 months was executed with “Samruk-Energy” JSC on April 22,2016. The loan was issued on April 22, 2016 with a view to repayment of the second issue bonds. The interest rate was 16% per annum. "Almaty Power Plants" JSC repaid the debt under this loan agreement on September 29, 2016.

The loan issued to “Alatau Zharyk Kompaniasy” JSC

The Company issued a loan to “Alatau Zharyk Kompaniasy” JSC in the amount of 7,000,000 thousand tenge on January 31, 2011 for construction and reconstruction of substations and other facilities. The loan matures on January 21, 2024, the interest rate was 2% per annum payable quarterly. The amount outstanding as of December 31, 2016 was KZT 3,691,503 thousand (December 31, 2015: KZT 3,408,643 thousand).

10 Loans issued (continued)

The balance-sheet value of the loan is the present value of future cash flows discounted at a rate of 12.5%. The amount of difference between the fair value of “AZhK” JSC loan at the date of initial recognition and its nominal value being 3,675,691 thousand, net of income tax, was recognized as an additional investment in AZhK.

Loan issued to "First wind power plant" JSC

The Company issued loans worth 1,828,288 thousand tenge to "FWPP" JSC in 2015 for repayment of the loan from Eurasian Development Bank. The fixed interest rate was set at 14%. Repayment of principal and payment of interest is at the end of the loan term.

11 Other non-current assets

In thousands of Kazakhstani Tenge	**31 December 2016**	**31 December 2015**
Advances paid for non-current assets	2,200,000	2,200,000
Debt under provided financial guarantee of “First Wind Power Plant” LLP	1,211,193	704,977
Other non-current assets	105,525	213,484
Total other non-current assets	**3,516,718**	**3,118,461**

Advances paid for long-term assets were issued to EXPO Village LLP in 2014 and 2015 with the aim of building an administrative building for the Company.

The debt under provided financial guarantee of “FWPP” LLP represents the interest accrued for the issued guarantee under “FWPP” LLP loan from Eurasian Development Bank in 2014 for the amount of 14,167,000 thousand tenge with a fixed interest rate of 7.5% per annum.

12 Receivables

In thousands of Kazakhstani Tenge	**31 December 2016**	**31 December 2015**
Receivables from LLP “Taraz-Energo 2005”	-	2,098,911
Other receivables	-	4,911
Total receivables	**-**	**2,103,822**

The Company received 2,194,110 thousand tenge from “TARAZENERGO-2005” LLP for sale of “Zhambyl SDPP named after T.I. Baturov” JSC in 2016.

13 Other Current Assets

In thousands of Kazakhstani tenge	**31 December 2016**	**31 December 2015**
Short-term deposits	27,394,854	26,626,827
Dividends receivable	2,436,471	2,634,314
Assets held for the benefit of the Shareholder	1,096,559	952,481
Advances paid	241,719	85,380
Other taxes prepaid	66,144	52,903
Receivables from employees	54,129	48,065
Deferred expenses	634	23,260
others	9,600	44,612
Total other current assets	**31,300,110**	**30,467,842**

13 Other Current Assets (continued)

Short-term deposits

Information on balance-sheet value of short-term deposits as of December 31, 2016 is as follows below:

Bank	Amount	Repayment date	Interest rate	Currency
ATF Bank	2,653,633	09.06.2017	4%	USD
Astana Bank	1,721,768	22.08.2017	10%	KZT
Eurasian Bank	4,343,963	27.11.2017	3%	USD
Qazaq Banki	6,399,168	24.12.2016	5.35%	USD
RBK Bank	3,277,492	01.08.2017	4%	USD
Tsesna Bank	8,998,830	24.12.2017	2.10%	USD
Total	**27,394,854**			

Information on balance-sheet value of short-term deposits as of December 31, 2015 is as follows below:

Bank	Amount	Repayment date	Interest rate	Currency
ATF Bank	5,215,213	25.05.2016	5.30%	USD
Eurasian Bank	51,235	21.05.2016	5.30%	USD
Bank RBK	3,426,996	19.11.2016	5.30%	USD
Bank RBK	5,908,818	29.05.2016	5.30%	USD
Qazaq banki	6,630,195	24.12.2016	5.35%	USD
Tsesna Bank	5,380,204	25.05.2016	5.30%	USD
Total	**26,626,827**			

Assets held for the benefit of the Shareholder

On behalf of the Shareholder, the Company made a commitment for the construction of a kindergarten in Astana for the amount of 1,174,065 thousand tenge. The Company recognized an obligation for the estimated amount of construction for amount of 1,174,065 thousand tenge as other distributions to shareholder. As at 31 December 2016, the Company incurred expenses associated with the construction of a kindergarten of 1,096,559 thousand tenge These actually incurred expenses are recorded as current assets held for the benefit of the Shareholder, as it is expected that these assets will be transferred to the Shareholder during 2017 through distribution of income in favor of the Shareholder pursuant to its decision.

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14 Cash and cash equivalents

Cash and cash equivalents

In thousands of Kazakhstani tenge	**31 December 2016**	**31 December 2015**
Cash on bank accounts – USD	876,408	5,897,312
Cash on bank accounts – EUR	27,593	28,122
Cash on bank accounts – KZT	105,821	558,565
Cash on bank accounts – RUB	2	116
Cash in transit	-	-
Cash on hand	2,652	1,177
Cash on fixed-term deposits up to 3 months – KZT	3,800,000	150,000
Total cash and cash equivalents	**4,812,476**	**6,635,292**

15 Share capital

	Issue date	**Number of authorized and issued shares**	**Value, KZT**	**Share capital, 000'KZT**
Paid-in capital at 1 January 2015		**5,585,437**		**355,364,386**
14th issue of shares	15 July 2015	286	1,000,065	286,019
Paid-in capital at 31 December 2015		**5,585,723**		**355,650,405**
15th issue of shares	1April 2016	10,964	1,000,044	10,964,483
16th issue of shares	14 July 2016	2,239	1,340,000	3,000,260
17th issue of shares	23 August 2016	2,761	1,340,000	3,699,740
Paid-in capital at 31 December 2016		**5,601,687**		**373,314,888**

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

At 31 December 2016, SWF "Samruk-Kazyna" is a 100% shareholder of the Company (2015: 100%).

The Company declared dividends of 2,041,000 thousand tenge on April 22, 2016, and these dividends were paid to the Shareholder on October 27, 2016 (2015: 4,781,073 thousand tenge).

16 Borrowings

In thousand of Kazakhstani tenge	31 December 2016	31 December 2015
Long-term portion		
Eurobonds	-	169,846,110
Borrowings from Samruk-Kazyna	55,764,655	54,355,849
Long-term bank loans	10,670,000	10,000,000
Total borrowings – long-term portion	**66,434,655**	**234,201,959**
Short-term portion		
Eurobonds	166,560,927	-
Short-term bank loans	1,248,900	10,698,000
Borrowings from Samruk-Kazyna	2,381,109	2,381,110
Interest accrued – borrowings from Samruk-Kazyna	236,088	800,135
Interest accrued – Eurobonds	190,947	194,797
Interest accrued – bank loans	214,708	225,215
Total short-term portion	**170,832,678**	**14,299,257**
Total borrowings	**237,267,333**	**248,501,216**

The analysis of balance-sheet and fair value of these loans is presented below:

	31 December 2016		**31 December 2015**	
In thousands of Kazakhstani Tenge	**Balance-sheet value**	**Fair value**	**Balance-sheet value**	**Fair value**
Borrowings	58,381,852	53,653,250	57,537,093	47,960,689
Bonds	166,751,874	167,789,851	170,040,908	164,224,827
Bank loans	12,133,608	12,133,608	20,923,215	21,098,858
Total borrowings	**237,267,334**	**233,576,709**	**248,501,216**	**233,284,374**

Samruk-Kazyna

On March 17, 2010, the Company signed a loan agreement with Samruk-Kazyna for KZT 48,200,000 thousand for debt refinancing as a result of acquisition of a 50% interest in Forum Muider. The loan was issued at the interest rate of 1.2% per annum (effective interest rate is 7.4 per annum), and maturity not later than September 15, 2029. The principal is repayable by equal annual installments, and interest is paid by semi-annual installments, starting from the next reporting year after the loan is received.

On January 14, 2011, the Company signed a loan agreement with Samruk-Kazyna for KZT 7,000,000 thousand for refinancing of construction of Alatau Zharyk Kompaniasy's substation. The loan was issued at the interest rate of 2% per annum (effective interest rate is 7.4 per annum and maturity not later than January 25, 2024. The principal is repayable by the end of the period, and interest is paid by semi-annual installments.

On January 16, 2014, the Company signed a loan agreement with Samruk-Kazyna for KZT 200,000,000 thousand for acquisition of the remaining interest in EGRES-1. The principal is repayable on December 1, 2028, and interest is paid by semi-annual installments at the rate of 7.8%.

On 3 October 2014, the loan agreement was changed significantly, according to addendum to the loan agreement #369, as follows:

- Principal of KZT 100,000,000 thousand was converted into shares of the Company
- Interest rate on the remaining principal was increased to 9% per annum, which approximates the market interest rate.

16 Borrowings (continued)

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

The market rate at the date of the loan receipt was 12.8% per annum. The Company recognized income from initial recognition of the loan of KZT 72,581,903 thousand, less the effect of income tax, within other capital, since management believes that when issuing a loan at the rate lower than the market one Samruk-Kazyna acted as a shareholder of the Company.

Profit from initial recognition of the loan received was recorded as a difference between the nominal value of the loan received and its fair value at the date of recognition, calculated using the discounted cash flow method and effective interest rate of 12.8% per annum.

Bonds

Based on the decision of the board of directors dated 7 September 2012 and 6 December 2012 the following parameters of the first emission of Eurobonds were approved:

- Volume of emission – USD 500,000,000;
- Form of emission – as per Provision S;
- Notes payable in 5 years.

The coupon interest rate was set at 3.75% per annum (effective rate of 3.85%). The number and form of issued bonds: 500,000 (five thousand) unsecured bonds. The nominal value of one bond is USD 1,000 (one thousand). The emission was registered on the Ireland's stock exchange on 20 December 2012 under number ISIN-XS0868359166. On 19 December 2012, the Kazakhstan stock exchange included Samruk-Kazyna JSC into the official register under category of "debt securities with rating score" under number ISIN-XS0868359166. The Company issued and placed the full amount of Eurobonds in the amount of USD 500,000 thousand.

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

During 2015, the National Bank of the Republic of Kazakhstan decided to stop supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate of Tenge depreciated from KZT 182.35 to KZT 333.29 for USD 1 at 31 December 2016 (2015: KZT 340.01 for USD 1). The Company recognized an exchange loss of KZT 78,823,854 thousand with respect to Eurobonds denominated in US dollars.

As at 31 December 2016, Eurobonds were classified as short-term loans, as the maturity of the bonds is December 2017. As of December 31, 2015, these bonds were classified as long-term loans.

ATF bank

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

Halyk bank

On 25 May 2015 the Company opened renewable short-term credit line for amount of Tenge 10,000,000 thousand with Halyk Bank for purpose of replenishing of working capital. The interest rate on loans depends on maturity of loan and varies from 10.5% to 12.5%.

On 6 November 2015 the Company extended the term of this credit line until 26 May 2017 and the new interest rate was set as 12.5% irrespective of maturity for new loans issued since 1 October 2015. The total amount of loans received in 2015 under the credit line made 20,698,000 thousand tenge. The Company paid off the balance of debt under this credit line in the amount of 6,198,000 thousand tenge (2015: 14,500,000 thousand tenge) during 2016.

16 Borrowings (continued)

Kazkommertsbank

A 10,000,000 thousand tenge loan with a term of 5 years was obtained from "Kazkommertsbank" JSC during 2015 as part of an agreement on opening a credit line #1610 dated 21 October 2015. The purpose was to replenish the working capital. The nominal rate of the loan is 12%, and the effective rate is 12.7%.

SB Sberbank of Russia JSC

The Company received a loan in the amount of 230,000,000 Russian rubles at a rate of 14.5% per annum with a maturity date until June 16, 2017, as well as a long-term loan in the amount of 670,000,000 at a rate of 13% with a maturity date until December 21, 2018.

17 Financial Guarantees

At 31 December 2016, the Company has guarantees issued for the loans received by “First Wind Power Plant” LLP and “Shardarinsk HPP” JSC. The fair value on initial recognition was determined as the sum resulting from applying an interest rate to the guaranteed amount, representing a difference between the interest rate at which the borrower received the loan guaranteed by the Company and the interest rate, which would be applied if the Company did not issue the guarantee. The cost of the guarantee is regarded as an investment in a subsidiary.

In thousand of Kazakhstani tenge	Amount of guaranteed liabilities		Guarantee term		Valuation
Company	**31 December 2016**	**31 December 2015**	**Guarantee issue date**	**term**	**rate under guarantee**
“FWPP” LLP	13,174,957	14,310,421	29 April 2013	29 April 2024	1%
“Shardarinsk HPP” JSC	11,450,000	7,500,000	2 December 2015	2 December 2023	3%
Total	**24,624,957**	**21,810,421**			

18 Other payables and accrued liabilities

In thousand of Kazakhstani tenge	31 December 2016	31 December 2015
Payables to suppliers and contractors	234,230	345,448
Guarantee obligation for tender participation	158,820	2,264,065
Other payables	514,748	216,535
Total financial payables	**907,798**	**2,826,048**

19 Obligation to the Shareholder

On behalf of the Shareholder, the Company made a commitment for the construction of a kindergarten in Astana for the amount of 1,174,065 thousand tenge. The Company recognized an obligation for the estimated amount of construction for amount of 1,174,065 thousand tenge as other distributions to shareholder. As at 31 December 2016, the Company incurred expenses associated with the construction of a kindergarten of 1,096,559 thousand tenge These actually incurred expenses are recorded as current assets held for the benefit of the Shareholder, as it is expected that these assets will be transferred to the Shareholder during 2017 through distribution of income in favor of the Shareholder pursuant to its decision.

20 General and Administrative expenses

In thousand of Kazakhstani tenge	**2016**	**2015**
Salaries and related costs	2,468,579	2,550,957
Consulting and other services	1,287,222	753,466
Rent expenses	338,046	361,370
Depreciation and amortization of intangible assets	344,763	311,445
taxes	185,860	220,651
Business trip expenses	142,312	145,038
sponsorship	-	90,000
Staff training and related costs	77,599	89,008
Insurance	40,546	33,462
Communication costs	36,073	26,208
Membership fees	162,800	85,108
Others	508,697	359,063
Total general and administrative expenses	**5,592,497**	**5,025,776**

21 Dividend income

In thousand of Kazakhstani tenge	**2016**	**2015**
Forum Muider B.V	4,984,002	5,038,901
“Bukhtarminsk HPP” JSC	2,420,599	1,545,366
“Ekibastuz GRES-1 named after Bulat Nurzhanov” LLP	2,200,000	8,000,000
“Aktobe CHP” JSC	104,162	-
“MREK” JSC	90,608	180,017
“Alatau Zharyk Kompaniasy” JSC	78,721	616,572
“Shardarinsk HPP” JSC	36,458	114,506
“Karagandagiproshakht and K” LLP	2,358	-
“East Kazakhstan Regional Energy Company” JSC	459	76,571
“Almaty Power Plants” JSC	-	468,492
“Ekibastuz GRES-2 Plant” JSC	(1,500,000)	-
Total dividend income	**8,417,367**	**16,040,425**

22 Finance income

In thousand of Kazakhstani tenge	**2016**	**2015**
Indexation income on bonds issued to subsidiaries	-	17,257,185
Interest income on bonds	3,453,090	3,258,858
Interest income on bank deposits	1,326,390	1,502,845
Interest income on financial aid issued	863,014	460,852
Amortization of discount on financial aid issued	282,861	259,804
others	485,915	18,881
Total finance income	**6,411,270**	**22,758,425**

23 Finance costs

In thousand of Kazakhstani tenge	**2016**	**2015**
Interest expenses on bonds	6,405,375	4,456,484
Amortization of discount of present value on loans and financial aid from shareholders	3,864,729	1,913,099
Interest expense on borrowings	3,155,718	11,556,741
Loss from indexation of bonds issued to subsidiaries	706,726	-
others	133,158	324,128
Total finance income	**14,265,706**	**18,250,452**

24 Other operating expenses

In thousand of Kazakhstani tenge	**2016**	**2015**
Impairment of investments in “Moynak HPP” JSC	5,399,568	-
Impairment of investments in “Karagandagiproshakht” LLP	131,303	-
other	21,005	258,333
Total other operating expenses	**5,551,876**	**258,333**

25 Income tax

In thousand of Kazakhstani tenge	**2016**	**2015**
Current income tax	272,740	277,567
Deferred income tax	-	-
Total income tax expense	**272,740**	**277,567**

25 Income tax (continued)

A reconciliation between the expected and the actual taxation charge is provided below:

In thousand of Kazakhstani tenge	2016	2015
IFRS Profit (loss) before tax	**(7,470,565)**	**(38,944,587)**
Theoretical tax charge at statutory rate of 20% (2015: 20%)	(1,494,113)	(7,788,917)
Adjustments for:		
Dividend income	(1,683,473)	(3,317,005)
Non-deductible expenses	103,022	166,053
Withholding income tax	272,740	277,566
others	23,089	(737,099)
Changes in unrecognized deferred income tax assets	4,396,955	11,676,969
Adjustment of previous years	(1,345,480)	-
Total income tax expense	**272,740**	**277,567**

Differences between IFRS and statutory taxation regulations in the Republic of Kazakhstan 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 reflected at tax rates expected to apply in the period of recovery of temporary differences

In thousand of Kazakhstani tenge	1 January 2016	Charged/ (credited) to profit or loss	31 December 2016
Tax effect of deductible temporary differences			
Tax loss carry forwards	16,211,135	2,119,652	18,330,787
Loans to subsidiaries, joint ventures and associates	730,533	(21,370)	709,163
Investments in subsidiaries, joint and associated entities	266,056	961,941	1,227,997
Other receivables	41,503	286,066	327,569
Guarantee	-	286,455	286,455
Gross deferred income tax assets	**17,249,227**	**3,632,744**	**20,881,971**
Unrecognized tax assets	-	(4,396,956)	(4,396,956)
Less offset with deferred income tax liabilities	(17,249,227)	764,212	(16,485,015)
Recognized deferred income tax assets	**-**	**-**	**-**
Tax effect of taxable temporary differences			
Property, plant and equipment	(116,166)	85,918	(30,248)
Borrowings	(17,133,061)	678,294	(16,454,767)
Gross deferred income tax liabilities	**(17,249,227)**	**764,212**	**(16,485,015)**
Less offset with deferred income tax assets	17,249,227	(764,212)	16,485,015
Recognized deferred income tax liabilities	**-**	**-**	**-**

The company does not plan to receive taxable income in the foreseeable future, other than income that is subject to withholding tax at source

25 Income tax (continued)

In thousand of Kazakhstani tenge	1 January 2015	Charged/ (credited) to profit or loss	Charged/ (credited) directly to equity	31 December 2015
Tax effect of deductible temporary differences				
Tax loss carry forwards	4,852,711	11,358,424	-	16,211,135
Loans to subsidiaries, joint ventures and associates	781,937	(51,404)	-	730,533
Investments in subsidiaries, joint and associated entities	266,056	-	-	266,056
Other receivables	54,962	(13,460)	-	41,502
Gross deferred income tax assets	**5,955,666**	**11,293,560**	**-**	**17,249,226**
Unrecognized tax assets	(2,768,602)	(11,676,969)	14,445,571	-
Less offset with deferred income tax liabilities	(3,187,064)	383,409	(14,445,571)	(17,249,226)
Recognized deferred income tax assets	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Property, plant and equipment	(81,021)	(35,145)	-	(116,166)
Borrowings	(3,106,043)	418,554	(14,445,571)	(17,133,060)
Gross deferred income tax liabilities	**(3,187,064)**	**383,409**	**(14,445,571)**	**(17,249,226)**
Less offset with deferred income tax assets	3,187,064	(383,409)	14,445,571	17,249,226
Recognized deferred income tax liabilities	**-**	**-**	**-**	**-**

As at 31 December 2016, the Company did not recognize the deferred income tax asset in respect of unused tax losses carried forward for subsequent periods in the amount of 4,396,956 thousand tenge. These losses can be used until 2025 and 2026 in respect of KZT 2,673,841 thousand and KZT 1,723,115 thousand, respectively.

The Company expects that deferred tax assets / liabilities will be utilized redeemed as follows:

In thousand of Kazakhstani tenge	31 December 2016	31 December 2015
Deferred tax assets realized within the next 12 months	92,154	21,370
Deferred tax assets realized for a period of more than 12 months	16,392,861	17,227,857
Deferred tax liabilities payable within the next 12 months	340,447	764,212
Deferred tax liabilities payable in the period of more than 12 months	16,114,320	16,485,015

26 Contingencies and Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

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

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

During 2016 the National Bank adhered to the regime of free floating exchange rate of tenge. Depending on the impact of fundamental external and internal factors, tenge rate fluctuated in the range of 327.66 - 383.91 tenge per US dollar. At the same time, the greatest volatility of tenge associated with a decrease in the price of oil to $ 27 per barrel was observed in early 2016. As of the date of this report, the exchange rate was 315.35 tenge per US dollar, having gained 2.0% over the year. To limit the sharp fluctuations of the exchange rate which do not indicate the influence of fundamental factors, the National Bank acted as a buyer of foreign currency for the period from January to August 2016.

26 Contingencies and Commitments and Operating Risks (continued)

During this period, the volume of the National Bank's interventions for net purchase of US dollars amounted to 2.9 billion US dollars. Stabilization of the situation in the domestic market, reduction of negative expectations regarding the tenge exchange rate in the 4th quarter of 2016 enabled the National Bank not to participate in the foreign exchange market for four consecutive months, starting from September 2016.

Thus, there is uncertainty about the exchange rate of tenge, as well as the impact of this factor on the economy of the Republic of Kazakhstan.

In mid-January 2016, the international rating agency Standard & Poor significantly lowered its outlook for oil prices in 2016-2019. As the economy of Kazakhstan is largely dependent on the oil and gas sector, Standard & Poor is now expecting stagnation or a very small increase in GDP.

Accordingly, in February 2016, Standard & Poor lowered Kazakhstan's long-term credit ratings on liabilities in foreign and national currencies from BBB to BBB-. Moreover, S & P lowered Kazakhstan's short-term ratings on liabilities in foreign and national currencies from "A-2" to "A-3", and the national scale rating - from "kzAA +" to "kzAA-". The outlook on the long-term ratings is "negative".

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

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

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

The Company 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 Company will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business in current circumstances.

Tax legislation

Kazakhstani tax legislation and practice are in a state of continuous development and therefore are 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 Kazakhstan tax authorities for five years. Under certain circumstances reviews may cover longer periods.

The Company's management is sure of accuracy of its interpretation of the norms of legislation and justification of the Company's positions in the issues of the tax, currency and customs legislation. In management's estimate, the Company will not incur significant losses on current and potential tax claims in excess of provisions made in these financial statements.

Insurance

The Kazakhstani insurance market is still being developed and many insurance services popular in other countries are still not available in Kazakhstan. The Company does not provide full insurance coverage for its production facilities, losses due to suspension of production or third party liabilities arising in connection with damages caused to properties or environment in the result of accidents or the Company's operations. Until the Company has an adequate insurance coverage, there is a risk that the loss or damage of certain assets might have a substantial negative impact on the Company's performance and financial position.

26 Contingencies and Commitments and Operating Risks (continued)

Legal proceedings

The Company is involved in certain other legal proceedings arising in the normal course of business. Management is of the opinion, at present there are no current other legal proceedings or other outstanding claims the results of which could have a significant adverse effect on the Company's financial position.

27 Financial Instruments by Category

Principles of accounting policy for financial instruments were applied to the below mentioned items:

In thousand of Kazakhstani tenge	**note**	**31 December 2016**	**31December 2015**
Loans and receivables:			
Cash and cash equivalents	14	4,812,476	6,635,292
Short-term deposits	13	27,394,854	26,626,827
Financial receivables	12	-	2,103,822
Indebtedness of subsidiaries under a guarantee issued	11	1,211,193	704,977
Dividends receivable	13	2,436,471	2,634,314
Loans issued	10	50,223,273	64,947,706
Total financial assets		**86,082,634**	**103,652,938**
Other financial liabilities			
Loans	16	237,267,334	248,501,216
Financial accounts payable	18	907,798	2,826,048
Total financial liabilities		**238,175,132**	**251,327,264**

28 Financial risk management

Financial risk factors

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

The Company manages financial, operating and legal risks. The main objective of financial risk management is determining limits of risk and further ensuring observance of the set limits. Management of operating and legal risks should ensure proper observance internal regulations and procedures to minimize operating and legal risks.

28 Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

In thousand of Kazakhstani tenge	**Rating (S&P)**	**31 December 2016**	**31 December 2015**
Financial receivables	Not available	-	2,103,822
Dividends receivable	Not available	2,436,471	2,634,314
Loans issued	Not available	50,223,273	64,947,706
Indebtedness of subsidiaries under a guarantee issued	Not available	1,211,193	704,977
Cash and cash equivalents:			
Bank Center Credit	B	6	5,656
Halyk Bank	BB	4,672,094	2,001,971
Kazkommertsbank	CCC	35,055	895,588
ATF bank	CCC	8,735	8,739
Bank of Astana	B	13,976	3,400,100
Tsesna Bank	B	15,270	323,238
SB Sberbank	BB-	1,857	-
RBK bank	B-	23,045	-
Qazaq Banki	B-	39,786	-
Total cash on current bank accounts		**4,809,824**	**6,635,292**
Cash in lending agencies:		-	-
RBK	B-	3,277,492	9,335,814
ATF bank	CCC	2,653,633	5,215,213
Eurasian bank	B	4,343,963	51,235
Qazaq Banki	B-	6,399,168	6,630,195
Bank of Astana	B	1,721,768	14,167
Tsesnabank	B	8,998,830	5,380,203
Total cash in lending agencies		**27,394,854**	**26,626,827**
Total maximum exposure to credit risk		**86,082,634**	**103,652,938**

(б) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, which are settled by a transfer of cash or another financial asset. The Company's approach to liquidity management consists in ensuring, to the extent possible, constant availability of the Company's liquid funds sufficient to repay its liabilities on time under both ordinary and stress conditions, preventing unacceptable losses and not compromising the Company's reputation.

28 Financial risk management (continued)

The maturity analysis of financial liabilities of the Company, showing remaining maturities at the reporting date until contractual maturities, is as follows.

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**
At 31 December 2016					
Borrowings	70,000	2,906,896	3,595,793	29,648,258	136,922,756
Liabilities under Eurobonds	-	-	172,894,188	-	-
Other payables and accrued liabilities	-	907,796	-	-	-
Financial guarantees	1,249,215	388,943	1,678,339	18,122,016	7,302,424
Total financial liabilities	**1,319,215**	**4,203,635**	**178,168,320**	**47,770,274**	**144,225,180**
At 31 December 2015:					
Borrowings	79,231	11,838,835	5,123,191	20,637,783	130,811,092
Liabilities under Eurobonds	-	-	6,365,063	169,735,000	-
Other payables and accrued liabilities	-	2,826,048	-	-	-
Financial guarantees	-	-	1,221,949	8,978,705	22,463,887
Total financial liabilities	**79,231**	**14,664,883**	**12,710,203**	**199,351,488**	**153,274,979**

(c) Market risk

Currency risk

Some borrowings of the Company (Note 16), short-term deposits (Note 13) and cash (Note 14) denominated in foreign currency (in US dollars and Euro), therefore the Company is exposed to currency risk. Due to limited choice of derivative financial instruments in the Kazakhstani market and because such instruments are expensive, management decided not to hedge the Company's currency risk, since benefits from such instruments do not cover respective expenses. Despite this, the Company continues tracing changes in the market of financial derivatives for introduction of a hedging structure in the future or as necessary.

The table below shows totals of assets and liabilities denominated in foreign currency causing exposure to currency risk:

In thousands of Kazakhstani tenge	**US dollar**	**Euro**	**Other currencies**	**Total**
At 31 December 2016:				
Assets	28,301,296	114,543	3,602	28,419,441
Liabilities	(166,865,816)	(3,448)	(1,281,570)	(168,150,834)
Net position	**(138,564,520)**	**111,095**	**(1,277,968)**	**(139,731,392)**
At 31 December 2015:				
Assets	40,567,395	28,122	116	40,595,633
Liabilities	(170,040,908)	(25,899)	-	(170,066,807)
Net position	**(129,473,513)**	**2,223**	**116**	**(129,471,174)**

28 Financial risk management (continued)

The table below shows totals of assets and liabilities denominated in foreign currency causing exposure to currency risk:

	At 31 December 2016	At 31 December 2015
In thousands of Kazakhstani tenge	**Influence on profit or loss and equity**	**Influence on profit or loss and equity**
Strengthening of the US Dollar by [13%] (2015: strengthening by [60]%)	(18,013,388)	(77,684,108)
Weakening of the US Dollar by [13%] (2015 : weakening by [20]%)	18,013,388	25,984,703
Strengthening of euro by [15%] (2015: strengthening by [60]%)	16,664	1,334
Weakening of euro by [15%] (2015: weakening by [20]%)	(16,664)	(445)
Strengthening of other currencies by [17%] (2015: strengthening by [53%]%)	(217,255)	61
Weakening of other currencies by [19%] (2015: weakening by [23]%)	242,814	(27)

Interest rate risk

Changes in interest rates influences mainly borrowings, changing either their fair value (fixed interest rate debt liabilities) or future cash flows on them (floating interest rate debt liabilities). The Company's management does not have a formalized policy as to the ratio at which interest risks of the Company should be allocated between fixed interest rate loans and floating interest rate loans. However when attracting new borrowings, management decides as to which interest rate – fixed or floating – would be more beneficial for the Company during the expected period until maturity, based on its own judgments.

Management of Capital

The Company's objectives when managing capital are to ensure the Company'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 Company 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 Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital.

Net borrowings are determined as the total loans (including current loans and non-current loans carried in a separate statement of financial position) less cash and cash equivalents. The total capital is determined as Total capital carried in the separate statement of financial position plus net borrowings.

In thousands of Kazakhstani Tenge	**Note**	**31 December 2016**	**31 December 2015**
Total borrowings	16	237,267,333	248,501,216
Less:			
Cash and cash equivalents	14	(4,812,476)	(6,635,292)
Net debt		232,454,857	241,865,924
Total equity		415,258,327	407,378,148
Total capital		**647,713,184**	**649,244,072**
Leverage ratio		**55.98%**	**59.37%**

29 Fair Value of Financial Instruments

Fair value measurement

Fair value is the amount at which a financial instrument could be exchanged during a current deal between stakeholders, other than cases of forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments were determined by the Company using available market information, if available, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan's economy continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in 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.

The results of fair value evaluation are analyzed and distributed to levels of fair value hierarchy: (i)the 1st level includes estimates on quoted prices (non-adjustable) in active markets for identical assets and liabilities, (ii) the 2nd level includes those received via evaluation methods in which all usable significant information is directly or indirectly observable for the asset or liability (i.e., e.g., price) and (iii) evaluations of 3rd level are estimates not based on observable market data (i.e., based on unobservable inputs).

All the Company's financial instruments are carried at amortized cost. Their fair value at 3rd level of fair value hierarchy was estimated using discounted cash flows.

Financial assets carried at amortized value

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 credit risk of the counterparty. Due to short maturities, carrying amounts of financial receivables, cash and cash equivalents and other financial current assets approximate their fair values.

Financial liabilities carried at amortized value

The estimated fair value of 1st level borrowings is based on quoted market prices.

The estimated fair value of fixed interest rate instruments with established maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to short maturities, the carrying amount of financial payables approximately equals their fair value.

Fair values analyzed by levels of fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2016				**31 December 2015**			
In thousands of Kazakhstani Tenge	**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	-	-	4,812,476	4,812,476	-	-	6,635,292	6,635,292
Deposits with fixed term	-	-	27,394,854	27,394,854	-	-	26,626,827	26,626,827
Financial receivables	-	-	-	-	-	-	2,103,822	2,103,822
Dividends receivable	-	-	2,436,471	2,436,471	-	-	2,634,314	2,634,314
Loans issued	212,098	-	50,003,373	50,223,373	6,835,820	-	57,927,506	64,947,706
Total financial assets	**212,098**	**-**	**84,647,173**	**84,867,173**	**6,835,820**	**-**	**95,927,761**	**102,947,961**
Liabilities								
Borrowings	167,789,851	-	65,786,858	237,267,334	164,224,827	-	69,059,547	248,501,216
Financial receivables	-	-	907,796	907,796	-	-	2,826,048	2,826,048
Financial guarantees issued	-	-	1,432,273	1,432,273	-	-	1,644,699	1,644,699
Total financial liabilities	**167,789,851**	**-**	**68,126,927**	**239,607,403**	**164,224,827**	-	**73,530,294**	**252,971,963**

30 Events after the reporting date

According to the Loan Agreement with SB Sberbank of Russia, the Company received a loan in the amount of 3,402,000 thousand tenge for a term of 2 years at a rate of 13% per annum in the first quarter of 2017.

In February 2017, the Company invested cash in its subsidiary “Alatau Zharyk Kompaniasy” JSC in the amount of 1,089,171 thousand tenge to finance spending of the project "Transfer of the load of 220/110/10 kV Substation No.131 A Gorny Gigant to 220/110/10-10 kV Substation 160A "Ermensay" through 110 kV grids followed by subsequent dismantling of SS-131A".

In March 2017, the Company repaid the current portion of the principal loan under loan agreement No. BAK-48 dated March 17, 2010 in the amount of 2,381,109 thousand tenge to “Samruk-Kazyna”JSC.