

**JSC “National Company “KazMunayGas”**

**Consolidated financial statements**

*For the year ended December 31, 2015  
with independent auditors' report*

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Independent auditors’ report

**Consolidated financial statements**

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## **Independent auditors' report**

To the Shareholders and Management of "National Company "KazMunayGas" JSC:

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

### **Management's responsibility for the consolidated financial statements**

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

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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### Opinion

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

*Ernst & Young LLP*



Alexander Nazarkulov  
Auditor

Auditor qualification certificate  
No. MΦ-0000059 dated January 6, 2012

Evgeny Zhemaletdinov  
General Director  
Ernst and Young LLP

State audit license for audit activities on the  
territory of the Republic of Kazakhstan: series  
MΦЮ-2 No. 0000003 issued by the Ministry of  
finance of the Republic of Kazakhstan on  
July 15, 2005

March 14, 2016

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In thousands of tenge	Note	As at December 31	
		2015	2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,651,338,456	4,296,118,047
Exploration and evaluation assets	9	208,526,063	277,064,868
Investment property	10	29,260,917	27,197,634
Intangible assets	11	116,514,982	182,966,270
Long-term bank deposits	12	48,808,421	97,524,249
Investments in joint ventures and associates	13	3,422,939,745	1,217,661,400
Deferred income tax asset	32	107,481,291	93,131,484
VAT receivable		42,455,417	79,168,765
Advances for non-current assets		133,734,033	100,705,148
Bonds receivable from Samruk-Kazyna	33	37,400,972	37,145,896
Note receivable from a shareholder of a joint venture	14	21,602,249	13,807,568
Note receivable from associate	33	42,319,688	28,237,627
Loans and receivable due from related parties	17	433,410,880	101,900,198
Other non-current assets		26,256,696	34,569,632
		7,322,049,810	6,587,198,786
<b>Current assets</b>			
Inventories	15	125,506,949	194,960,759
VAT receivable		88,709,365	110,052,511
Income tax prepaid	32	60,482,541	42,744,212
Trade accounts receivable	16	95,261,169	202,622,353
Short-term bank deposits	12	947,909,540	693,879,434
Bonds receivable from Samruk-Kazyna	33	4,440,000	4,440,000
Loans due from related parties	17	113,045,841	34,697,640
Note receivable from a shareholder of a joint venture	14	8,821,698	4,658,127
Derivatives		—	6,427,473
Other current assets	16	92,945,564	98,581,850
Cash and cash equivalents	18	768,576,619	823,031,494
		2,305,699,286	2,216,095,853
Assets classified as held for sale	5	1,081,908,562	35,546,227
		3,387,607,848	2,251,642,080
<b>Total assets</b>		<b>10,709,657,658</b>	<b>8,838,840,866</b>

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

In thousands of tenge	Note	As at December 31	
		2015	2014
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19	696,363,445	557,072,340
Additional paid-in capital	19	243,655,405	226,761,347
Other equity		3,110,573	2,105,737
Currency translation reserve	19	1,405,325,707	448,739,927
Retained earnings		2,988,542,754	2,627,270,657
<b>Attributable to equity holder of the Parent Company</b>		<b>5,336,997,884</b>	<b>3,861,950,008</b>
Non-controlling interest	19	753,179,913	555,162,424
<b>Total equity</b>		<b>6,090,177,797</b>	<b>4,417,112,432</b>
<b>Non-current liabilities</b>			
Borrowings	20	2,932,323,037	2,427,190,567
Payable for the acquisition of additional interest in North Caspian Project	21	–	396,345,201
Provisions	22	150,427,821	183,530,985
Deferred income tax liabilities	32	218,369,213	194,793,626
Financial guarantee		8,038,985	9,077,566
Other non current liabilities		21,186,312	12,938,824
		<b>3,330,345,368</b>	<b>3,223,876,769</b>
<b>Current liabilities</b>			
Borrowings	20	296,545,652	670,529,840
Provisions	22	116,508,954	50,329,517
Income tax payable	32	4,114,767	2,250,849
Trade accounts payable	23	174,016,256	233,653,734
Other taxes payable	24	40,015,053	80,534,178
Financial guarantee		1,121,173	755,010
Derivatives		174,880	277,887
Other current liabilities	23	144,413,935	147,781,512
		<b>776,910,670</b>	<b>1,186,112,527</b>
Liabilities directly associated with the assets classified as held for sale	5	512,223,823	11,739,138
<b>Total liabilities</b>		<b>4,619,479,861</b>	<b>4,421,728,434</b>
<b>Total equity and liabilities</b>		<b>10,709,657,658</b>	<b>8,838,840,866</b>

Managing director for economics and finance

Chief accountant



Kassymbek A.M.

Orynbayev Y.Y.

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of tenge</i>	<b>Note</b>	<b>For the years ended December 31</b>	
		<b>2015</b>	<b>2014 (Restated)*</b>
Revenue	25	1,094,698,809	1,051,289,085
Cost of sales	26	(1,093,791,099)	(1,106,561,311)
<b>Gross profit/(loss)</b>		<b>907,710</b>	<b>(55,272,226)</b>
General and administrative expenses	27	(211,746,713)	(151,917,604)
Transportation and selling expenses	28	(195,347,885)	(308,535,860)
Impairment of property, plant and equipment, intangible assets	29	(67,125,848)	(275,918,733)
Impairment of goodwill	29	(11,922,192)	(1,622,222)
(Loss)/gain on disposal of property, plant and equipment, intangible assets and investment property, net		(3,580,092)	402,045
Other operating income		22,556,695	18,324,629
Other operating expenses		(19,697,116)	(16,702,770)
<b>Operating loss</b>		<b>(485,955,441)</b>	<b>(791,242,741)</b>
Net foreign exchange gain		474,579,910	76,108,200
Finance income	30	173,330,897	53,937,092
Finance costs	30	(198,334,293)	(176,225,987)
Impairment of investments in joint ventures	13	(9,342,198)	(1,034,370)
Impairment of assets classified as held for sale		(85,744)	(4,992,179)
Impairment of loan given	17	(10,969,792)	(66,742)
Share in profit of joint ventures and associates, net	31	112,807,416	427,703,712
<b>Profit/(loss) before income tax</b>		<b>56,030,755</b>	<b>(415,813,015)</b>
Income tax expenses	32	(232,149,463)	(133,033,105)
<b>Loss for the year from continuing operations</b>		<b>(176,118,708)</b>	<b>(548,846,120)</b>
<b>Discontinued operations</b>			
Profit after income tax for the year from discontinued operations	5	670,801,729	748,061,212
<b>Net profit for the year</b>		<b>494,683,021</b>	<b>199,215,092</b>

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

In thousands of tenge	Note	For the years ended December 31	
		2015	2014 (Restated)*
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		1,180,868,321	209,509,690
Accumulated differences on translation of disposal group	6	(106,930,994)	—
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>1,073,937,327</b>	<b>209,509,690</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Re-measurement of actuarial losses on defined benefit plans		(1,750,178)	(1,100,442)
Tax effect		365,421	(27,426)
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>		<b>(1,384,757)</b>	<b>(1,127,868)</b>
<b>Other comprehensive income for the year</b>		<b>1,072,552,570</b>	<b>208,381,822</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>1,567,235,591</b>	<b>407,596,914</b>
<b>Net profit for the year attributable to:</b>			
Equity holder of the Parent Company		398,325,954	207,362,949
Non-controlling interest		96,357,067	(8,147,857)
		<b>494,683,021</b>	<b>199,215,092</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holder of the Parent Company		1,353,725,956	385,103,657
Non-controlling interest		213,509,635	22,493,257
		<b>1,567,235,591</b>	<b>407,596,914</b>

\* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2014 and reflect adjustments made, refer to Note 5.

Managing director for economics and finance



Kasymbek A.M.

Chief accountant

Yynbayev Y.Y.

The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS**

		For the years ended December 31	
			2014*
<i>In thousands of tenge</i>	Note	2015	(Restated)
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax from continuing operations		56,030,755	(415,813,015)
Profit before income tax from discontinued operations	5	650,638,932	732,210,004
<b>Profit before income tax</b>		<b>706,669,687</b>	<b>316,396,989</b>
<b>Adjustments for:</b>			
Depreciation, depletion and amortization	37	141,964,124	211,195,042
Depreciation, depletion and amortization from discontinued operation		41,214,586	–
Share in profit of joint ventures and associates, net	31	(112,807,416)	(427,857,457)
Finance costs	30	217,714,440	202,470,692
Finance income	30	(173,330,897)	(55,490,877)
Unrealized loss/(gain) from derivatives on petroleum products	26	2,543,060	(6,621,755)
Realized losses/(gains) from derivatives on petroleum products	26	241,176	(2,618,352)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		3,580,092	3,639,406
Impairment of VAT		51,548,508	–
Impairment of property, plant and equipment, intangible assets and goodwill	29	79,048,040	351,950,037
Impairment of property, plant and equipment, intangible assets and goodwill from discontinued operation		166,525,248	–
Impairment of investments in joint ventures	13	9,342,198	1,034,370
Impairment of assets classified as held for sale		85,744	4,992,179
Impairment of loans due from related parties	17	10,969,792	66,742
Gain on sale of subsidiary	6	(427,840,668)	–
Loss on sale of joint ventures	13	6,151,234	–
Provisions		99,695,140	470,260
Allowance for impairment of trade accounts receivable and other current assets	27	3,158,635	1,306,152
Provision for obsolete inventory	27	1,391,281	(1,517,304)
Forfeiture of share based payments		1,589,628	(80,076)
Unrealized foreign exchange gain		(321,841,594)	(107,973,268)
<b>Operating profit before working capital changes</b>		<b>507,612,038</b>	<b>491,362,780</b>
Change in inventory		57,113,535	26,102,234
Change in VAT receivable		(1,186,992)	(8,742,624)
Change in trade accounts receivable		74,828,999	104,263,617
Change in other assets		(184,934,375)	(27,235,502)
Change in other taxes payable		(47,542,464)	(29,109,219)
Change in trade accounts payable		39,745,815	(3,336,984)
Change in other liabilities		(24,663,004)	5,063,773
<b>Cash generated from operations</b>		<b>420,973,552</b>	<b>558,368,075</b>
Cash received from derivatives, net		6,694,868	2,328,788
Income taxes paid		(187,135,282)	(178,584,194)
Interest received		118,778,446	41,645,502
Interest paid		(212,864,705)	(155,277,014)
<b>Net cash flow from operating activities</b>		<b>146,446,879</b>	<b>268,481,157</b>

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

		For the years ended December 31	
<i>In thousands of tenge</i>	Note	2015	2014* (Restated)
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits, net		313,189,387	224,033,563
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		(557,448,149)	(558,885,281)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		22,350,510	7,280,896
Proceeds from sale of assets classified as held for sale		–	4,778,857
Proceeds from sale of subsidiaries	6	1,372,498,443	–
Dividends received from joint ventures and associates, net of income tax		172,719,434	302,418,013
Acquisition of and contribution to joint ventures and associates	13	(41,435,041)	(3,234,425)
Repayment of loan provided to the related parties		–	3,093,298
Proceeds from sale of joint venture		–	147,813
Loans provided to related party		(58,939,789)	(108,803,459)
Acquisition of a subsidiary	7	–	(28,507,982)
Cash of the acquired subsidiary	7	–	8,235,554
<b>Net cash flow from / (used in) investing activities</b>		<b>1,222,934,795</b>	<b>(149,443,153)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		281,752,106	682,264,686
Repayment of borrowings		(1,902,374,221)	(326,531,746)
Dividends paid to non-controlling interest		(15,851,249)	(48,203,538)
Dividends paid to the Samruk-Kazyna	19	(6,768,531)	(69,577,485)
Issue of shares	19	12,700,436	–
<b>Net cash flow (used in) / from financing activities</b>		<b>(1,630,541,459)</b>	<b>237,951,917</b>
Effects of exchange rate changes on cash and cash equivalents		243,150,206	62,127,031
<b>Net change in cash and cash equivalents</b>		<b>(18,009,579)</b>	<b>419,116,952</b>
Cash and cash equivalents at the beginning of the year	18	826,443,718	407,326,766
<b>Cash and cash equivalents at the end of the year</b>	<b>18</b>	<b>808,434,139</b>	<b>826,443,718</b>

\* Certain numbers shown here do not correspond to the consolidated financial statements for year ended December 31, 2014 and reflect adjustments made, refer to Note 5.

**NON-CASH TRANSACTIONS**

The following significant non-cash transactions and other transactions were excluded from the consolidated statement of cash flows:

**Hedge of losses on translation of borrowings denominated in US dollar**

In 2015 the Group utilized hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollar (Note 20). Effect of hedging was equal to 1,586,801,249 thousand tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations (2014: 311,794,785 thousand tenge).

**The "Kazakhstan Note"**

In 2015, the Company received the right to claim payments under the "Kazakhstan Note" 126,590,669 thousand tenge as consideration for increase in share capital of the Company. The difference of 3,518,718 thousand tenge between the fair value of the loan as at acquisition date and nominal amount was recognized as an additional paid-in capital (Note 19).

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)****NON-CASH TRANSACTIONS (continued)****Change in investment ownership interest**

As a result of acquisition 50% of shares of KMG Kashagan B.V. by Samruk-Kazyna, the Group has recognized the remaining share at the fair value in the total amount 1,301,888,532 thousand tenge (*Note 6*).

**Repayment of loan**

In 2015, the loan of "VTB Bank" group was repaid with the use of the loan from a banking syndicate of Natixis, ING Bank, a branch of ING-DiBa AG, Citibank N.A., London branch. The debt in the amount of 46,337,500 thousand tenge was repaid by the syndicate directly to "VTB Bank" group (*Note 20*).

**Capitalization of borrowing costs**

In 2015 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs in the amount of 22,911,733 thousand tenge (2014: 18,231,016 thousand tenge) (*Note 8*).

**Contribution of pipelines**

In 2015 the Group recognized additional paid in capital in the amount of 13,375,340 thousand tenge, which represents the fair value of gas pipelines contributed by the Samruk-Kazyna on trust management terms (2014: 207,115,481 thousand tenge) (*Note 19*).

**Account payable for non-current assets**

In 2015 accounts payable for purchases of property, plant and equipment decreased by 30,482,682 thousand tenge (2014: 41,305,706 thousand tenge).

**Advances paid for non-current assets**

Acquisition of property plant and equipment and intangible assets include advances paid for non-current assets in the amount of 59,005,100 thousand tenge (in 2014: 36,018,694 thousand tenge).

Managing director for economics and finance

Chief accountant



Kassymbek A.M.

Orynbayev Y.Y.

*The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of tenge</i>	Attributable to equity holder of the Parent Company					
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Non-controlling interest
Total						
<b>As at December 31, 2013</b>	546,485,470	19,645,866	2,185,813	269,950,758	2,611,367,993	586,555,014
Net profit for the year	-	-	-	-	207,362,949	(8,147,857)
Other comprehensive income	-	-	-	178,789,169	(1,048,461)	30,641,114
<b>Total comprehensive income for the year</b>	-	-	-	178,789,169	206,314,488	22,493,257
Contribution to share capital (Note 19)	10,586,870	207,115,481	-	-	-	-
Dividends (Note 19)	-	-	-	-	(83,114,547)	(53,891,914)
Transactions with the Samruk-Kazyna (Note 19)	-	-	-	-	(26,916,423)	-
Distributions to the Samruk-Kazyna	-	-	-	-	(80,363,549)	-
Recognition of share based payments at subsidiaries	-	-	(80,076)	-	(19,310)	8,072
Acquisition of treasury shares by subsidiary	-	-	-	-	2,005	(2,005)
<b>As at December 31, 2014</b>	557,072,340	226,761,347	2,105,737	448,739,927	2,627,270,657	555,162,424
					3,861,950,008	4,417,112,432

The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

<i>In thousands of tenge</i>	Attributable to equity holder of the Parent Company					
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Non-controlling interest
					Total	Total
<b>As at December 31, 2014</b>	557,072,340	226,761,347	2,105,737	448,739,927	2,627,270,657	3,861,950,008
Net profit for the year	-	-	-	-	398,325,954	398,325,954
Other comprehensive income	-	-	-	956,585,780	(1,185,778)	955,400,002
<b>Total comprehensive income for the year</b>	-	-	-	956,585,780	397,140,176	1,353,725,956
Contribution to share capital (Note 19)	139,291,105	16,894,058	-	-	-	156,185,163
Dividends (Note 19)	-	-	-	-	(24,335,911)	(24,335,911)
Distributions to the Samruk-Kazyna (Note 19)	-	-	-	-	(6,771,791)	(6,771,791)
Recognition of share based payments at subsidiaries	-	-	1,004,836	-	-	1,004,836
Transactions with the Samruk-Kazyna (Note 19)	-	-	-	-	(4,760,377)	(4,760,377)
Disposal of subsidiary	-	-	-	-	-	-
<b>As at December 31, 2015</b>	696,363,445	243,655,405	3,110,573	1,405,325,707	2,988,542,754	5,336,997,884
					753,179,913	6,090,177,797

Managing director for economics and finance



Chief accountant

The accounting policies and explanatory notes on pages 10 through 83 form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2015**

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**1. GENERAL**

JSC "National Company "KazMunayGas" (the "Company", "KazMunayGas" or "Parent Company") is a wholly owned state oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC ("Kazakhoil") and National Company Transport Nefti i Gaza CJSC ("TNG"). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2015, the Company has an interest in 37 operating companies (2014: 39) (jointly the "Group").

The Company has its registered office in the Republic of Kazakhstan, Astana, Kabanbay Batyr avenue, 19.

The principal objective of the Group includes, but is not limited, to the following:

- participation in the Government activities relating to the oil and gas sector;
- representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries (*Note 35*).

These consolidated financial statements of the Group were approved for issue by the Managing director for economics and finance and the Chief accountant on March 14, 2016.

**2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

**Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

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

**Foreign currency translation***Functional and presentation currency*

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional currency.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**2. BASIS OF PREPARATION (continued)****Foreign currency translation (continued)***Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

*Group Companies*

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

*Exchange rates*

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as at December 31, 2015 was 340.01 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2015 (2014: 182.35 tenge to 1 US dollar). The currency exchange rate of KASE as at March 14, 2016 was 343.32 tenge to 1 US dollar.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****New and amended standards and interpretations**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below.

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2010-2012 cycle*

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after July 1, 2014, all other improvements are effective for accounting periods beginning on or after July 1, 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during the second half of 2014. Thus, these amendments did not impact the Group's consolidated financial statements or accounting policies.

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

*IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in paragraph 12 of IFRS 8. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in *Note 37* in this consolidated financial statements as the reconciliation is reported to the management for the purpose of their decision making.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2011-2013 cycle*

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

**Standards issued but not yet effective**

Standards and interpretations issued but not yet effective up to the date of issuance of the consolidated financial statements and not yet issued by the Group early are listed below. The Group intends to adopt those standards when they become effective.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date.

*(a) Classification and measurement*

The Group does not expect any significant impact on its balance sheet and equity during the application of IFRS 9 requirements for the classification and measurement. The Group expects to continue measuring at fair value all financial assets currently held at fair value.

Loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

*(b) Impairment*

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***IFRS 9 Financial Instruments (continued)**(c) Hedge accounting*

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 becomes effective for financial years beginning on or after January 1, 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. The Group plans to adopt the new standard on the required effective date using the full retrospective method. Besides, the Group considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments are applied both to the acquisition of the initial interest in a joint operation, and to the acquisition of additional interests in the same joint operation, and these amendments are effective prospectively for annual periods beginning on or after January 1, 2016, the earlier application is permitted. It is expected that these amendments will have no impact on the consolidated financial statements of the Group.

*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of fruit-bearing plants. Under the amendments, biological assets that meet the definition of fruit-bearing plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, fruit-bearing plants will be measured under IAS 16 at accumulated cost (before ripening) and using either the cost model or revaluation model (after ripening). The amendments also require that output yield of fruit-bearing plants will remain in the scope of IAS 41, and shall be measured at fair value less costs to sell. For government grants related to fruit-bearing plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is expected that these amendments will have no impact on the Group's consolidated financial statements.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted. The amendments will have no impact on the consolidated financial statements of the Group.

*Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are deemed to have no impact on the consolidated financial statements of the Group.

*Annual improvements cycle – 2012-2014*

These amendments become effective for annual periods beginning on or after January 1, 2016. The document comprises the following amendments:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal group) generally are disposed through the sale or distribution to owners. The amendment clarifies that transition from one method to another will not be considered as a new disposal method, but as a continuation of the initial plan. Therefore, the application of IFRS 5 requirements is not discontinued. The amendment is to be applied prospectively.

*IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, for the periods beginning prior to the annual period when an entity for the first time applies the amendments, the disclosure is not required.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***Annual improvements cycle – 2012-2014 (continued)**IFRS 7 Financial Instruments: Disclosures (continued)**(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

*IAS 19 Employees benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no market for high quality corporate bonds in that currency, government bond rates must be used. The amendment is to be applied prospectively.

*IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. The amendments are deemed to have no impact on the consolidated financial statements of the Group.

*Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- materiality requirements in IAS 1;
- that specific line items in the statement(s) of comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are deemed to have no impact on the consolidated financial statements of the Group.

*Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 28): Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are deemed to have no impact on the consolidated financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee, and;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income ("OCI"). If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Business combinations and goodwill (continued)***

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

***Business combinations achieved in stages***

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- (a) the aggregate of:
  - (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value;
  - (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
  - (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

***Acquisition of subsidiaries in accordance with the Shareholder instructions***

In acquisitions of subsidiaries from third parties made in accordance with the Shareholder instructions, the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed is recognised directly in equity as a distribution to the Parent Company.

***Acquisition of subsidiaries from parties under common control***

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Undivided interest in jointly controlled operations**

The Group has undivided interest in jointly controlled operations.

Upon acquisition the Group shall recognize in relation to its interest in joint operations its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly. Subsequently, the Group shall recognize its revenue from the sale of its share of the output arising from the joint operations; its share of the revenue from the sale of the output by the joint operations; and its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operations in accordance with its accounting policy.

When the Group does not share the joint control over joint operations, it follows the accounting of the parties that share control as discussed in next paragraphs.

**Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture or associate, deducted by the amount of dividends declared from joint venture or associate to the Group. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Impairment of investment in joint venture or associate' in the statement of profit or loss.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 (twelve) months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

**Oil and natural gas exploration, evaluation and development expenditure***Costs incurred before obtaining subsoil use rights (licenses)*

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

*Subsoil use rights and property acquisition costs*

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible assets. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas development assets.

*Exploration and evaluation costs*

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas development assets after impairment is assessed and any resulting impairment loss is recognized.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Oil and natural gas exploration, evaluation and development expenditure (continued)***Development costs*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells and unforeseen technical problems, is capitalized within oil and gas development assets.

**Oil and gas assets and other property, plant and equipment**

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment ("DD&A").

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contract are depreciated on a straight-line basis over useful lives of 4-10 years.

Property, plant and equipment other than oil and gas assets principally comprise buildings, machinery and equipment which are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

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Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years

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The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

**Intangible assets**

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets (continued)**

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**Investment properties**

Investment property is initially measured at cost, including transaction costs. Transaction costs shall be included in the initial measurement.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment* – cost less accumulated depreciation and less accumulated impairment losses.

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of investment property and recognised in profit or loss in the period of the retirement or disposal.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of exploration and evaluation assets**

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

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

**Non-current assets held for sale and discontinued operations**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

**Asset retirement obligation (decommissioning)**

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- (a) changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- (b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and
- (c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group financial assets include cash and cash equivalents, short-term bank deposits, bonds receivable from the Parent Company, note receivable from associate, note receivable from a shareholder of a joint venture, loans due from related parties and trade accounts receivable.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs or finance income through profit or loss.

The consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the consolidated statement of comprehensive income. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 is satisfied.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Group evaluated its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these investments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment of trade and other receivables are recognized in general and administrative expenses. The losses arising from impairment of loans receivable are recognized in finance costs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Subsequent measurement (continued)**Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income as finance costs.

*Available-for-sale financial investments*

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised in other comprehensive income and credited in the available-for-sale revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale revaluation reserve to finance costs in the consolidated statement of comprehensive income. Interest earned whilst holding available-for-sale financial investments is reported as finance income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortized cost*

For financial assets carried at amortized cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in current period expenses. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income – is removed from other comprehensive and recognised in profits or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through profits or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Inventories**

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

**Value added tax (VAT)**

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

**Cash and cash equivalents**

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of 3 (three) months or less.

**Financial liabilities*****Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

***Trade and other payables***

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

***Loans and borrowings***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities (continued)***Subsequent measurement (continued)**Loans and borrowings (continued)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

*Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions (continued)***Provision for obligations to the Government*

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholder directly in the equity.

**Employee benefits***Pension scheme*

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

*Long-term employee benefits*

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance costs. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

**Revenue recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

*Sale of goods*

Revenue from the sale of crude oil, refined products, gas and other products is recognized when delivery has taken place and risks and rewards of ownership of the goods have passed to the buyer.

*Rendering of services*

Revenue from rendering of services, such as transportation, refining and oil support services, is recognized when the services have been performed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition (continued)***Interest income*

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

**Expense recognition**

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

**Income taxes**

Income tax for the year comprises current income tax, excess profit tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation enacted as of January, 1 2009, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsoil use contracts at the expected rate of EPT to be paid under the contract.

*Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.*

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income taxes (continued)**

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Equity***Non-controlling interest*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*Share based payments*

Employees of some Group entities receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments of a subsidiary in which they are employed ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other equity reserves, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

*Dividends*

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Equity (continued)***Other distributions to the Shareholder*

Expenditures incurred by the Group based on the respective resolution of the Government or decision and instructions of the Parent Company are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets) and acquisitions of investments.

**Subsequent events**

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Oil and gas reserves**

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Recoverability of oil and gas assets**

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

As at December 31, 2014 declining crude oil prices and increases in employee benefit costs and an increase in export customs duty from 60 US dollar per ton to 80 US dollar per ton indicated that Group's cash generating units may be impaired. Therefore, for the year ended December 31, 2014 management has carried out a formal assessment of the recoverable amount of its assets. An impairment loss of 257 billion tenge (*Note 8*), related to KMG EP, was recognized in the consolidated financial statements.

As at December 31, 2015 further decline in crude oil prices, decreased levels of drilling services provided and increases in inflation rate and cost of capital indicated that Group's cash generating units may be impaired. Therefore, for the year ended December 31, 2015 management has carried out a formal assessment of the recoverable amount of its assets. An impairment loss of 66.4 billion tenge (*Note 8*), mainly related to property, plant and equipment of ANS and KTM, and impairment loss of 11.9 billion tenge related to intangible assets (*Note 11*) was recognized in the consolidated financial statements.

ANS calculates recoverable amount using a discounted cash flow model. The discount rate of 12.77% to 16.01% was derived from the CGU's post-tax weighted average cost of capital. The five-year business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts of volume of services volumes, revenues, costs and capital expenditure. Various assumptions such as tariff for the service and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. Most of the projections beyond the five-year period were inflated using available inflation estimates.

KTM calculates recoverable amount using a discounted cash flow model. The discount rate of 13.87% was derived from the CGU's post-tax weighted average cost of capital. The business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. Various assumptions such as oil prices and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. The projection of cash flows was limited by the date of license expiry in 2034. Expenditure cash flows up to 2019 were obtained from the CGU's business plan together with management's current assessment of probable changes in operational and capital expenditure. Most of the projections beyond that period were inflated using available inflation estimates, except for capital expenditure projections, which represent management's best available estimate as at the date of impairment assessment.

The key assumptions required for the recoverable amount estimation are the oil prices, production volumes, the foreign exchange rate and discount rate.

**Recoverability of downstream, refining and other assets**

The Group performed its annual impairment test in 2014 and 2015. The Group considers the forecast refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. Decline in market forecasts indicated a potential impairment of goodwill and assets of refining, downstream and other segments.

As of December 31, 2015 the Group has material goodwill related to past acquisitions of Pavlodar Oil Chemical Plant JSC ("PNHZ") (*Note 11*).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Recoverability of downstream, refining and other assets (continued)****PNHZ**

As at December 31, 2015 recoverable amount of PNHZ goodwill amounted to 210,053 million tenge (in 2014: 211,821 million tenge). It was calculated based on fair value less costs to sell. The fair value less costs to sell calculation is based on a discounted cash flow model. Cash flows assume the highest and best use of assets by independent market participants, i.e. other companies of the same industry in the existing economic environment. The discount rate applied to the cash flow projections is 13% (in 2014: 9.1%), and cash flows beyond the five-year period are extrapolated using a 4.99% growth rate (in 2014: 3.87%).

Based on the results of impairment test no impairment of goodwill was identified in 2015.

*Key assumptions used in calculating fair value less costs of disposal*

The key assumptions used in calculating fair value less costs of disposal use for PNHZ are as follows:

- volumes of crude oil and oil products output;
- capital expenditures for 2016-2020;
- discount rates.

Volumes of crude oil and oil products output – are the forecasts of the Group with respect to the output of oil products during processing 1 ton of crude oil before and after modernization of PNHZ.

Capital expenditures

Capital expenditures – costs: a) on reconstruction and modernization of PNHZ; b) necessary to maintain the current condition of the asset.

Prices of Crude oil in the local market

Prices of Crude oil in the local market – the prices which are based on the assessment of the management of the Group's on purchase of crude oil from local oil producers.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

*Significant change in valuation technique of the recoverable amount*

During prior years, the principal activity of PNHZ was represented by purchase of the west Siberian oil, its refining and subsequent resale of refined products in the domestic and foreign markets. As part of *Interstate trade and economic agreement* between the Russian Federation and Kazakhstan of December 9, 2010, the Group purchased crude oil from the Russian Federation without custom duties. Correspondingly, cost of purchased oil was predicted taking into account Russian oil imported without custom duties.

Since January 1, 2014, Trade and Economic Agreement terms in the part of crude oil purchase regulations expired, and the *Interstate Agreement on collaboration in the area of Russian oil transportation through the territory of the Republic of Kazakhstan to the People's Republic of China* (the "Collaboration Agreement") came into effect. In accordance with the *Collaboration Agreement*, in order to provide refineries with oil, Kazakhstan is allowed to replace Russian oil with Kazakhstan oil during transportation of Russian oil to China through the Kazakhstan pipelines.

The *Collaboration Agreement* is valid until January 1, 2019 with an automated extension for 5 (five) years. Based on the possibility to replace Russian oil used at PNHZ for production of oil products with Kazakhstan oil under the *Collaboration Agreement*, the Group's management applied assumption on creation of purchased oil cost at the domestic price for oil in Kazakhstan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Recoverability of downstream, refining and other assets (continued)***PNHZ (continued)**Sensitivity to changes in assumptions*

Results of assessment of recoverable amount of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in exchange rate of tenge, WACC discount rates and target cash flow projections in terminal period. Increase in discount rates by 2% from 13% to 15%, would result in recoverable amount an increase by 45,272 million tenge. Decrease of target cash flow projections in terminal period by 3% from 10.3% to 7.3% would result in impairment of goodwill in the amount of 87,059 million tenge.

**Assets retirement obligations***Oil and gas production facilities*

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2015 were in the range from 2.10% to 6% and from 5.88% to 10.09% respectively (2014: from 3% to 6% and from 6% to 10%). Movements in the provision for asset retirement obligations are disclosed in *Note 22*.

*Major oil and gas pipelines*

According to the Law of the Republic of Kazakhstan *On Major Pipelines* which was made effective on July 4, 2014 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC the subsidiary of KazTransGaz JSC, (*Note 22*), have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2015 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 61,349,603 thousand tenge (December 31, 2014: 56,230,614 thousand tenge).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Environmental remediation**

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2015. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in Note 36. Movements in the provision for environmental remediation obligations are disclosed in Note 22.

**Employee benefits**

The cost of defined long-term employee benefits before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Taxation**

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks disclosed under other provisions or provisions for taxes in Note 22 relates mainly to the Group's application of Kazakhstan transfer pricing legislation to export sales of crude oil and value-added tax. Further uncertainties related to taxation are disclosed in Note 36.

Taxable income is computed in accordance with the tax legislation enacted as at January 1, 2015. Deferred tax is calculated with respect to both CIT and EPT. Deferred CIT and EPT are calculated on temporary differences for assets and liabilities allocated to subsoil use contracts at the expected rates that were enacted by the tax authorities as at December 31, 2015.

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets as at December 31, 2015 was 107,481,291 thousand tenge (2014: 93,131,484 thousand tenge). Further details are disclosed in Note 32.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further details are disclosed in Note 34.

**Operating lease commitments – the Group as lessee**

The Group has entered into office space and car leases. The Group has determined that the lessor retains all the significant risks and rewards of ownership of office spaces and cars and so accounts for them as operating leases in the consolidated financial statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Useful lives of property, plant and equipment**

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

**Fair values of assets and liabilities acquired in business combinations**

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

**Discontinued operations**

In September 2015, the Group developed a new privatization plan which was subsequently approved by the Government in December 2015. The new privatization plan envisages sale of certain assets including 51% share in KMG International N.V. group (KMG I). Following this plan the Group initiated negotiations with certain investors and completed fair valuing of the 51% share in KMG I in 2015. The Group estimated fair value of the 51% share in KMG I at US dollars 680,000 thousand US dollars (equivalent of 231,206,800 thousand tenge).

The Group considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- KMG I is available for immediate sale and can be sold in its current condition;
- the actions to complete the sale were initiated and expected to be completed within one year.

Additional disclosures are provided in Note 5.

**5. DISCONTINUED OPERATIONS****KMG International N.V. (KMG I)**

In December 2015, the Group decided to sell its 51% interest in KMG I. The disposal of KMG I is due to be completed in 2016 and, as at December 31, 2015, negotiations for the sale were in progress. The disposal of KMG I is in accordance with the Governmental plan on the privatization of state owned companies in 2016-2020, therefore, the Group considers it as the discontinued operation.

The results of KMG I for the years ended December 31, 2015 and 2014 are presented below:

<i>In thousands of tenge</i>	2015	2014
Revenue	1,579,288,355	2,135,736,578
Cost of sales	(1,056,572,599)	(1,212,057,638)
<b>Gross profit</b>	<b>522,715,756</b>	<b>923,678,940</b>
General and administrative expenses	(28,105,899)	(19,978,803)
Transportation and selling expenses	(49,874,579)	(50,338,413)
Impairment of property, plant and equipment and intangible assets, other than goodwill	(6,490,037)	(45,286,511)
Impairment of goodwill	—	(29,122,571)
Impairment loss recognized on the re-measurement to fair value less costs to sell	(160,035,211)	—
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	—	(4,041,451)
Other operating income	126,466	654,400
Other operating losses	(29,620,808)	—
<b>Operating profit/(loss)</b>	<b>248,715,688</b>	<b>775,565,591</b>
Net foreign exchange loss, net	(1,677,041)	(4,640,597)
Finance income	1,307,723	639,916
Finance costs	(7,912,085)	(15,369,123)
Share in profit of joint ventures and associates, net	159,524	153,745
<b>Profit/(loss) before income tax for the year from discontinued operation</b>	<b>240,593,809</b>	<b>756,349,532</b>
Income tax benefit	21,037,262	16,197,789
<b>Profit/(loss) after income tax for the year from discontinued operation</b>	<b>261,631,071</b>	<b>772,547,321</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. DISCONTINUED OPERATIONS (continued)****KMG International N.V. (KMG I) (continued)**

The major classes of assets and liabilities of KMG I, classified as held for sale as at December 31, 2015 and 2014 are as follows:

<i>In thousands of tenge</i>	2015	2014
<b>Assets</b>		
Property, plant and equipment	632,565,455	434,209,786
Intangible assets	78,832,132	23,500,172
Investment in associate	11,496,830	9,211,410
Deferred tax asset	39,488,816	12,811,277
Inventories	86,794,671	85,275,248
Trade accounts receivable	90,336,362	92,743,757
Other non-current assets	3,931,742	5,705,549
Other current assets	62,551,082	31,806,581
Cash and cash equivalents	34,491,849	27,103,045
<b>Assets classified as held for sale</b>	<b>1,040,488,939</b>	<b>722,366,825</b>
<b>Liabilities</b>		
Borrowings	230,088,353	138,192,489
Deferred income tax liabilities	78,194,199	49,102,661
Provisions	53,394,218	21,502,530
Trade accounts payable	40,766,952	72,568,188
Other taxes payable	18,351,748	23,238,319
Other non-current liabilities	555,713	718,459
Other current liabilities	75,993,465	15,601,319
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>497,344,648</b>	<b>320,923,965</b>
<b>Net assets directly associated with the disposal group</b>	<b>543,144,291</b>	<b>401,442,860</b>

The net cash flows incurred by KMG I are as follows:

<i>In thousands of tenge</i>	2015	2014
Operating	4,299,344	34,478,168
Investing	(17,623,100)	(10,804,261)
Financing	2,828,610	(31,334,955)
<b>Net cash outflows</b>	<b>(10,495,146)</b>	<b>(7,661,048)</b>

As at December 31, 2015, items of property, plant and equipment with the net book value of 395,631,917 thousand tenge related to discontinued operations (2014: 242,780,790 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group.

As at December 31, 2015 the Group has pledged trade accounts receivable of approximately 95,357,123 thousand tenge as a collateral under its borrowings (2014: 32,332,843 thousand tenge) related to discontinued operations.

As at December 31, 2015 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment were 176,319,465 thousand tenge (2014: 95,706,398 thousand tenge).

**"EurasiaAir JSC" (EA)**

On October 23, 2014, the Group decided to sell its 100% interest in EA. The disposal of EA is due to be completed in 2016 and, as at December 31, 2015, the procedures for the sale were in progress. The disposal of EA is in accordance with the Governmental plan on the privatization of state owned companies in 2014-2016, therefore, the Group considers it as the discontinued operation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. DISCONTINUED OPERATIONS (continued)****"EurasiaAir JSC" (EA) (continued)**

The results of EA for the years ended December 31, 2015 and 2014 are presented below:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Revenue	11,835,145	6,989,741
Cost of sales	(14,565,541)	(9,186,123)
<b>Gross loss</b>	<b>(2,730,396)</b>	<b>(2,196,382)</b>
General and administrative expenses	(636,365)	(546,395)
Transportation and selling expenses	(6,395)	(1,780)
Other operating income	1,728	57,366
Other operating losses	(24,307)	(12,563)
<b>Operating loss</b>	<b>(3,395,735)</b>	<b>(2,699,754)</b>
Net foreign exchange loss, net	(1,178,668)	(655,668)
Finance income	13,719	4,160
Finance costs	(127,469)	(143,283)
<b>Loss before income tax for the year from discontinued operation</b>	<b>(4,688,153)</b>	<b>(3,494,545)</b>
Income tax expense	(191,252)	(80,855)
<b>Loss after income tax for the year from discontinued operation</b>	<b>(4,879,405)</b>	<b>(3,575,400)</b>

The major classes of assets and liabilities of EA, classified as held for sale as at December 31, 2015 and 2014 are as follows:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Property, plant and equipment	16,922,985	18,447,343
Intangible assets	5,443	5,900
Inventories	166,054	255,523
Trade accounts receivable	3,897,571	2,128,161
Other current assets	490,394	546,059
Cash and cash equivalents	3,938,773	2,241,386
<b>Assets classified as held for sale</b>	<b>25,421,220</b>	<b>23,624,372</b>
<b>Liabilities</b>		
Borrowings	7,146,511	5,259,231
Deferred income tax liabilities	1,550,200	1,361,006
Trade accounts payable	2,207,141	1,976,171
Other non-current liabilities	8,929	3,536
Other current liabilities	549,591	461,130
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>11,462,372</b>	<b>9,061,074</b>
<b>Net assets directly associated with the disposal group</b>	<b>13,958,848</b>	<b>14,563,298</b>

The net cash flows incurred by EA are as follows:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Operating	4,882,028	1,728,165
Investing	(1,244,478)	(1,636,731)
Financing	(1,940,162)	137,814
<b>Net cash inflows</b>	<b>1,697,388</b>	<b>229,248</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. DISCONTINUED OPERATIONS (continued)****"Aysir Turizm ve Inshaat A.S" ("Aysir")**

In 2012, the Group made a decision to sell its 75% share in Aysir. The disposal of Aysir is expected to be completed in 2016 and, as at December 31, 2015, the procedures for the sale were in progress. The disposal of Aysir was in accordance with the Governmental plan on the privatization of state owned companies in 2014-2016, therefore, the Group considers it as the discontinued operation.

The results of Aysir for the years ended December 31, 2015 and 2014 are presented below:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Revenue	3,091,974	3,111,158
Cost of sales	(2,373,038)	(2,458,000)
<b>Gross profit</b>	<b>718,936</b>	<b>653,158</b>
General and administrative expenses	(187,064)	(168,346)
Other operating income	26,723	16,161
<b>Operating income</b>	<b>558,595</b>	<b>500,973</b>
Net foreign exchange loss	(237,191)	(100,007)
Finance income	1,944	9,599
Finance costs	(2,753)	(17,557)
<b>Profit before income tax for the year from discontinued operation</b>	<b>320,595</b>	<b>393,008</b>
Income tax expenses	—	—
<b>Profit after income tax for the year from discontinued operation</b>	<b>320,595</b>	<b>393,008</b>

The major classes of assets and liabilities of Aysir, classified as held for sale as at December 31, 2015 and 2014 are as follows:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Property, plant and equipment	9,100,272	5,449,623
Intangible assets	3,385,417	3,373,271
Inventories	93,766	78,836
Trade accounts receivable	234,124	122,302
VAT recoverable	467	6,445
Other current assets	175,739	155,392
Cash and cash equivalents	1,399,605	788,358
<b>Assets classified as held for sale</b>	<b>14,389,390</b>	<b>9,974,227</b>
<b>Liabilities</b>		
Deferred income tax liabilities	540,540	540,540
Trade accounts payable	220,929	163,802
Other non-current liabilities	2,324,251	1,493,145
Other current liabilities	328,493	304,671
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>3,414,213</b>	<b>2,502,158</b>
<b>Net assets directly associated with the disposal group</b>	<b>10,975,177</b>	<b>7,472,069</b>

The net cash flows incurred by Aysir are as follows:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Operating	575,929	444,821
Investing	(520,701)	(83,230)
Financing	(55,228)	(402,652)
<b>Net cash outflow</b>	<b>—</b>	<b>(41,061)</b>

With respect of Aysir and EA in 2015, the market conditions that existed at the date the assets were classified initially as held for sale changed and, as a result, the assets are not sold by the end of 2015. During 2015, the Group marketed but did not receive any reasonable offers to purchase the assets. The assets continues to be actively marketed at prices that are reasonable given the change in market conditions, and management of the Group believes that the criteria regarding availability for immediate sale which is highly probable are therefore met.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****6. LOSS OF CONTROL**

On October 16, 2015 Company and Samruk-Kazyna completed the sale of 50% of shares of KMG Kashagan B.V. to JSC Samruk-Kazyna ("Shares of Kashagan"). Samruk-Kazyna has transferred Shares of Kashagan to the Group in trust management, respectively, despite the fact that the Group has lost the right of ownership, economic benefits and risk of Shares of Kashagan, including the right to receive distributions and pledges in the charter capital on these shares, the Group remained rights and duties of daily operations of KMG Kashagan B.V.

The Group acquired from Samruk-Kazyna a call option (to buy back) all or part of Shares of Kashagan effective from January 1, 2018 to December 31, 2020.

At the date of loss of control net assets of KMG Kashagan B.V. were as follows:

<i>In thousands of tenge</i>	<b>Net assets at the date of disposal</b>
Property, plant and equipment	2,886,837,050
Exploration and evaluation assets	156,783,937
Intangible assets	116,181
Trade accounts receivable	21,994,678
VAT receivable	15,945,879
Cash	6,535,012
Other current assets	1,303,225,870
	<b>4,391,438,607</b>
Payable for the acquisition of additional interest in North Caspian Project	688,733,107
Provisions	46,861,625
Trade accounts payable	53,534,962
Current liabilities	1,323,867,747
	<b>2,112,997,441</b>
<b>Net assets</b>	<b>2,278,441,166</b>

The resulting gain on disposal of investment amounted to 432,513,360 thousand tenge. As a result of this transaction the Group has derecognized the assets and liabilities of the former subsidiary, when the control was lost and recognized its retained 50% interest in KMG Kashagan B.V. at its fair value of 1,301,888,532 thousand tenge.

**7. ACQUISITIONS**

On June 30, 2014 the Group concluded a contract for acquisition of 49% of ownership in KazakTurkMunay LLP ("KTM"), the existing 51% joint venture, from Türkiye Petrolleri Anonim Ortaklığı (further "TPAO") for 204,500,000 US dollars (37,168,557 thousand tenge at the acquisition date), excluding withholding tax, and increased its ownership in KTM to 100%. The acquisition was completed in October 2014.

The purchase consideration is payable in two tranches, the first tranche was made on September 25, 2014 with cash paid of 28,507,982 thousand tenge, including the withholding tax of 3,711,675 thousand tenge.

The second tranche was made on May 5, 2015 with the nominal amount of 14,205,802 thousand tenge, including the withholding tax of 1,833,552 thousand tenge. The discounted amount of the second tranche is 13,700,319 thousand tenge, including the withholding tax of 1,768,309 thousand tenge.

The fair value of acquisition cost was 42,208,301 thousand tenge, including withholding tax and unamortized discount of 5,479,984 thousand tenge and 505,483 thousand tenge, respectively. The fair value of acquisition cost was determined using discounted cash flow method at 6.98% market interest rate at the date of acquisition.

The excess of fair value of consideration over fair value of net assets of KTM as of acquisition date and gain on reassessment of existing 51% share were recognized as distribution to the Shareholder due to the fact that the acquisition was made at the Shareholder instructions (*Note 19*).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. ACQUISITIONS (continued)****Assets acquired and liabilities assumed**

The fair value of the identifiable assets and liabilities of KTM as at the date of acquisition were:

<i>In thousands of tenge</i>	<b>Fair value recognized on acquisition</b>
Property, plant and equipment	39,666,961
Intangible assets	12,902
Other non-current assets	591,927
Trade receivables	2,281,675
Inventories	1,077,443
Other current assets	1,044,345
Cash and cash equivalents	8,235,554
<b>Total assets</b>	<b>52,910,807</b>
Trade payables	1,709,583
Payables to TPAO	8,505,412
Provisions	1,267,357
Deferred tax liability	3,490,610
Other current liability	1,593,465
<b>Total liabilities</b>	<b>16,566,427</b>
<b>Total identifiable net assets at fair value</b>	<b>36,344,380</b>
Existing interest measured at fair value	43,931,089
The excess of fair value of consideration over fair value of net assets	26,916,423
<b>Fair value of purchase consideration</b>	<b>42,208,301</b>
<b>Fair value of purchase consideration</b>	
Cash and cash equivalents transferred	28,507,982
Deferred payments, at fair value	13,700,319
<b>Total fair value of purchase consideration</b>	<b>42,208,301</b>
<b>Cash flow on acquisition</b>	
Net cash acquired with the subsidiary	8,235,554
Cash paid	(28,507,982)
<b>Net cash outflow on acquisition</b>	<b>(20,272,428)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 8. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
<b>Net book value as at December 31, 2013</b>									
Foreign currency translation	2,067,707,778	300,227,747	476,738,643	218,999,708	238,070,105	95,080,967	28,503,984	322,671,034	3,747,999,966
Additions	327,868,380	250,522	59,916,806	9,819,976	5,493,941	4,057,120	711,401	2,018,239	410,126,385
Acquisition of subsidiary (Note 7)	113,656,081	185,461,097	1,038,158	26,375,876	54,459,224	5,002,285	3,098,680	334,503,188	723,594,589
Disposals	22,213,288	15,459,977	—	628,216	809,712	338,117	17,850	199,801	39,666,961
Disposals of the capitalized amounts under Concession Agreement (Note 19)	(12,978,641)	(641,275)	(3,921,282)	(4,309,271)	(5,985,447)	(3,646,718)	(3,758,474)	(2,489,239)	(37,730,347)
Depreciation charge	—	(56,926,768)	—	(12,578,568)	(64,181,966)	(114,983)	—	—	(133,802,285)
Accumulated depreciation and impairment on disposals	(72,929,007)	(16,830,609)	(47,827,690)	(14,826,182)	(28,861,370)	(12,407,525)	(8,263,215)	—	(201,945,598)
Accumulated depreciation and impairment on disposals of the capitalized amounts under Concession Agreement (Note 19)	9,866,812	531,746	3,149,890	2,234,417	4,036,251	3,197,423	3,713,402	966,292	27,696,233
Transfers to discontinued operations (Note 5)	—	17,714,532	—	3,695,123	29,131,352	84,395	—	—	50,625,402
(Impairment) / reversal of impairment	(232,232,418)	(2,880,997)	(41,377,842)	(8,928,666)	(6,150,326)	(8,529,437)	(1,578,356)	(18,531,992)	(320,210,033)
Transfers from/(to) inventory, net	(1,206)	(69,881)	(2,932)	284	91,327	119,168	42,468	11,517,114	11,696,362
Transfer (to)/from assets held for sale, net	(2,798)	—	(460,339)	(213,275)	(501,623)	(71,964)	(9,366)	(1,456)	(1,260,821)
Transfers to discontinued operations (Note 5)	(2,659)	—	—	(39,741)	(24,489)	(17,988,209)	(35,147)	(357,098)	(18,447,343)
Transfers to investment property (Note 10)	—	—	—	—	(638)	—	(4,289)	—	(5,127)
Transfers from/(to) intangible assets, net (Note 11)	(160,400)	—	—	—	(123)	—	6,850	(1,103,499)	(1,257,172)
Transfer to exploration and evaluation assets (Note 9)	—	—	—	—	—	—	—	—	(629,125)
Transfers and reclassifications	107,983,041	96,602,304	16,960,530	18,246,801	48,386,863	7,163,188	5,585,911	(629,125)	—
<b>Net book value as at December 31, 2014</b>	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 8. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
<b>Net book value as at December 31, 2014</b>	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047
Foreign currency translation	1,284,174,730	15,047,843	262,186,613	45,174,980	23,246,210	18,568,584	4,125,478	20,541,729	1,673,066,167
Change in estimate	-	402,875	-	(6,283)	-	-	-	-	396,592
Additions	127,182,596	13,374,711	1,063,269	5,169,491	4,032,421	6,075,569	5,595,636	426,090,718	588,584,411
Disposals	(17,034,031)	(5,665,592)	(2,688,016)	(14,450,659)	(9,066,533)	(3,413,185)	(4,608,245)	(1,783,094)	(58,709,355)
Depreciation charge	(43,195,165)	(19,441,312)	(49,470,221)	(15,729,407)	(27,162,872)	(10,431,501)	(8,793,249)	-	(174,223,727)
Accumulated depreciation and impairment on disposals	12,675,768	4,301,686	2,264,498	8,418,714	8,303,055	3,126,521	3,733,079	307,512	43,130,833
(Impairment) / reversal of impairment	(15,355,630)	(8,000,633)	-	(16,402,383)	(8,014,756)	(9,354,602)	(762,800)	(8,547,639)	(66,438,443)
Transfers to discontinued operations (Note 5)	(2,894,178,458)	(16,646,251)	(557,952,552)	(84,913,991)	(39,803,482)	(2,757,062)	(8,953,139)	(47,542,564)	(3,652,747,499)
Transfers (to)/from inventory, net	(19,990,810)	1,798,348	259,942	643	288,909	40,341	(2,885)	3,649,919	(13,955,593)
Transfer (to)/from assets held for sale, net	(3,956)	-	(15,681)	(34,076)	-	(3,467)	(3,303)	(336)	(60,819)
Transfers (to)/from investment property (Note 10)	(7,239)	-	-	(2,108,669)	(1,578)	-	(63)	(46,304)	(2,163,853)
Transfers (to)/from intangible assets, net (Note 11)	(225,329)	-	-	-	(331)	-	(1,149)	(878,830)	(1,105,639)
Transfer from exploration and evaluation assets (Note 9)	19,103,078	-	-	-	-	-	344,256	-	19,447,334
Transfers and reclassifications	95,490,043	82,213,050	127,670,605	12,414,284	33,167,807	1,863,009	3,828,628	(356,647,426)	-
<b>Net book value as at December 31, 2015</b>	879,613,848	606,283,140	247,532,399	176,637,342	259,761,443	75,998,034	22,533,944	382,978,306	2,651,338,456
<b>At cost</b>	1,746,242,742	718,921,016	379,475,290	301,171,033	429,780,561	163,345,292	65,179,163	405,590,234	4,209,705,331
Accumulated depreciation and impairment	(866,628,894)	(112,637,876)	(131,942,891)	(124,533,691)	(170,019,118)	(87,347,258)	(42,645,219)	(22,611,928)	(1,558,366,875)
<b>Net book value as at December 31, 2015</b>	879,613,848	606,283,140	247,532,399	176,637,342	259,761,443	75,998,034	22,533,944	382,978,306	2,651,338,456
<b>At cost</b>	3,066,391,626	622,855,659	773,643,803	364,916,584	444,314,021	144,461,202	66,895,486	373,483,103	5,856,961,484
Accumulated depreciation and impairment	(735,413,375)	(83,957,244)	(309,429,861)	(125,811,886)	(169,541,428)	(72,177,375)	(38,863,786)	(25,648,482)	(1,560,843,437)
<b>Net book value as at December 31, 2014</b>	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. PROPERTY, PLANT AND EQUIPMENT (continued)**

In 2015, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 4.02% in the amount of 22,911,733 thousand tenge which are related to the construction of assets (2014: 18,231,016 thousand tenge at the average interest rate of 9.35%).

As at December 31, 2015, items of property, plant and equipment with the net book value of 386,385,948 thousand tenge (2014: 1,564,259,884 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group (Notes 20 and 23).

Additions to capital work in progress are mainly related to modernization projects of the Group refineries located in Atyrau and Pavlodar cities and development drilling at OzenMunaigas and Embamunaigas.

As at December 31, 2015 the cost of fully depreciated but still in use property, plant and equipment were 77,608,360 thousand tenge (2014: 185,876,613 thousand tenge).

**Impairment of property, plant and equipment**

In 2015, the Group recorded net impairment loss of 66,438,443 thousand tenge, which is mainly attributable to impairment of property, plant and equipment of ANS in the amount of 31,376,902 thousand tenge and KTM in the amount of 19,862,145 thousand tenge (for details please refer to Note 4).

In 2014 the Group recorded net impairment loss of 320,210,033 thousand tenge, which is mainly attributable to impairment of property, plant and equipment of KMG EP in the amount of 256,682,910 thousand tenge and KMG I in the amount of 44,468,446 thousand tenge.

**9. EXPLORATION AND EVALUATION ASSETS**

<i>In thousands of tenge</i>	<b>Tangible</b>	<b>Intangible</b>	<b>Total</b>
<b>Net book value as at December 31, 2013</b>	199,570,672	22,129,266	221,699,938
Foreign currency translation	21,063,427	1,364,939	22,428,366
Additions	22,613,276	12,868,168	35,481,444
Transfer from property, plant and equipment (Note 8)	–	629,125	629,125
Disposals	(3,174,005)	–	(3,174,005)
Transfers and reclassifications	(9,311,057)	9,311,057	–
<b>Net book value as at December 31, 2014</b>	230,762,313	46,302,555	277,064,868
Foreign currency translation	67,469,703	8,327,269	75,796,972
Additions	31,712,671	1,792,674	33,505,345
Transfers to discontinued operations (Note 6)	(156,783,937)	–	(156,783,937)
Transfer from property, plant and equipment (Note 8)	(10,936,431)	(8,510,903)	(19,447,334)
Disposals	(437,243)	(537,975)	(975,218)
Transfers and reclassifications	7,246,576	(7,246,576)	–
(Impairment) / reversal of impairment	60,626	(695,259)	(634,633)
<b>Net book value as at December 31, 2015</b>	169,094,278	39,431,785	208,526,063

As at December 31, 2015 and 2014 the exploration and evaluation assets are represented by the following projects:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Project N	79,985,583	52,837,668
Pearls	33,208,533	32,039,193
Zhambyl	26,511,840	25,734,420
Urikhtau	26,259,701	34,190,377
North Caspian PSA (Kashagan, Aktoty, Kayran, Kalamkas)	–	103,651,022
Other	42,560,406	28,612,188
	<b>208,526,063</b>	<b>277,064,868</b>

Exploration costs on Pearls and Zhambyl projects are financed by project partners other than the Group. Respective financial liabilities are recognized within borrowings (Note 20). The repayment of the financing for these projects depends on the identification of commercially recoverable reserves.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. INVESTMENT PROPERTY**

<i>In thousands of tenge</i>	<b>Total</b>
<b>Net book value as at December 31, 2013</b>	<b>28,243,320</b>
Additions	2,125
Depreciation charge	(605,534)
Disposals	(93,868)
Transfer from property, plant and equipment (Note 8)	5,127
Transfers to assets classified as held for sale	(353,536)
<b>Net book value as at December 31, 2014</b>	<b>27,197,634</b>
Additions	708,109
Depreciation charge	(626,727)
Accumulated impairment on disposals	5,534
Disposals	(185,680)
Transfer from property, plant and equipment (Note 8)	2,163,853
Transfers to inventory	(1,806)
<b>Net book value as at December 31, 2015</b>	<b>29,260,917</b>
<b>At cost</b>	<b>31,446,992</b>
<b>Accumulated depreciation and impairment</b>	<b>(2,186,075)</b>
<b>Net book value as at December 31, 2015</b>	<b>29,260,917</b>
<b>At cost</b>	<b>28,762,548</b>
<b>Accumulated depreciation and impairment</b>	<b>(1,564,914)</b>
<b>Net book value as at December 31, 2014</b>	<b>27,197,634</b>

Investment property is mainly represented by Izumrudny Kvartal office building leased under operating lease terms. The management of the Group believes that as at December 31, 2015 the fair value of this building is 29,458,335 thousand tenge (2014: 31,514,534 thousand tenge). The fair value of investment property was based on the market price of the office property (Note 34).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. INTANGIBLE ASSETS**

<i>In thousands of tenge</i>	<b>Goodwill</b>	<b>Marketing related intangible assets</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
<b>Net book value as at December 31, 2013</b>	135,080,474	27,956,406	19,201,029	18,204,974	200,442,883
Foreign currency translation	7,190,733	5,221,460	1,904,521	2,074,630	16,391,344
Additions	-	717	4,078,218	2,035,033	6,113,968
Acquisition of subsidiary	-	-	-	12,902	12,902
Disposals	-	-	(2,207,566)	(3,184,157)	(5,391,723)
Amortization charge	-	-	(6,750,963)	(1,947,550)	(8,698,513)
Accumulated amortization on disposals	-	-	2,196,317	2,403,086	4,599,403
(Impairment) / reversal of impairment	(30,744,793)	(954,788)	(69,452)	29,029	(31,740,004)
Transfer from property, plant and equipment, net	-	-	812,896	444,276	1,257,172
Transfer to inventory	-	-	(5,443)	(8,327)	(13,770)
Transfers to discontinued operations	-	-	(5,900)	-	(5,900)
Transfers to assets classified as held for sale	-	-	(1,198)	(294)	(1,492)
Transfers	-	-	460,588	(460,588)	-
<b>Net book value as at December 31, 2014</b>	111,526,414	32,223,795	19,613,047	19,603,014	182,966,270
Foreign currency translation	8,272,242	23,776,865	2,972,672	8,976,563	43,998,342
Additions	-	-	1,658,595	1,993,236	3,651,831
Disposals	-	(9,385,609)	(3,244,900)	(2,906,355)	(15,536,864)
Amortization charge	-	-	(5,687,134)	(2,704,067)	(8,391,201)
Accumulated amortization and impairment on disposals	-	1,874,505	3,028,601	1,437,042	6,340,148
Impairment	(11,922,192)	-	(45,676)	(6,497,133)	(18,465,001)
Transfer from property, plant and equipment, net	-	-	641,257	464,382	1,105,639
Transfer from inventory	-	-	29,968	-	29,968
Transfers to discontinued operations	(17,872,825)	(48,489,556)	(6,170,291)	(6,651,451)	(79,184,123)
Transfers to assets classified as held for sale	-	-	(27)	-	(27)
Transfers	-	-	(1,782,506)	1,782,506	-
<b>Net book value as at December 31, 2015</b>	90,003,639	-	11,013,606	15,497,737	116,514,982
At cost	126,946,769	-	32,883,471	21,554,646	181,384,886
Accumulated amortization and impairment	(36,943,130)	-	(21,869,865)	(6,056,909)	(64,869,904)
<b>Net book value as at December 31, 2015</b>	90,003,639	-	11,013,606	15,497,737	116,514,982
At cost	172,992,901	33,802,060	46,192,792	40,311,371	293,299,124
Accumulated amortization and impairment	(61,466,487)	(1,578,265)	(26,579,745)	(20,708,357)	(110,332,854)
<b>Net book value as at December 31, 2014</b>	111,526,414	32,223,795	19,613,047	19,603,014	182,966,270
Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:					
<b>Cash-generating unit</b>	<b>2015</b>		<b>2014</b>		
Downstream Romania	-		6,774,389		
Other	-		2,826,195		
<b>Cash generating units of KMG</b>	-		9,600,584		
Cash-generating units of PNHZ	88,553,296		88,553,296		
Other	1,450,343		13,372,534		
<b>Total goodwill</b>	<b>90,003,639</b>		<b>111,526,414</b>		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. INTANGIBLE ASSETS (continued)****ANS**

As at December 31, 2015, based on the impairment test results, the impairment loss was recognised in respect of ANS goodwill of 11,922,192 thousand tenge.

**PNHZ, a 100% subsidiary of KMG RM**

In 2015 and 2014, based on the impairment test results, no impairment of PNHZ goodwill was recognized.

For the detailed discussion of testing goodwill for impairment refer to *Note 4*.

**12. BANK DEPOSITS**

<i>In thousands of tenge</i>	2015	2014
Denominated in US dollar	962,456,681	704,527,022
Denominated in tenge	31,416,852	85,271,996
Denominated in other currency	2,844,428	1,604,665
	<b>996,717,961</b>	<b>791,403,683</b>

As at December 31, 2015, the weighted average interest rate for long-term bank deposits was 1.01% in US dollars and 2.31% in tenge, respectively (2014: 4.52% in US dollars and 3.31% in tenge, respectively).

As at December 31, 2015, the weighted average interest rate for short-term bank deposits was 1.32% in US dollars, 9.42% in tenge and 1.19% in other foreign currencies, respectively (2014: 1.82% in US dollars, 7.60% in tenge and 1.08% in other foreign currencies, respectively).

<i>In thousands of tenge</i>	2015	2014
Maturities under 1 year	947,909,540	693,879,434
Maturities between 1 and 2 years	27,113	36,400,455
Maturities over 2 years	48,781,308	61,123,794
	<b>996,717,961</b>	<b>791,403,683</b>

As at December 31, 2015 bank deposits include cash pledged as collateral of 109,580,052 thousand tenge (2014: 59,793,245 thousand tenge).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

<i>In thousands of tenge</i>	Main activity	Place of business	December 31, 2015		December 31, 2014	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
<b>Joint ventures</b>						
Kashagan B.V. (Note 6)	Oil and gas exploration and production	Kazakhstan	1,624,696,293	50.00%	–	–
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,028,085,031	20.00%	501,119,245	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	206,541,978	50.00%	196,194,403	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	97,406,849	50.00%	62,333,974	50.00%
KazGerMunay LLP	Exploration and production of oil and gas	Kazakhstan	82,409,608	50.00%	67,662,371	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	57,773,742	50.00%	85,877,971	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	–	50.00%	66,885,166	50.00%
Other			114,700,338		89,121,304	
<b>Associates</b>						
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	163,616,692	33.00%	117,103,135	33.00%
Other			47,709,214		31,363,831	
			3,422,939,745		1,217,661,400	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

All of the above joint ventures and associates are strategic for the Group's business.

As at December 31, 2015, the Group's share in unrecognized losses of joint ventures and associates was equal to 532,305,115 thousand tenge (December 31, 2014: 37,025,273 thousand tenge). The Group's share in unrecognized losses of joint ventures and associates for 2015 was 495,279,842 thousand tenge (2014: 14,046,105 thousand tenge).

The following table summarizes the movements in investments in 2015 and 2014:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
<b>At January 1</b>	<b>1,217,661,400</b>	<b>998,490,176</b>
Contributions	<b>37,545,354</b>	1,034,370
Disposals	<b>(6,151,234)</b>	(21,205,651)
Acquisitions	<b>3,889,687</b>	3,677,319
Loss of Control over Kashagan	<b>1,301,888,532</b>	–
Financial guarantee	–	9,342,198
Share in profits, net ( <i>Note 31</i> )	<b>112,808,692</b>	427,857,457
Dividends received	<b>(186,116,705)</b>	(331,972,975)
Change in dividends receivable	<b>(13,055,008)</b>	19,262,694
Impairment of investments	<b>(9,342,198)</b>	(1,034,370)
Other changes in the equity of the joint venture	<b>19,134,432</b>	2,878,042
Transfers to discontinued operation	<b>(11,585,151)</b>	–
<i>Foreign currency translation</i>	<b>956,261,944</b>	109,332,140
<b>At December 31</b>	<b>3,422,939,745</b>	<b>1,217,661,400</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2015:

<i>In thousands of tenge</i>	Kashagan B.V.	KMG	Tengizchevroil LLP	Mangistau Investments B.V.	Kazakhhoil-Aktobe LLP	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	KazGerMunay LLP
Non-current assets	4,199,332,506	5,924,302,459	411,943,107	102,550,731	391,162,216	51,062,738	196,073,754	
Current assets, including <i>Cash and cash equivalents</i>	45,113,526	717,423,338	80,562,288	61,427,855	20,300,668	176,399,827	50,367,839	
Non-current liabilities, including <i>Non-current financial liabilities</i>	7,396,712	160,541,813	4,659,706	48,137,975	3,945,388	77,193,114	32,655,996	
Current liabilities, including <i>Current financial liabilities</i>	(928,622,901)	(1,150,136,581)	(49,494,943)	(8,812,710)	(358,594,630)	(1,915,629)	(44,473,178)	
	(854,526,863)	—	—	—	(352,452,278)	—	—	
	(66,430,545)	(351,164,062)	(29,926,497)	(39,618,392)	(114,170,382)	(30,733,238)	(37,149,199)	
<b>Equity</b>	<b>3,249,392,586</b>	<b>5,140,425,154</b>	<b>413,083,955</b>	<b>115,547,484</b>	<b>(61,302,128)</b>	<b>194,813,698</b>	<b>164,819,216</b>	
Share of ownership	50%	20%	50%	50%	50%	50%	50%	
Accumulated unrecognized share of losses	—	—	—	—	—	—	—	
<b>KMG's share of the cost of guarantee given</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Carrying amount of the investments as at December 31, 2015</b>	<b>1,624,696,293</b>	<b>1,028,085,031</b>	<b>206,541,978</b>	<b>57,773,742</b>	<b>—</b>	<b>30,651,064</b>	<b>82,409,608</b>	
Revenue	—	2,764,321,171	400,902,519	49,839,377	14,305,380	205,531,466	139,704,176	
Depreciation, depletion and amortization	(9,197)	(250,414,110)	(33,902,903)	(21,927,401)	(9,566,015)	(959,231)	(18,690,460)	
Finance income	124,021	2,756,026	769,375	509,020	—	4,042,950	631,861	
Finance costs	(7,018,371)	(21,001,187)	(3,174,721)	(925,258)	(5,444,889)	(57,118)	(807,440)	
Income tax expense	(196,290)	(347,421,542)	(12,774,663)	(17,517,878)	—	(37,477,573)	(48,569,000)	
<b>Profit/(loss) for the year from continuing operations</b>	<b>(26,095,270)</b>	<b>810,801,685</b>	<b>39,406,476</b>	<b>(898,458)</b>	<b>(182,581,500)</b>	<b>72,505,952</b>	<b>5,348,554</b>	
Profit after income tax for the year from discontinued operations	—	—	—	—	—	—	—	
Other comprehensive income	596,620,080	2,269,800,841	—	—	—	79,461,723	77,250,921	
<b>Total comprehensive income/(loss)</b>	<b>570,524,810</b>	<b>3,080,602,526</b>	<b>39,406,476</b>	<b>(898,458)</b>	<b>(182,581,500)</b>	<b>151,967,675</b>	<b>82,599,475</b>	
Unrecognized share of losses	—	—	—	—	—	—	—	
Dividends received	—	89,154,720	9,355,664	27,655,000	—	40,910,962	13,822,375	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2014:

<i>In thousands of tenge</i>	Tengizchevroil LLP	Mangistau Investments B.V.	Kazakhoil-Aktobe LLP	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	KazGerMunay LLP
Non-current assets	2,800,071,960	424,102,058	134,267,173	330,271,961	26,399,357	160,688,613
Current assets, including	643,150,640	86,744,781	51,668,657	31,178,242	107,475,442	53,055,126
Cash and cash equivalents	222,714,814	6,581,654	35,087,841	125,277	83,763,558	37,629,810
Non-current liabilities, including	(652,275,797)	(43,107,919)	(6,673,604)	(200,148,532)	(291,395)	(50,724,134)
Non-current financial liabilities	—	—	—	—	—	—
Current liabilities, including	(285,350,580)	(75,350,114)	(7,506,284)	(46,215,735)	(8,915,456)	(27,694,863)
Current financial liabilities	—	—	—	—	—	—
<b>Equity</b>	<b>2,505,596,223</b>	<b>392,388,806</b>	<b>171,755,942</b>	<b>115,085,936</b>	<b>124,667,948</b>	<b>135,324,742</b>
Share of ownership	20%	50%	50%	50%	50%	50%
Accumulated unrecognized share of losses	—	—	—	—	—	—
KMG's share of the cost of guarantee given	—	—	—	9,342,198	—	—
<b>Carrying amount of the investments as at December 31, 2014</b>	<b>501,119,245</b>	<b>196,194,403</b>	<b>85,877,971</b>	<b>66,885,166</b>	<b>62,333,974</b>	<b>67,662,371</b>
Revenue	4,085,568,171	658,831,955	78,216,098	16,253,632	174,448,013	238,222,269
Depreciation, depletion and amortization	(180,588,446)	(27,096,929)	(27,324,378)	(9,172,945)	(447,263)	(13,712,763)
Finance income	1,839,433	199,647	143,617	—	2,202,280	1,052,700
Finance costs	(22,660,795)	(2,547,853)	(846,778)	(6,797,181)	—	(663,277)
Income tax expense	(676,775,558)	(35,112,740)	(7,311,426)	—	(20,396,036)	(51,840,239)
<b>Profit/(loss) for the year from continuing operations</b>	<b>1,579,142,195</b>	<b>113,877,820</b>	<b>4,155,628</b>	<b>(27,721,852)</b>	<b>58,967,380</b>	<b>70,872,675</b>
Other comprehensive income	303,459,835	—	—	—	18,208,436	17,285,098
<b>Total comprehensive income/(loss)</b>	<b>1,882,602,030</b>	<b>113,877,820</b>	<b>4,155,628</b>	<b>(27,721,852)</b>	<b>77,175,816</b>	<b>88,157,773</b>
Unrecognized share of losses	—	—	—	—	—	—
Dividends received	187,281,934	45,747,705	—	—	22,335,042	45,464,000



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

The following tables illustrate summarized financial information about a material associate, based on its financial statements:

<i>In thousands of tenge</i>	<b>PetroKazakhstan Inc.</b>	
	<b>2015</b>	<b>2014</b>
Non-current assets	584,794,086	450,552,137
Current assets	126,835,837	97,201,303
Non-current liabilities	(83,297,091)	(106,143,902)
Current liabilities	(132,524,675)	(86,751,554)
<b>Equity</b>	<b>495,808,157</b>	<b>354,857,984</b>
Share of ownership	33%	33%
Accumulated unrecognized share of losses	—	—
<b>Carrying amount of the investment as at December 31</b>	<b>163,616,692</b>	<b>117,103,135</b>
Revenue	127,768,000	305,364,659
Profit for the year from continuing operations	(49,898,215)	69,720,719
<b>Profit for the year from continuing operations after income tax</b>	<b>—</b>	<b>—</b>
Other comprehensive income	190,848,388	55,823,748
<b>Total comprehensive income</b>	<b>140,950,173</b>	<b>125,544,467</b>
Unrecognized share of losses	—	—
Dividends received	—	29,980,500

The following tables illustrate aggregate financial information of individually immaterial joint ventures (the Group's proportional share):

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Non-current assets	1,159,717,744	955,318,146
Current assets	322,873,378	218,597,733
Non-current liabilities	(1,630,345,535)	(968,961,144)
Current liabilities	(233,000,407)	(138,564,242)
Accumulated unrecognized share of losses	495,455,158	22,730,811
<b>Carrying amount of the investments as at December 31</b>	<b>114,700,338</b>	<b>89,121,304</b>
Loss for the year from continuing operations	(488,086,424)	(21,992,551)
Profit after income tax for the year from discontinued operations	—	—
Other comprehensive income	34,591,571	7,637,662
<b>Total comprehensive loss</b>	<b>(453,494,853)</b>	<b>(14,354,889)</b>

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Non-current assets	40,182,792	15,036,526
Current assets	6,198,592	5,166,615
Non-current liabilities	(2,410,644)	(125,749)
Current liabilities	(2,460,419)	(3,008,023)
Accumulated unrecognized share of losses	6,198,893	14,294,462
<b>Carrying amount of the investments as at December 31</b>	<b>47,709,214</b>	<b>31,363,831</b>
Profit for the year from continuing operations	855,952	937,905
Profit after income tax for the year from discontinued operations	—	—
Other comprehensive income	28,063,873	4,833,909
<b>Total comprehensive income</b>	<b>28,919,825</b>	<b>5,771,814</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****14. NOTE RECEIVABLE FROM A SHAREHOLDER OF A JOINT VENTURE**

In 2007, the Group acquired a 50% interest in a jointly controlled entity, CITIC Canada Energy Limited ("CCEL"), whose investments are involved in oil and natural gas production in the Western Kazakhstan, from its co-investor, State Alliance Holdings Limited, a holding company ultimately belonging to CITIC Group ("CITIC"), and listed on the Hong Kong Stock Exchange.

CCEL is contractually obliged to declare dividends on an annual basis based on available distributable equity. At the same time, for the period until 2020 KMG EP is contractually obliged to transfer any dividends received from CCEL, in excess of a guaranteed amount, to CITIC, up to the total maximum amount, which is equal to 515.5 million US dollars (174,994 million tenge) as at December 31, 2015 (2014: 509.5 million US dollars or 92,921 million tenge). The total maximum amount represents the balance of KMG EP's share of the original purchase price funded by CITIC plus accrued interest. KMG EP has no obligation to pay amounts to CITIC unless it receives an equivalent amount from CCEL. Accordingly, the Group recognizes in its consolidated statement of financial position only the right to receive dividends from CCEL in the guaranteed amount on an annual basis until 2020, plus the right to retain any dividends in excess of the total maximum guaranteed amount. The carrying amount of this receivable at December 31, 2015, was equal to 89.3 million US dollars (30,423,947 thousand tenge) (2014: 100.5 million US dollars or 18,465,695 thousand tenge).

In addition, KMG EP has the right, subject to certain conditions precedent, to exercise a put option and return the investment to CITIC in exchange for 150 million US dollars plus annual interest of 8% less the cumulative amount of the guaranteed payments received.

On November 17, 2008, the annual Guaranteed Amount has been increased from 26.2 million US dollars to 26.9 million US dollars payable in two equal installments not later than June 12 and December 12. After the above amendment the effective interest rate on the receivable from CCEL is 15% per annum.

CCEL equity is nil as CCEL is contractually obliged to distribute all income to its participants, therefore, classifying all distributable income as a liability.

**15. INVENTORIES**

<i>In thousands of tenge</i>	2015	2014
Materials and supplies	63,614,613	88,623,744
Gas products	28,933,091	13,853,302
Refined products	27,450,624	75,457,717
Crude oil	11,606,349	29,445,423
Less: provision for obsolete inventory	(6,097,728)	(12,419,427)
	125,506,949	194,960,759

**16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS**

<i>In thousands of tenge</i>	2015	2014
Advances paid and prepaid expenses	31,391,070	45,047,301
Taxes receivable	24,516,318	31,057,762
Other current assets	41,725,829	38,329,752
Less: allowance for impairment	(4,687,653)	(15,852,965)
<b>Total other current assets</b>	<b>92,945,564</b>	<b>98,581,850</b>
Trade accounts receivable	104,176,270	230,383,348
Less: allowance for impairment	(8,915,101)	(27,760,995)
<b>Trade accounts receivable</b>	<b>95,261,169</b>	<b>202,622,353</b>

As at December 31, 2015 and 2014 the above assets were non-interest bearing.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)**

Movements in the allowance for impairment of trade accounts receivable and other current assets were as follows:

<i>In thousands of tenge</i>	<b>Individually impaired</b>
<b>As at December 31, 2013</b>	<b>40,892,478</b>
Charge for the year	3,791,735
Recovered	(2,485,583)
Written off	(2,945,218)
Relates to assets classified as held for sale	(34,464)
Foreign currency translation	4,405,899
Discontinued operations	(10,887)
<b>As at December 31, 2014</b>	<b>43,613,960</b>
Charge for the year	20,895,686
Recovered	(4,539,739)
Written off	(1,279,274)
Foreign currency translation	5,077,273
Discontinued operations	(50,165,152)
<b>As at December 31, 2015</b>	<b>13,602,754</b>

As at December 31, the ageing analysis of trade accounts receivable is as follows:

<i>In thousands of tenge</i>	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>				
			<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>&gt;120 days</b>
<b>2015</b>	<b>95,261,169</b>	<b>74,798,912</b>	<b>3,217,748</b>	<b>6,669,126</b>	<b>4,618,171</b>	<b>600,052</b>	<b>5,357,160</b>
<b>2014</b>	<b>202,622,353</b>	<b>145,008,510</b>	<b>11,304,949</b>	<b>13,693,787</b>	<b>7,119,467</b>	<b>6,457,764</b>	<b>19,037,876</b>

**17. LOANS AND RECEIVABLE DUE FROM RELATED PARTIES**

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Loans due from related parties	469,041,982	136,669,217
Receivable due from related parties	88,512,853	—
Less: allowance for impairment of loans to related parties	(11,098,114)	(71,379)
	<b>546,456,721</b>	<b>136,597,838</b>

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Denominated in US dollars	314,605,623	33,775,843
Denominated in tenge	230,915,858	102,043,178
Denominated in other foreign currencies	935,240	778,817
	<b>546,456,721</b>	<b>136,597,838</b>

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Current portion	113,045,841	34,697,640
Non-current portion	433,410,880	101,900,198
	<b>546,456,721</b>	<b>136,597,838</b>

Loans due from related parties are stated at amortized cost.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****17. LOANS DUE FROM RELATED PARTIES (continued)**

Movements in allowance for impairment of loans to related parties were as follows:

<i>In thousands of tenge</i>	<b>Individually impaired</b>
<b>As at December 31, 2013</b>	<b>5,799,179</b>
Charge for the year	71,379
Relates to assets classified as held for sale	(5,794,542)
Recovery	(4,637)
<b>As at December 31, 2014</b>	<b>71,379</b>
Charge for the year	11,025,736
Recovery	(55,944)
Foreign currency translation	56,943
<b>As at December 31, 2015</b>	<b>11,098,114</b>

**18. CASH AND CASH EQUIVALENTS**

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Term deposits with banks – US dollars	499,438,041	549,569,558
Term deposits with banks – tenge	76,341,941	125,409,276
Current accounts with banks – US dollars	159,107,357	110,485,878
Current accounts with banks – tenge	12,067,939	19,530,382
Current accounts with banks – other currencies	17,452,944	10,058,713
Term deposits with banks – other currencies	3,746,773	4,620,202
Cash-on-hand	421,624	3,357,485
	<b>768,576,619</b>	<b>823,031,494</b>
Cash and cash equivalents attributable to discontinued operations	39,857,520	3,412,224
	<b>808,434,139</b>	<b>826,443,718</b>

Term deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at December 31, 2015, the weighted average interest rate for time deposits with banks was 0.58% in US dollars and 25.31% in tenge, respectively (2014: 0.73% in US dollars and 11.35% in tenge, respectively).

As at December 31, 2015 cash and cash equivalents were not pledged as collateral (2014: 1,007,301 thousand tenge).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. EQUITY**

Total number of outstanding, issued and paid shares comprises:

	December 31, 2013	Issued in 2014	December 31, 2014	Issued in 2015	December 31, 2015
<b>Number of shares issued and paid, including</b>	<b>525,647,776</b>	<b>2,843,247</b>	<b>528,491,023</b>	<b>55,716,442</b>	<b>584,207,465</b>
Par value of 500 tenge	458,450,766	—	458,450,766	—	458,450,766
Par value of 5,000 tenge	59,707,029	—	59,707,029	—	59,707,029
Par value of 27,726.63 tenge	—	137,900	137,900	—	137,900
Par value of 838 tenge	1	—	1	—	1
Par value of 858 tenge	1	—	1	—	1
Par value of 704 tenge	1	—	1	—	1
Par value of 592 tenge	1	—	1	—	1
Par value of 2,500 tenge	7,489,974	2,705,347	10,195,321	55,716,442	65,911,763
Par value of 2,451 tenge	1	—	1	—	1
Par value of 921 tenge	1	—	1	—	1
Par value of 1,000 tenge	1	—	1	—	1
<b>Share capital (000'tenge), including</b>	<b>546,485,470</b>	<b>10,586,870</b>	<b>557,072,340</b>	<b>139,291,105</b>	<b>696,363,445</b>
Par value of 27,726.63 tenge	—	3,823,502	3,823,502	—	3,823,502
Par value of 500 tenge	229,225,382	—	229,225,382	—	229,225,382
Par value of 5,000 tenge	298,535,145	—	298,535,145	—	298,535,145
Par value of 838 tenge	1	—	1	—	1
Par value of 858 tenge	1	—	1	—	1
Par value of 704 tenge	1	—	1	—	1
Par value of 592 tenge	1	—	1	—	1
Par value of 2,500 tenge	18,724,935	6,763,368	25,488,303	139,291,105	164,779,408
Par value of 2,451 tenge	2	—	2	—	2
Par value of 921 tenge	1	—	1	—	1
Par value of 1,000 tenge	1	—	1	—	1

**Share capital**

In 2014 the Company issued and paid 2,843,247 common shares. As consideration for these shares the Company received high, medium and low pressure gas pipelines and accompanying constructions located in Kostanay oblast for the amount of 6,763,366 thousand tenge, and in West-Kazakhstan oblast for the amount of 3,823,504 thousand tenge and cash and cash equivalents in the amount of 2 thousand tenge.

In 2015 the Company issued 55,716,442 common shares. As consideration for these common shares of the Samruk-Kazyna, the Company received cash amounting 12,700,436 thousand tenge and the right to claim payments under "Kazakhstan Note".

The rights to claim under the "Kazakhstan Note" are in accordance with the loan agreement dated May 16, 1997 between the Government and Caspian Pipeline Consortium – K JSC. The nominal value as of transfer date amounted 126,590,669 thousand tenge.

As at December 31, 2015, 265,352,131 common shares were authorized, but not issued (2014: 321,068,573 common shares).

**Additional paid-in capital**

The excess of the fair value of the "Kazakhstan Note" over its nominal value as at the transfer date amounted 3,518,718 thousand tenge, which was recognized as an additional paid-in capital.

In 2015 the Group recognized additional paid in capital in the amount of 13,375,340 thousand tenge, which represents the fair value of gas pipelines contributed by the Samruk-Kazyna and the Government on trust management terms, which serves as a short-term mechanism until the legal title for pipelines shifts to the Group.

**Transactions with Samruk-Kazyna**

During 2014 the Company made a step acquisition of 49% of interest in KazakTurkMunay LLP, the existing 51% joint venture, from TPAO for the consideration of 42,208,301 thousand tenge at the acquisition date and increased its participation interest in KazakTurkMunay LLP to 100%. The excess of fair value of consideration over fair value of net assets of KTM as of acquisition date was recognized as distribution to the Samruk-Kazyna due to the fact that the acquisition was made in accordance with the instructions of the Shareholder and Government.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. EQUITY (continued)****Transactions with Samruk-Kazyna (continued)**

In 2015 the Company provided interest free loan to Samruk-Kazyna (*Note 17*), the difference between fair value and nominal value of the loan amounting 4,760,377 thousand tenge recognized as transaction with Samruk-Kazyna in the consolidated statement of changes in equity.

**Distributions to Samruk-Kazyna**

In 2014 the Concession Agreement with the Government was terminated, and the total amount of capitalised improvements made by the Group to the gas pipelines managed under the Concession Agreement were transferred to the Government with the net book value of 83,176,883 thousand tenge (*Note 8*).

In 2015, the Group reversed a provision for construction of the kindergarten in Astana city in the amount 303,146 thousand tenge (accrued provision in 2014: 1,053,206 thousand tenge), reversed a provision for reconstruction of the trade and exhibition center in Moscow city by 30,365 thousand tenge (reversed a provision in 2014: 2,978,716 thousand tenge) and accrued a provision for costs to be incurred on construction of the History Museum by 2,592,921 thousand tenge (reversed provision in 2014: 2,088,547 thousand tenge ) decreased respective distribution to Samruk-Kazyna due to changes in estimates. The Company recognized the results of economic activity of "PSA" in the total amount 4,454,291 thousand tenge (2014: nil) as distributions to Samruk-Kazyna in accordance with the order of Samruk-Kazyna

In 2015, the decrease in retained earnings of 58,090 thousand tenge represents other distributions to Samruk-Kazyna (2014: 1,200,723 thousand tenge).

**Dividends**

In 2015 the Group declared dividends to Samruk-Kazyna and National Bank of RK at 53.24 tenge per common share totaling to 31,104,442 thousand tenge (2014: 158.08 tenge per common share totaling to 83,114,547 thousand tenge). Also, in accordance with the decision of Samruk-Kazyna, the Company decreased the amount of dividends declared for 2013 by 6,768,531 thousand tenge.

In 2015 the Group declared dividends in the total of 15,790,408 thousand tenge to the holders of non-controlling interest in KMG EP, KTO and other subsidiaries (2014: 53,891,914 thousand tenge). As at December 31, 2015 the dividends payable by the Group to the holders of non-controlling interest of 1,943,914 thousand tenge (2014: 2,004,755 thousand tenge).

**Currency translation reserves**

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries and joint ventures and associates whose functional currency is not Kazakhstani tenge and whose financial results are included in these consolidated financial statements in accordance with the accounting policy.

The Group reclassified exchange difference on translation of foreign operations from other comprehensive income to profit and loss amounting 106,930,994 thousand tenge as the result of change in investment ownership interests in KMG Kashagan B.V. (*Note 6*).

**Non-controlling interest**

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

	Country of incorporation and operation	2015		2014	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration					
Production JSC	Kazakhstan	36.79%	666,542,230	36.79%	492,633,617
KazTransOil JSC	Kazakhstan	10.00%	40,542,082	10.00%	36,194,881
Rompetrol Rafinare S.A.	Romania	45.37%	4,350,577	45.37%	140,399
Rompetrol Downstream S.R.L.	Romania	45.37%	40,689,678	45.37%	24,793,352
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	11,931,434	45.37%	7,382,722
Rompetrol Vega	Romania	45.37%	(22,799,241)	45.37%	(12,400,519)
Other			11,923,153		6,417,972
			<b>753,179,913</b>		<b>555,162,424</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. EQUITY (continued)****Non-controlling interest (continued)**

The following tables illustrate summarized financial information of subsidiaries, in which the Group has significant non-controlling interests as at December 31, 2015 and for the year then ended:

<i>In thousands of tenge</i>	KazMunayGas Exploration Production JSC	KazTransOil JSC	Rompetrol Refinare S.A.	Rompetrol Downstream S.R.L.	Rompetrol Vega	Rompetrol Petrochemicals S.R.L.
<b>Summarized statement of financial position</b>						
Non-current assets	713,604,659	426,560,775	303,060,162	122,324,632	21,494,135	5,327,942
Current assets	1,297,145,000	108,836,380	124,877,530	99,027,728	5,650,886	24,666,572
Non-current liabilities	(51,494,130)	(69,508,118)	(80,515,090)	(64,956,676)	(22,698,769)	(3,032,787)
Current liabilities	(147,406,000)	(60,468,222)	(337,833,908)	(66,715,533)	(54,695,893)	(664,821)
<b>Total equity</b>	<b>1,811,849,529</b>	<b>405,420,815</b>	<b>9,588,694</b>	<b>89,680,151</b>	<b>(50,249,641)</b>	<b>26,296,906</b>
<b>Attributable to:</b>						
Equity holder of the Parent Company	1,145,307,299	364,878,733	5,238,117	48,990,473	(27,450,400)	14,365,472
Non-controlling interest	666,542,230	40,542,082	4,350,577	40,689,678	(22,799,241)	11,931,434
<b>Summarized statement of comprehensive income</b>						
Revenue	529,812,000	213,161,761	536,053,867	243,482,603	31,778,403	–
Profit/(loss) for the year from continuing operations	243,669,081	73,561,722	5,880,455	(7,869,431)	411,969	(2,609,137)
Total comprehensive income/(loss) for the year, net of tax	501,223,222	89,901,372	9,279,254	35,035,544	(22,918,837)	10,025,371
<b>Attributable to:</b>						
Equity holder of the Parent Company	411,582,388	82,545,200	6,611,177	38,606,062	(23,105,755)	11,209,187
Non-controlling interest	89,640,834	7,356,172	2,668,077	(3,570,518)	186,918	(1,183,816)
Dividends declared to non-controlling interests	(9,973,562)	(4,642,936)	–	–	–	–
<b>Summarized cash flow information</b>						
Operating activity	151,000	113,261,335	5,165,871	1,699,957	346,187	(3,442)
Investing activity	87,143,000	(58,586,404)	(11,843,210)	(2,954,902)	(345,857)	1,226
Financing activity	(30,228,685)	(46,429,364)	6,172,686	563,574	3,510	(428)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>57,065,315</b>	<b>8,245,567</b>	<b>(504,653)</b>	<b>(691,371)</b>	<b>3,840</b>	<b>(2,644)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. EQUITY (continued)****Non-controlling interest (continued)**

The following tables illustrate summarized financial information of subsidiaries, in which the Group has significant non-controlling interests as at December 31, 2014 and for the year then ended:

<i>In thousands of tenge</i>	KazMunayGas Exploration Production JSC	KazTransOil JSC	Rafinare S.A.	Rompetro Petrochemicals S.R.L.	Rompetro Vega	Rompetro Downstream S.R.L.
<b>Summarised statement of financial position</b>						
Non-current assets	578,602,161	372,337,295	166,969,453	3,544,054	11,983,308	65,459,240
Current assets	905,192,425	99,649,311	79,454,636	15,007,770	4,400,835	52,630,404
Non-current liabilities	(39,796,779)	(59,653,573)	(38,649,083)	(1,916,134)	(12,265,408)	(7,825,915)
Current liabilities	(104,880,635)	(50,384,226)	(207,465,613)	(364,153)	(31,449,540)	(55,619,121)
<b>Total equity</b>	<b>1,339,117,172</b>	<b>361,948,807</b>	<b>309,393</b>	<b>16,271,537</b>	<b>(27,330,805)</b>	<b>54,644,608</b>
<b>Attributable to:</b>						
Equity holder of the Parent Company	846,483,555	325,753,926	168,994	8,888,815	(14,930,286)	29,851,256
Non-controlling interest	492,633,617	36,194,881	140,399	7,382,722	(12,400,519)	24,793,352
<b>Summarised statement of comprehensive income</b>						
Revenue	844,215,733	207,023,261	722,124,590	6,490,620	43,539,407	309,631,898
Profit/(loss) for the year from continuing operations	49,719,910	55,347,925	(62,596,718)	(3,149,504)	(3,378,549)	1,084,492
<b>Total comprehensive income/(loss) for the year, net of tax</b>	<b>102,798,501</b>	<b>59,352,244</b>	<b>(53,614,481)</b>	<b>(172,179)</b>	<b>(7,205,839)</b>	<b>9,600,438</b>
<b>Attributable to:</b>						
Equity holder of the Parent Company	64,984,221	53,417,020	(29,284,802)	(94,058)	(3,935,906)	5,244,527
Non-controlling interest	37,814,280	5,935,224	(24,329,679)	(78,121)	(3,269,933)	4,355,911
Dividends declared to non-controlling interests	(49,543,281)	(4,192,528)	—	—	—	—
<b>Summarised cash flow information</b>						
Operating activity	196,403,632	93,908,131	9,789,687	7,463,980	111,994	6,232,049
Investing activity	(20,662,293)	(35,342,602)	(6,159,835)	(3,186,894)	(152,132)	(3,810,117)
Financing activity	(130,087,970)	(42,036,157)	(15,408,548)	(4,625,073)	23,653	(8,518,693)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>45,653,369</b>	<b>16,529,372</b>	<b>(11,778,696)</b>	<b>(347,987)</b>	<b>(16,485)</b>	<b>(6,096,761)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. BORROWINGS**

<i>In thousands of tenge</i>	2015	2014
Fixed interest rate borrowings	2,185,653,220	2,284,707,172
Weighted average interest rates	7.82%	7.12%
Floating interest rate borrowings	1,043,215,469	813,013,235
Weighted average interest rates	4.40%	9.00%
	<b>3,228,868,689</b>	<b>3,097,720,407</b>

<i>In thousands of tenge</i>	2015	2014
US dollar – denominated borrowings	3,007,519,468	2,845,498,053
Tenge – denominated borrowings	221,349,221	210,235,354
Euro – denominated borrowings	–	29,588,111
Other currency – denominated borrowings	–	12,398,889
	<b>3,228,868,689</b>	<b>3,097,720,407</b>

<i>In thousands of tenge</i>	2015	2014
Current portion	296,545,652	670,529,840
Non-current portion	2,932,323,037	2,427,190,567
	<b>3,228,868,689</b>	<b>3,097,720,407</b>

As at December 31, 2015 and 2014, the debt securities issued and loans comprised:

<b>Bonds</b>	<b>Issuance amount</b>	<b>Redemption date</b>	<b>Interest</b>	<b>2015</b>	<b>2014</b>
Bonds LFB 2008	1,6 billion USD	2018	9.125%	537,528,897	289,708,882
Bonds LFB 2008	1,5 billion USD	2015	11.75%	–	287,529,147
Bonds LFB 2010	1,5 billion USD	2020	7.00%	459,835,697	271,893,575
Bonds LFB 2010	1,25 billion USD	2021	6.375%	380,467,835	227,654,682
Bonds LFB 2013	2 billion USD	2043	5.75%	169,911,347	365,138,389
Bonds LFB 2013	1 billion USD	2023	4.4%	136,531,343	182,819,127
Bonds LFB 2014	1 billion USD	2044	6.00%	9,902,685	92,062,132
Bonds LFB 2014	0,5 billion USD	2025	4.875%	41,220,808	180,108,347
Bonds KFB 2009	120 billion KZT	2017	6M Libor+8.5%	150,176,515	100,620,033
Bonds KFB 2010	100 billion KZT	2017	0%	88,302,174	82,525,396
The Bank of New York Mellon	600 million USD	2017	6.375%	92,311,615	98,964,532
Others				12,781,662	8,808,283
<b>Total</b>				<b>2,078,970,578</b>	<b>2,187,832,525</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. BORROWINGS (continued)**

Loans	Issuance amount	Redemption date	Interest	2015	2014
Development bank of Kazakhstan JSC	71 billion KZT	2022-2025	7%-9%	106,013,401	70,296,259
Development bank of Kazakhstan JSC	884 million USD	2023	4.5% + 6M Libor – 7.72%	360,850,249	201,115,021
Syndicated loan (Raiffeisen Bank Int, Banca Comercial Romana, ING Bank Amsterdam and Unicredit Tiriak Bank SA)	200 million USD	2019	2.73%	–	36,586,237
Loan from partners (Karachaganak)	1 billion USD	2015	(Libor + 3%) * 1.25	–	35,549,930
Loan from partners (Project Pearl)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration	6M Libor + 1%	83,776,032	43,087,654
Halyk bank JSC	18 billion KZT	2016	5.5%-10%	5,705,273	10,625,904
Halyk bank JSC	72 million USD	2016	6%	23,762,900	13,253,344
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	137,067,428	73,472,531
Loan from partners (Project Zhambyl)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1%	62,827,375	32,524,830
Loan from partners (Project Satpayev)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1.5%	26,291,533	6,737,152
The Export-Import Bank of China	1 billion USD	2027	Libor + 4.1%	151,844,361	14,680,053
ING BANK	1 billion USD	2016	3M Libor + 2.1%	135,461,430	145,183,423
Other	–	–	–	56,298,129	226,775,544
<b>Total</b>				<b>1,149,898,111</b>	<b>909,887,882</b>

On October 30, 2009, the Group issued bonds at KASE in the amount of 120,000,000 thousand tenge, which were acquired by JSC Development Bank of Kazakhstan ("DBK"). These bonds are recorded at amortized cost using effective interest rate of 8.96%. During 2015, the Group repurchased portion of these bonds in the amount of 19,682,102 thousand tenge (2014: 17,974,791 thousand tenge). As at December 31, 2015 the carrying value of these bonds, including interest payable, was equal to 150,176,515 thousand tenge (2014: 100,620,033 thousand tenge) (Note 33).

On November 9, 2010, the Group issued bonds at KASE in the amount of 100,000,000 thousand tenge maturing in 2017. These bonds are recorded at amortized cost using effective interest rate of 7%. As at December 31, 2015 the carrying value of these bonds was equal to 88,302,174 thousand tenge (2014: 82,525,396 thousand tenge).

In 2008, 2009 and 2010 KazMunayGas Finance Sub B.V., a subsidiary of Cooperative KazMunayGas PKI U.A., raised funds through issue of bonds at London Stock Exchange ("LSE") in the total amount of 7,303.1 million US dollars. In November 2010, the Company was registered as the issuer of the above bonds in total amount of 7,300 million US dollar at LSE. In January 2015, the Company repaid portion of 2009 issuance bonds in the total amount of 1.5 billion US dollars. As at December 31, 2015 the carrying value of these bonds, including interest payable, was equal to 1,377,832,429 thousand tenge (2014: 1,076,786,287 thousand tenge).

On April 30, 2013 the Company issued additional bonds at LSE in the total amount of 3 billion US dollars within the current program of global medium-term notes issuance up to 10.5 billion US dollars on the following terms:

- 2 billion US dollars with the interest rate of 5.75% per annum maturing in 2043 and an offering price of 99.293% from the nominal amount;
- 1 billion US dollars with the interest rate of 4.4% per annum maturing in 2023 and an offering price of 99.6% from the nominal amount.

The coupon on the bonds issued in 2013 is paid on the semi-annual basis starting from October 30, 2013. As at December 31, 2015 the carrying amount of these bonds, including interest payable, was equal to 306,442,690 thousand tenge (2014: 547,957,516 thousand tenge).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. BORROWINGS (continued)**

On November 7, 2014 the Company issued additional bonds at LSE in the total amount of 1.5 billion US dollars within the current program of global medium-term notes issuance up to 10.5 billion US dollars on the following terms:

- 1 billion US dollars with the interest rate of 6.10% per annum maturing in 2044 and an offering price of 98.631% from the nominal amount;
- 0.5 billion US dollars with the interest rate of 4.95% per annum maturing in 2025 and an offering price of 99.392% from the nominal amount.

The coupon on the bonds issued in 2014 is paid on the semi-annual basis starting from May 7, 2015. As at December 31, 2015 the carrying amount of these bonds, including interest payable, was equal to 51,123,493 thousand tenge (2014: 272,170,479 thousand tenge).

In January 2015 the Group repaid bonds at LSE in the amount of USD 1,500 million.

In addition, at the end of 2015m the Group performed early redemption of bonds at LSE totalling USD 3.68 billion, as a result of these transaction was earned an income in the amount of KZT 54,812,278 thousand (*Note 30*).

As at December 31, 2015 MDC (Oil and Gas N Block Kazakhstan) GmbH assigned its 24.50% portion in the project N to the Group. As a result of the transaction the Company recognised an income in the amount of KZT 37,329,326 thousand (*Note 30*).

In 2011 Intergas Finance B.V., a subsidiary of KazTransGas JSC, raised funds through issue of bonds at LSE in the total amount of 540 million US dollars, maturing in May 2017.

On November 25, 2015 the Group executed early redemption of Eurobonds in the amount of 270,000,000 US dollars for the price of 104% of the nominal amount. The Group transferred to bond holders funds in the amount of 281,325,938 US dollars (or 86,457,087 thousand tenge), including premium on repurchased debt securities and accrued coupon interest in the amount of 11,325,938 US dollars (or 3,480,687 thousand tenge).

In 2015 the Group placed on KASE 3,778,526 coupon bonds with a par value of 1,000 tenge each at interest rate 7.5% per annum with a coupon payment on June 27 and December 27 each year till December 27, 2018 inclusive, for the purpose of financing investment projects and refinancing of previous borrowings.

In 2015 the Group placed on KASE international bonds for the total amount of 5,000,000 thousand tenge with a par value of 50,000 thousand tenge each, under medium term bond program in the amount of 30,500,000 thousand tenge. These bonds with Regulation S format under the US Law On Securities issued with a coupon rate of 7.5% per annum, periodicity of coupon payments March 29 and September 29 each year till September 29, 2025 inclusive, with a maturity of 10 (ten) years. Bonds were rated "BBB- (EXP)" (Fitch Ratings).

During the year ended December 31, 2014, the Group's bonds in the amount of 8,629,170 pieces at par value of 1,000 tenge each and an interest rate of 7.5% per annum with coupons to be paid on June 27 and December 27 each year until 2018 inclusive were placed on KASE in order to finance investment projects and refinance the previous borrowings. Bonds yield for the buyer is 8.2% per annum. Amount received from placed bonds was equal to 8,495,502 thousand tenge.

On March 13, 2014, VTB Bank (Austria) AG, VTB Bank (Germany) AG and the KTG signed an agreement to provide a credit facility in the amount of USD 250,000,000 at Libor rate + Bank margin (2.2%) maturing after 6 (six) months and renewable for a period of 6 (six) months. Interest is to be paid on quarterly basis according to the agreement. On March 26, 2014, KTG received financing in the total amount of 45,504,994 thousand tenge (equivalent to USD 250,000,000). KTG extended an initial date of repayment to March 26, 2015. In accordance with the loan arrangement agreement, KTG twice paid 1.35% of the loan amount as a loan arrangement fee. The first payment was made upon initial receipt of the loan and the second payment was made upon extending the maturity to 6 (six) months. In 2015, KTG repaid the principal in the amount of 46,337,500 thousand tenge (equivalent to USD 250,000,000) and accrued interest in the amount of 285,778 thousand tenge.

On February 26, 2015, KTG and Natixis (France), ING Bank, a branch of ING-DiBa AG (Germany), Citibank N.A., London branch (Great Britain) (hereinafter collectively referred to as the "Syndicate") signed loan agreement for a credit line in the amount of USD 400 million for a period of 3 years at Libor rate + Syndicate margin (1.5%). Interest is to be paid on quarterly basis according to the loan agreement. On March 12, 2015, KTG received financing in the total amount of 74,480,000 thousand tenge (equivalent to USD 400,000,000). In accordance with the request for disbursement under the Loan agreement, the above amount was received less the expenses on arrangement of financing due to the Syndicate and other parties that participated in the transaction, and directly repaid debt in the amount of 46,337,500 thousand tenge (equivalent to USD 250,000,000) to VTB Bank Group. Arrangement fee in the amount of 1,005,113 thousand tenge (equivalent to USD 5,364,183) was deducted by the Syndicate according to the loan agreement. In December 2015, the KTG fully repaid its liability on the loan in the amount of 123,648,000 thousand tenge (equivalent to USD 400,000,000) and accrued interest in the amount of 1,367,779 thousand tenge (equivalent to USD 5,530,692).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. BORROWINGS (continued)**

In 2015 in accordance with the General Agreement on short-term loans with a limit of up to USD 200 million at the rate of 3 months LIBOR + 2% for less than 12 (twelve) months from the date of each tranche development, Citibank, N.A. Nassau, Bahamas Branch (the Commonwealth of the Bahamas) and Citibank Kazakhstan JSC provided KTG with additional financing in several tranches for replenishment of working capital in the total amount of 32,341,735 thousand tenge (equivalent to USD 174,200,000). During 2015, KTG repaid the principal in the amount of 65,092,014 thousand tenge (equivalent to USD 277,700,000) and the interest in the amount of 545,723 thousand tenge (equivalent to USD 2,377,851). As at December 31, 2015 KTG has a principal debt to Citibank, N.A. Nassau and Citibank Kazakhstan in the amount of 12,560,390 thousand tenge (equivalent to USD 37,000,000) (December 31, 2014: 25,620,175 thousand tenge (equivalent to USD 140,500 thousand)).

In 2010 and 2012, Atyrau Oil Refinery LLP ("ANPZ"), the subsidiary of KMG RM, entered into the credit line agreements for the total amount of 1,315,642 thousand US dollars with DBK. The credit line is used to finance the construction of the aromatic hydrocarbon complex. During 2015 ANPZ received 40,330 thousand US dollars (9,586,263 thousand tenge) (2014: 232,698 thousand US dollars or 40,631,886 thousand tenge). As at December 31, 2015 the Group's liabilities on the principal and accrued interest payable under these credit lines totaled to 385,270,524 thousand tenge (2014: 228,182,062 thousand tenge). The Group's property, plant and equipment with carrying value of 365,908,183 thousand tenge (2014: 266,036,463 thousand tenge) was pledged to DBK as loan collateral.

ANPZ has concluded a loan agreement with Export-Import Bank of China in the amount of 1,130,408,642 US dollars (equivalent to 206,130,016 thousand tenge) with interest rate of 4.1% + LIBOR in order to finance the construction of the advanced oil processing plant and payments of principal starting from 2016 till 2025. Interest payment is carried out in terms of semi-annual payments.

As at December 31, 2015, the outstanding balance of principal and interest under the loan agreement with Export-Import Bank of China was 150,081,711 thousand tenge and 1,762,650 thousand tenge respectively (in 2014: 14,458,631 thousand tenge and 221,422 thousand tenge respectively)

In 2014 the Group received a loan for the amount 400,000 thousand US dollars (72,348,000 thousand tenge) with interest rate of 3.5% + 12 months Libor from OOO "Sberbank Russia". Purpose of the credit line was to finance reconstruction of the oil refining plant in Shymkent city. As at December 31, 2015 the carrying value of this loan, including interest payable, was equal to 137,067,428 thousand tenge (2014: 73,472,531 thousand tenge).

**Hedge of net investment in the foreign operations**

As at December 31, 2015 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. In 2015, losses of 1,586,801,249 thousand tenge on the translation of these borrowings were transferred to other comprehensive income and offset the gains on translation of the net investments in the foreign operations.

**21. PAYABLE FOR THE ACQUISITION OF ADDITIONAL INTEREST IN NORTH CASPIAN PROJECT ("NCP")**

On October 31, 2008, all participants of the NCP signed an agreement according to which all project participants except for KMG Kashagan B.V., agreed to partially sell their interest in this project on a proportional basis to increase the interest of KMG Kashagan B.V. in the NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost was equal to 1.78 billion US dollars plus annual compound interest at LIBOR + 3%. Interest acquired of 8.48% was pledged as collateral for this liability. As at December 31, 2014 the amortized cost of this payable was 396,345,201 thousand tenge. As at December 31, 2014, the carrying value of pledged assets (property, plant and equipment and exploration and evaluation assets) equal to 949,250,642 thousand tenge.

On October 16, 2015 the Group has lost control of 50% of shares of KMG Kashagan B.V. (Note 6).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 22. PROVISIONS

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
<b>As at December 31, 2013</b>	57,177,225	36,839,537	20,230,129	21,267,496	22,127,176	50,216,854	207,858,417
Foreign currency translation	4,273,322	2,877,599	228,788	—	(279,321)	738,511	7,838,899
Change in estimate	10,161,271	1,110,412	12,076	(9,580,077)	—	(992,560)	711,122
Unwinding of discount	4,282,294	1,098,591	—	—	—	37,278	5,418,163
Provision for the year	38,798,443	46,332	10,938,187	5,507,927	7,297,182	4,450,856	67,038,927
Acquisition of subsidiary	424,322	—	831,262	—	—	—	1,255,584
Transfers to assets classified as held for sale	—	(14,190)	—	—	—	(32,792)	(46,982)
Recovered	—	(8)	(904,033)	—	—	—	(904,041)
Unused amounts reversed	—	(57,341)	(3,483,440)	—	—	(7,552,536)	(11,093,317)
Use of provision	(1,092,586)	(2,277,487)	(12,135,618)	(3,866,678)	(1,554,697)	(23,289,204)	(44,216,270)
<b>As at December 31, 2014</b>	114,024,291	39,623,445	15,717,351	13,328,668	27,590,340	23,576,407	233,860,502
Foreign currency translation	32,519,478	16,289,887	3,306,898	—	—	4,934,703	57,050,966
Change in estimate	3,278,918	89,321	8,670,258	—	—	1,837,442	13,875,939
Unwinding of discount	8,058,071	1,250,258	—	—	—	48,542	9,356,871
Provision for the year	(5,060,493)	102,375	60,558,923	11,484,510	9,552,956	11,346,095	87,984,366
Transfers to discontinued operation	(47,392,848)	(35,195,570)	—	—	—	(13,057,083)	(95,645,501)
Recovered	—	(34,351)	(1,195,125)	—	—	(2,163,327)	(3,392,803)
Unused amounts reversed	(689,500)	(1,815,381)	—	—	—	—	(2,504,881)
Use of provision	(608,667)	(2,553,683)	(23,829,983)	—	(2,070,334)	(4,586,017)	(33,648,684)
<b>As at December 31, 2015</b>	104,129,250	17,756,301	63,228,322	24,813,178	35,072,962	21,936,762	266,936,775

As at December 31, 2015 other provisions include provision for reconstruction of the trade and exhibition center in the amount of 6,134,052 thousand tenge (2014: 6,134,052 thousand tenge) and provision for construction of golf club in the amount of 13,320,988 thousand tenge (2014: 13,320,988 thousand tenge).

Provision for gas transportation relates to the Group's commitment on reimbursement of losses incurred by PetroChina. Under the agreement on gas borrowing the Group has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return (Note 36).

Current portion and long-term portion are segregated as follows:

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
<b>As at December 31, 2015</b>							
Current portion	914,771	8,310,515	63,228,322	24,813,178	2,162,074	17,080,094	116,508,954
Long-term portion	103,214,479	9,445,786	—	—	32,910,888	4,856,668	150,427,821
<b>Provision as at December 31, 2015</b>	104,129,250	17,756,301	63,228,322	24,813,178	35,072,962	21,936,762	266,936,775
<b>As at December 31, 2014</b>							
Current portion	963,674	9,147,849	5,879,568	13,328,668	1,745,170	19,264,588	50,329,517
Long-term portion	113,060,617	30,475,596	9,837,783	—	25,845,170	4,311,819	183,530,985
<b>As at December 31, 2014</b>	114,024,291	39,623,445	15,717,351	13,328,668	27,590,340	23,576,407	233,860,502

A description of significant provisions, including critical estimates and judgments used, is included in Note 4.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****23. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

<i>In thousands of tenge</i>	2015	2014
Advances received	30,276,485	28,636,744
Due to employees	30,227,320	34,067,977
Other	83,910,130	85,076,791
<b>Total other current liabilities</b>	<b>144,413,935</b>	<b>147,781,512</b>
<b>Trade accounts payable</b>	<b>174,016,256</b>	<b>233,653,734</b>

Trade accounts payable is denominated in the following currencies as of December 31:

<i>In thousands of tenge</i>	2015	2014
Tenge	138,525,047	99,551,276
US dollars	34,652,490	93,136,154
Euro	673,149	14,452,671
Other currency	165,570	26,513,633
<b>Total</b>	<b>174,016,256</b>	<b>233,653,734</b>

As at December 31, 2015 and 2014, trade accounts payable and other current liabilities were not interest bearing.

**24. OTHER TAXES PAYABLE**

<i>In thousands of tenge</i>	2015	2014
Mineral extraction tax	15,855,702	15,873,564
Rent tax on crude oil export	7,124,401	18,621,215
VAT	3,547,256	13,545,045
Excise tax	102,509	13,306,668
Special fund on petroleum products	—	1,363,249
Other	13,385,185	17,824,437
	<b>40,015,053</b>	<b>80,534,178</b>

**25. REVENUE**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Transportation fee	300,198,287	288,675,881
Sales of gas and gas products	250,052,997	224,296,650
Sales of refined products	222,730,356	303,843,627
Sales of crude oil	121,652,310	21,315,140
Other revenue	200,064,859	213,157,787
	<b>1,094,698,809</b>	<b>1,051,289,085</b>

**26. COST OF SALES**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Materials and supplies	376,792,270	357,430,576
Payroll	267,341,107	253,451,648
Depreciation, depletion and amortization	126,095,584	155,151,723
Mineral extraction tax	68,196,680	89,435,380
Other taxes	45,790,125	44,027,467
Electricity	34,244,383	30,583,911
Repair and maintenance	24,007,915	31,871,459
Other	151,323,035	144,609,147
	<b>1,093,791,099</b>	<b>1,106,561,311</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****27. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Payroll	56,371,893	52,885,811
Impairment of VAT receivable	51,548,508	–
Fines and penalties	30,290,010	2,945,755
Consulting services	10,082,692	11,649,695
Social payments, out of payroll	9,028,811	6,912,796
Depreciation and amortization	8,796,774	9,036,413
Charitable donations and sponsorship	7,347,704	12,284,437
Other taxes	5,914,302	8,683,963
VAT that cannot be offset	2,331,643	3,175,298
Allowance for impairment of trade accounts receivable	404,194	2,949,054
Allowance for impairment of other current assets	2,836,176	436,956
Allowance for obsolete inventories	1,391,281	(137,720)
Other	25,402,725	41,095,146
	<b>211,746,713</b>	<b>151,917,604</b>

**28. TRANSPORTATION AND SELLING EXPENSES**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Customs duty	84,592,482	87,214,906
Transportation	44,547,149	43,290,101
Rent tax on crude oil export	41,556,722	152,623,343
Payroll	7,724,710	10,048,835
Depreciation and amortization	6,762,562	5,982,264
Other	10,164,260	9,376,411
	<b>195,347,885</b>	<b>308,535,860</b>

**29. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL, NET**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Property, plant and equipment (Note 8)	66,438,443	274,923,522
Goodwill (Note 11)	11,922,192	1,622,222
Exploration and evaluation assets (Note 9)	634,633	–
Intangible assets (Note 11)	52,772	995,211
	<b>79,048,040</b>	<b>277,540,955</b>

**30. FINANCE INCOME / FINANCE COST****Finance income**

<i>In thousands of tenge</i>	2015	2014* (Restated)
Income from early repayment of debt securities issued	54,836,897	–
Interest income on bank deposits, loans and bonds	47,893,378	45,213,912
Derecognition of liabilities	44,411,619	–
Amortization of discount on loans due from related parties	20,456,740	7,151,313
Other	5,732,263	1,571,867
	<b>173,330,897</b>	<b>53,937,092</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. FINANCE INCOME / FINANCE COST (continued)****Finance costs**

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014*</b> (Restated)
Interest on loans and debt securities issued	164,836,556	148,548,594
Amortization of discount on loans and debt securities issued	8,880,840	8,538,370
Unwinding of discount on asset retirement obligations	8,528,403	4,242,476
Discount on assets with non-market interest rate	3,042,132	–
Other	13,046,362	14,896,547
	<b>198,334,293</b>	<b>176,225,987</b>

**31. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET**

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014*</b> (Restated)
Tengizchevroil LLP	162,160,337	315,828,439
KazRosGas LLP	36,252,976	29,483,690
Mangistau Investments B.V.	19,703,238	56,938,910
KazGerMunay LLP	2,674,277	35,436,337
Beineu-Shymkent Pipeline	(60,432,674)	(13,860,926)
Kazakh-Chinese Gas Pipeline	(17,540,840)	(6,496,017)
PetroKazakhstan Inc.	(16,466,411)	23,007,838
Ural Group Limited	(4,915,490)	(1,226,873)
KazakhOil-Aktobe LLP	(449,229)	2,077,814
Asia Gas Pipeline LLP	–	(24,252,306)
Share in (loss)/profit of other joint ventures and associates	(8,178,768)	10,766,806
	<b>112,807,416</b>	<b>427,703,712</b>

**32. INCOME TAX EXPENSES**

As at December 31, 2015 income taxes prepaid the amount of 60,482,541 thousand tenge (2014: 42,744,212 thousand tenge) are represented by corporate income tax. As at December 31, 2015 income taxes payable in the amount of 4,114,767 thousand tenge (2014: 2,250,849 thousand tenge) are represented mainly by corporate income tax.

Income tax expense comprised the following for the years ended December 31:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014*</b> Restated
<b>Current income tax</b>		
Corporate income tax	164,254,382	113,830,745
Excess profit tax	8,130,592	11,533,970
Withholding tax on dividends and interest income	15,564,793	30,884,087
<b>Deferred income tax</b>		
Corporate income tax	(37,657,591)	(49,817,685)
Excess profit tax	2,812,418	(1,783,783)
Withholding tax on dividends and interest income	79,044,869	28,385,771
<b>Income tax expenses</b>	<b>232,149,463</b>	<b>133,033,105</b>

According to the 2006 amendments to the tax legislation, which were effective starting from the fiscal years beginning on January 1, 2007, dividends received from Kazakhstan taxpayers were exempt from income tax withheld at the source of payment. Therefore, in 2006 the Group reversed the deferred tax liability on undistributed profits of subsidiaries, joint ventures and associates registered in the Republic of Kazakhstan, which was recognized in prior years. However, during 2007-2015 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, a Kazakhstan taxpayer) net of withholding tax since there is uncertainty whether the withholding tax exemption is applicable for the stable tax regime of Tengizchevroil LLP. The Group was challenging withholding of the tax on those dividends, but has not managed to convince Tengizchevroil LLP and the tax authorities that withholding tax should not be applied.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. INCOME TAX EXPENSES (continued)**

Therefore, Management of the Group recognizes the deferred income tax withholding on its interest in undistributed retained earnings of Tengizchevroil LLP as its current best estimate is that the Group will continue to receive dividends net of withholding tax in future years.

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2015 and 2014) to income tax expenses was as follows for the years ended December 31:

<i>In thousands of tenge</i>	<b>2015</b>	<b>2014</b>
Profit/(loss) before income tax from continuing operations	<b>56,030,755</b>	(415,813,015)
Profit before income tax from discontinued operations	<b>650,638,932</b>	732,210,004
Statutory tax rate	<b>20%</b>	20%
<b>Income tax expense on accounting profit</b>	<b>141,333,937</b>	63,279,398
Share in profit of joint ventures and associates non-taxable or taxable at different rates	<b>1,762,312</b>	(38,197,226)
Other non-deductible expenses and non-taxable income	<b>54,098,983</b>	74,398,810
Excess profit tax	<b>10,943,010</b>	9,750,187
Effect of different corporate income tax rates	<b>(2,336,799)</b>	(9,076,641)
Change in unrecognized deferred tax assets	<b>5,502,010</b>	17,027,369
	<b>211,303,453</b>	117,181,897
Income tax expenses reported in the consolidated statement of comprehensive income	<b>232,149,463</b>	133,033,105
Income tax benefit attributable to discontinued operations	<b>(20,846,010)</b>	(15,851,208)
	<b>211,303,453</b>	117,181,897

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. INCOME TAX EXPENSES (continued)**

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

<i>In thousands of tenge</i>	2015 Corporate income tax	2015 Excess profit tax	2015 Withholding tax	2015 Total	2014 Corporate income tax	2014 Excess profit tax	2014 Withholding tax	2014 Total
<b>Deferred tax assets</b>								
Property, plant and equipment	62,590,914	(1,899,726)	-	60,691,188	71,109,926	(1,618,658)	-	69,491,268
Tax loss carryforwards	437,984,606	-	-	437,984,606	145,514,801	-	-	145,514,801
Employee related accruals	8,115,281	6,729	-	8,122,010	5,350,788	107,123	-	5,457,911
Environmental liability	3,571,609	245	-	3,571,854	3,538,679	8,912	-	3,547,591
Other	36,302,109	31,105	-	36,333,214	30,193,993	1,774,020	-	31,968,013
Less: unrecognized deferred tax assets	(403,971,722)	-	-	(403,971,722)	(133,100,251)	-	-	(133,100,251)
Less: deferred tax assets offset with deferred tax liabilities	(35,249,859)	-	-	(35,249,859)	(29,747,849)	-	-	(29,747,849)
<b>Deferred tax assets</b>	<b>109,342,938</b>	<b>(1,861,647)</b>	<b>-</b>	<b>107,481,291</b>	<b>92,860,087</b>	<b>271,397</b>	<b>-</b>	<b>93,131,484</b>
<b>Deferred tax liabilities</b>								
Property, plant and equipment	94,290,979	2,204	-	94,293,183	139,083,781	176,999	-	139,260,780
Undistributed earnings of joint venture	-	-	154,212,755	154,212,755	-	-	75,167,886	75,167,886
Other	5,113,134	-	-	5,113,134	10,112,809	-	-	10,112,809
Less: deferred tax assets offset with deferred tax liabilities	(35,249,859)	-	-	(35,249,859)	(29,747,849)	-	-	(29,747,849)
<b>Deferred tax liabilities</b>	<b>64,154,254</b>	<b>2,204</b>	<b>154,212,755</b>	<b>218,369,213</b>	<b>119,448,741</b>	<b>176,999</b>	<b>75,167,886</b>	<b>194,793,626</b>
<b>Net deferred tax liability/(asset)</b>	<b>(45,188,684)</b>	<b>1,863,851</b>	<b>154,212,755</b>	<b>110,887,922</b>	<b>26,588,654</b>	<b>(94,398)</b>	<b>75,167,886</b>	<b>101,662,142</b>

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 403,971,722 thousand tenge as at December 31, 2015 (2014: 133,100,251 thousand tenge).

Tax losses carryforwards as at December 31, 2015 in the Republic of Kazakhstan expire for tax purposes ten years from the date they are incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****32. INCOME TAX EXPENSES (continued)**

The movements in the deferred tax liability/(asset) were as follows:

<i>In thousands of tenge</i>	2015 Corporate income tax	2015 Excess profit tax	2015 Withholding tax	2015 total	2014 Corporate income tax	2014 Excess profit tax	2014 Withholding tax	2014 Total
Net deferred tax liability/(asset) as at January 1	26,588,654	(94,398)	75,167,886	101,662,142	80,029,718	1,490,723	46,782,115	128,302,556
Foreign currency translation	7,041,797	(854,169)	—	6,187,628	11,342,666	198,662	—	11,541,328
Discontinued operations	(40,796,123)	—	—	(40,796,123)	1,901,546	—	—	1,901,546
Charge to the consolidated statement of comprehensive income	(38,023,012)	2,812,418	79,044,869	43,834,275	(66,685,276)	(1,783,783)	28,385,771	(40,083,288)
Net deferred tax liability/(asset) as at December 31	(45,188,684)	1,863,851	154,212,755	110,887,922	26,588,654	(94,398)	75,167,886	101,662,142

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. RELATED PARTY DISCLOSURES**

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the balances of transactions with related parties as at December 31, 2015 and 2014:

<i>In thousands of tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties (Notes 12 and 18)	Borrowings payable to related parties (Note 20)
Samruk-Kazyna entities	2015	86,673,893	28,779,665	38,349	7,527,711
	2014	50,917,876	14,463,719	42,440	7,192,220
Associates	2015	238,975,765	2,740,195	—	—
	2014	32,518,279	959,303	—	—
Other related parties	2015	—	12,943,081	274,253	622,971,826
	2014	222,000	7,043,212	2,900,878	376,939,528
Joint ventures in which the Group is a venturer	2015	386,156,435	71,317,430	—	—
	2014	177,799,485	37,412,654	—	—

**Due from related parties**

As at December 31, 2015, due from related parties included bonds receivable from the Parent Company with the carrying amount of 41,840,972 thousand tenge (2014: 41,585,896 thousand tenge). These bonds are maturing in 2044 and coupon rate is 4% per annum.

As at December 31, 2015 and 2014 due from associates included note receivable from Caspian Pipeline Consortium in the amount of 42,319,688 thousand tenge (2014: 28,237,627 thousand tenge).

As at December 31, 2015 and 2014 due from joint ventures mainly include loans receivable, which are presented within long-term and short-term loans receivable from related parties in the consolidated statement of financial position and trade accounts receivable originated in the normal course of business in the amount of 226,748,778 thousand tenge (2014: 134,019,135 thousand tenge) and 36,160,231 thousand tenge (2014: 43,780,350 thousand tenge), respectively.

**Due to related parties**

As at December 31, 2015 due to Samruk-Kazyna entities mainly include Company's dividends payable to Samruk-Kazyna in the amount of 27,993,998 thousand tenge (2014: 13,537,062).

As at December 31, 2015 due to joint ventures mainly include trade payable to KazRosGas LLP, Kazakhoil Aktobe LLP, Asia Gas Pipeline LLP, Mangistaumunaigas JSC and BeineuShymkent Pipeines LLP in the amount of 22,744,328 thousand tenge, 2,998,459 thousand tenge, 9,349,624 thousand tenge, 2,125,155 thousand tenge and 13,011,233 thousand tenge, respectively (2014: 2,352,209 thousand tenge, 3,063,775 thousand tenge, 14,005,552 thousand tenge, 5,719,794 thousand tenge, and 7,290,612 thousand tenge, respectively).

**Borrowings payable to related parties**

As at December 31, 2015, borrowings payable to Samruk-Kazyna entities included loans payable to Samruk-Kazyna with the carrying amount of 7,527,711 thousand tenge and interest rate of 7.99% per annum (2014: 7,094,210 thousand tenge).

As at December 31, 2015, borrowings payable to other related parties mainly included bonds and loans payable to DBK with the total carrying amount of 617,040,165 thousand tenge (2014: 372,031,313 thousand tenge).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. RELATED PARTY DISCLOSURES (continued)****Borrowings payable to related parties (continued)**

The following table provides the total amount of transactions, which have been entered into with related parties during 2015 and 2014:

<i>In thousands of tenge</i>		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	2015	52,538,731	25,971,548	4,731,537	561,667
	2014	49,222,941	30,745,408	5,553,853	560,142
Associates	2015	112,705,111	22,378,357	9,383,468	2,885,303
	2014	8,242,441	14,288,425	—	—
Other related parties	2015	—	68,406,297	716,962	13,236,901
	2014	105,722	180,108	415,978	27,273,869
Joint ventures in which the Group is a venturer	2015	278,198,209	125,179,943	15,982,970	—
	2014	241,420,770	124,373,595	8,903,405	676,360

Purchase transactions with Samruk-Kazyna, other state-controlled entities and joint ventures are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC (railway services), NC Kazakhtelecom JSC (telecommunication services), NAC Kazatomprom JSC (energy services), KEGOC JSC (energy supply), Kazpost JSC (postal services) and Samruk-Energo JSC (energy supply). In addition, the Group sells and purchases crude oil and natural gas, refined products and provides transportation services to and from Samruk-Kazyna entities, associates and joint ventures.

**Key management employee compensation**

Total compensation to key management personnel included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 9,017,155 thousand tenge and 5,536,329 thousand tenge for the years ended December 31, 2015 and 2014, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

**34. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Group's principal financial instruments mainly consist of borrowings, cash and cash equivalents, short term bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

**Market risk**

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements.

The sensitivity analyses in the following sections relate to the position as of December 31, 2015 and 2014.

**Foreign currency risk**

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. Approximately 73% of the Group's revenue is denominated in the US dollars, whilst 51% of cost of sales is denominated in tenge (2014: 76% and 53%, respectively).

The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities and/or by designating hedge between non-financial assets and financial liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****34. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)****Market risk (continued)***Foreign currency risk (continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

<i>In thousands of tenge</i>	Increase/ decrease in tenge to US dollar exchange rate	Effect on profit before tax
2015	+60%	(584,523,503)
	-20%	210,171,684
2014	+17%	(286,497,750)
	-17%	299,270,177

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates.

The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and equity. There is no significant impact on the Group's equity.

<i>In thousands of tenge</i>	Increase/ decrease in basis points	Effect on profit before tax
2015	+0.50	5,216,077
LIBOR	-0.12	(1,251,859)
2014		
LIBOR	+0.02%	(227,231)
	-0.02%	227,231

**Credit risk**

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in *Note 16*. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, bonds receivable, loans and notes receivable and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****34. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

The table below shows the balances of major subsidiaries' cash and cash equivalents, short-term and long-term deposits (*Notes 12 and 18*) held in banks at the reporting date using the Standard and Poor's and Fitch's credit ratings.

Banks	Location	Rating <sup>1</sup>		2015	2014
		2015	2014		
Halyk Bank	Kazakhstan	BB+ (negative)	BB+ (stable)	559,695,895	263,903,923
Deutsche Bank	the Netherlands and the United Kingdom	AA- (stable)	A (negative)	197,643,658	120,652,963
BNP Paribas	United Kingdom	A+ (negative)	A+ (negative)	170,156,317	91,377,852
ING Bank	The Netherlands	A (stable)	A (negative)	148,227,731	81,680,729
Kazkommertsbank	Kazakhstan	B- (negative)	B (negative)	107,943,726	170,927,229
Citibank	United Kingdom	A (stable)	A (stable)	107,762,087	368,971,316
Sberbank of Russia	Kazakhstan	BB+ (negative)	BBB- (negative)	70,818,123	54,125,325
HSBC	United Kingdom	AA- (stable)	AA- (negative)	63,252,229	33,789,687
Credit Suisse	British Virgin Islands	A (stable)	A (negative)	30,300,719	11,438,825
ATF Bank	Kazakhstan	B- (stable)	B- (stable)	21,848,003	17,828,090
Eurasian Bank	Kazakhstan	B (stable)	B+ (stable)	15,908,613	61,427,709
RBK Bank	Kazakhstan	B- (stable)	B- (positive)	14,119,322	42,997,088
Delta Bank	Kazakhstan	B (stable)		8,577,796	—
Citibank	Kazakhstan		A (stable)	7,523,568	12,864,542
Tsesnabank	Kazakhstan	B+ (stable)	B+ (stable)	6,337,078	165,156,275
BankCenterCredit	Kazakhstan	B (stable)	B+ (stable)	2,446,081	6,837,027
Forte Bank	Kazakhstan	B (stable)	B (stable)	1,410,307	1,059,854
KazInvestBank	Kazakhstan	B- (stable)	B- (stable)	1,238,426	912,849
RBS Kazakhstan	Kazakhstan		A- (negative)	107,005	3,641,113
Kaspi Bank	Kazakhstan		BB- (stable)	492	1,600
Other banks				229,555,780	101,483,696
				<b>1,764,872,956</b>	<b>1,611,077,692</b>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments.

<i>In thousands of tenge</i>	On demand	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after 5 years	Total
<b>As at December 31, 2015</b>						
Borrowings	41,340,415	15,517,298	283,075,724	2,037,121,260	1,752,114,588	4,129,169,285
Trade accounts payable	14,242,241	98,856,133	60,917,882	—	—	174,016,256
	<b>55,582,656</b>	<b>114,373,431</b>	<b>343,993,606</b>	<b>2,037,121,260</b>	<b>1,752,114,588</b>	<b>4,303,185,541</b>
<b>As at December 31, 2014</b>						
Borrowings	16,659,704	382,716,017	358,818,660	1,206,579,221	2,597,740,927	4,562,514,529
Payable for the acquisition of additional interest in North Caspian Project	—	—	—	445,245,960	—	445,245,960
Trade accounts payable	153,952,357	64,440,312	15,261,065	—	—	233,653,734
	<b>170,612,061</b>	<b>447,156,329</b>	<b>374,079,725</b>	<b>1,651,825,181</b>	<b>2,597,740,927</b>	<b>5,241,414,223</b>

<sup>1</sup> Source: Interfax – Kazakhstan, Factivia, official sites of the banks as at December 31 of the respective year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****34. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)****Fair values of financial instruments and investment property**

The carrying amount of the Group financial instruments as at December 31, 2015 and 2014 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	2015			
	Carrying amount	Fair value	Fair value by level of assessment	
			Quotations in an active market (Level 1)	Based on the significant amount of unobserved market (Level 2) (Level 3)
<i>In thousands of tenge</i>				
Bonds receivable from Samruk-Kazyna	41,840,972	93,722,183	–	93,722,183
Fixed interest rate borrowings	2,185,653,220	2,230,487,370	1,960,846,551	269,640,819
Financial guarantee	9,160,158	9,160,158	–	9,160,158
Derivatives, net	(174,880)	(174,880)	–	(174,880)
Investment property	29,260,917	32,496,894	–	32,496,894

	2014			
	Carrying amount	Fair value	Fair value by level of assessment	
			Quotations in an active market (Level 1)	Based on the significant amount of unobserved market (Level 2) (Level 3)
<i>In thousands of tenge</i>				
Bonds receivable from the Parent Company	41,585,896	74,754,137	–	74,754,137
Fixed interest rate borrowings	2,284,707,172	2,306,596,659	1,937,379,432	369,217,227
Financial guarantee	9,832,576	9,832,576	–	9,832,576
Derivatives, net	6,149,586	6,149,586	–	6,149,586
Investment property	27,197,634	31,972,501	–	31,972,501

The fair value of bonds receivable from the Parent Company and fixed-rate borrowings have been calculated by discounting the expected future cash flows at market interest rates.

During the reporting period no transfers between Level 1 and Level 2 of the fair value assessment were made.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****35. CONSOLIDATION**

The following significant subsidiaries have been included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership	
			2015	2014
KazMunayGas Exploration Production JSC and its subsidiaries ("EP KMG")	Exploration and production	Kazakhstan	63.21%	63.21%
KazTransGas JSC and its subsidiaries ("KTG")	Gas transportation	Kazakhstan	100.00%	100.00%
KazTransOil JSC and its subsidiaries	Oil transportation	Kazakhstan	90.00%	90.00%
KazMunayGas – refining and marketing JSC and subsidiaries	Refinery and marketing of oil products	Kazakhstan	100.00%	100.00%
KazMunayTeniz JSC and its subsidiaries ("KMT")	Exploration and production	Kazakhstan	100.00%	100.00%
KazMunayGas-Service LLP and its subsidiaries	Service projects	Kazakhstan	100.00%	100.00%
Cooperative KazMunayGas PKI U.A. and its subsidiaries	Exploration and production (KMG Kashagan B.V.) and refinery and marketing of oil products (KMG International N.V.)	Netherlands	100.00%	100.00%
N Operating Company LLP	Exploration and production	Kazakhstan	100.00%	100.00%
KMG Systems and Services LLP	Support services	Kazakhstan	100.00%	100.00%
Kazakhstan Pipeline Ventures LLC and associate	Oil transportation	the United States of America	100.00%	100.00%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	100.00%	100.00%
KazMorTransFlot JSC	Oil transportation and construction	Kazakhstan	100.00%	100.00%
Aktaunefservice LLP	Oil support services	Kazakhstan	100.00%	100.00%

**36. CONTINGENT LIABILITIES AND COMMITMENTS****Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy on August 20, 2015. As a result of implementation of the policy the official exchange rate went up from 188.38 tenge per 1 US dollar to 339.47 tenge per 1 US dollar as at December 31, 2015.

In 2015, the Kazakhstan economy was impacted by a significant drop in crude oil prices and a devaluation of the Kazakhstan tenge. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

**Commodity price risk**

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicity in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2015.

As at December 31, 2015, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

*2009-2012 Comprehensive tax audit of KMG EP*

On September 2, 2015 the KMG EP received the final tax assessment related to the 2009-2012 Comprehensive tax audit for 38,511 million tenge, including additional taxes of 18,620 million tenge, 9,697 million tenge penalty and 10,194 million tenge of fine. As of September 28, 2015 as per the decision of the Committee of the State Revenues, fines were reduced from 10,194 million tenge to 9,306 million tenge. The KMG EP does not agree with the results of the tax audit and has sent an appeal of the additional charges to the Committee of the State Revenues on September 7, 2015. Pending the results of the appeal management will consider further actions including but not limited to appealing to the appropriate courts.

*Value-added-tax (VAT) recoverability of KMG EP*

Total VAT claim related to the KMG EP's sale of assets to JSC “Ozenmunaigas” and JSC “Embamunaigas” in 2012 amounted to 46,558 million tenge. The tax authorities have conducted various audits and have repeatedly denied the KMG EP's requests to have these VAT amounts recognised as recoverable. The KMG EP reassessed its tax position regarding VAT and believes that it is more probable than not that it will ultimately be unsuccessful in its claim and consequently created a valuation allowance for the amount of 42,306 million tenge.

During 2015 the Tax authorities carried out VAT tax audits of JSC “Ozenmunaigas” and JSC “Embamunaigas” covering period of 2013 and 2014. As a result of these audits nonrecoverable VAT amounted to 4,447 million tenge, which was provided for in these financial statements.

**Transfer pricing control**

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2015.

As at December 31, 2015 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Cost recovery audits**

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2014 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2015 the Group's share in the total disputed amounts of the non-recoverable costs is 217,166 million tenge (2014: 64,286 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

**KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMGI)**

As of December 31, 2014 and 2013, KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. The total amount of claims amounted to 8.7 billion tenge as of December 31, 2015 (2014: 19.1 billion tenge).

As of December 31, 2015 no provision was recorded for this claim as the Group considers the risk as possible.

**Litigation with the Romanian Competition Council (KMGI)**

Based on its Decision No. 97/21 December 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA – meetings held in 2007-2008). As a result, RCC imposed fines to all major players on the Romanian oil market. Rompetrol Downstream was charged for 46.83 million US dollars.

As at December 31, 2014 22.3 million US dollars (4,066 million tenge) was paid by Rompetrol Downstream. On July 9, 2015 the Court issued decision to reduce fine to 29.41 million US dollars. The payment of the remaining part is rescheduled by the Romanian tax authorities for 60 months.

As a consequence of the decision of the Court as of December 31, 2015 the Group recorded a provision for the amount 29.6 million USD (10,212 million tenge)

**Civil litigation (KMGI)**

On October 7, 2014 the Romanian court of appeal partially granted a civil action filed by the Romanian state for the amount of 58.5 million US dollars (20,182 million tenge) representing damages to be paid to the Ministry of Finance of Romania, plus related legal interest from January 5, 2001 to the actual payment date. Under this civil action Rompetrol SA and individuals are severally held liable.

The decision of this court of appeal may be challenged by way of extraordinary judicial remedies: the appeal for annulment, the revision and the appeal for cassation (the latter even more limited, solely to points of law). The actual manner in which the enforcement of the decision takes place may also be challenged.

The Group already submitted the two extraordinary appeals against the decision of the Romanian court of appeal.

One of the extraordinary appeals was rejected by the Romanian court on April 9, 2015, as a consequence of the adverse court decisions in 2015 as of December 31, 2015 Group recorded a provision amounted USD 30.2 million (10,419 million tenge).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Kazakhstan local market obligation**

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2015, in accordance with its obligations, the Group delivered 6,923,377 tons of crude oil (2014: 4,137,532 tons), including joint ventures, to the Kazakhstan market.

**Commitments under subsoil use contracts**

As at December 31, 2015 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

Year	Capital expenditures	Operational expenditures
2016	102,825,452	10,104,000
2017	14,330,690	4,044,000
2018	10,943,244	4,044,000
2019	7,114,881	3,529,000
2020-2048	9,279,351	5,315,000
<b>Total</b>	<b>144,493,618</b>	<b>27,036,000</b>

**Other contractual commitments**

As at December 31, 2015, the Group, including joint ventures, had other capital commitments of approximately 878 billion tenge (2014: 832 billion tenge), related to acquisition and construction of property, plant and equipment.

**Non-financial guarantees**

As of December 31, 2015 and 2014, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, joint venture or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of the reporting date the management of the Group believes that there were no cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

**37. SEGMENT REPORTING**

Management of the Group analyzes the segment information based on IFRS numbers. Segment profits are considered based on gross profit and net profit results.

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and serve different markets.

The Group's activity consists of four main operating segments: exploration and production of oil and gas, transportation of oil, transportation of gas, refining and trading of crude oil and refined products. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****37. SEGMENT REPORTING (continued)**

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2015:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	27,780,657	193,940,554	373,081,073	418,895,127	81,001,398	–	1,094,698,809
Revenues from sales to other segments	591,822,009	43,589,021	1,238,250	4,745,358	21,542,805	(662,937,443)	–
<b>Total revenue</b>	<b>619,602,666</b>	<b>237,529,575</b>	<b>374,319,323</b>	<b>423,640,485</b>	<b>102,544,203</b>	<b>(662,937,443)</b>	<b>1,094,698,809</b>
<b>Gross profit</b>	<b>254,150,812</b>	<b>106,475,440</b>	<b>97,163,649</b>	<b>70,976,890</b>	<b>(13,576,986)</b>	<b>(514,282,095)</b>	<b>907,710</b>
Finance income	40,185,303	5,088,707	10,281,584	5,747,908	145,824,105	(33,796,710)	173,330,897
Finance costs	(9,798,925)	(3,392,996)	(26,096,094)	(10,342,142)	(174,028,272)	25,324,136	(198,334,293)
Depreciation, depletion and amortization	(49,961,419)	(26,657,680)	(25,652,523)	(27,855,163)	(11,790,293)	–	(141,917,078)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, excluding goodwill	(24,854,737)	(1,189,514)	(5,136,242)	(4,281,314)	(31,664,041)	–	(67,125,848)
Share in profit of joint ventures and associates, net	151,273,139	(13,704,207)	(24,560,703)	200,375	(401,188)	–	112,807,416
Income tax expenses	(223,286,459)	(25,132,258)	(1,534,705)	32,673,499	(14,869,540)	–	(232,149,463)
<b>Net profit for the year</b>	<b>561,394,306</b>	<b>79,680,215</b>	<b>(121,488,045)</b>	<b>(360,405,396)</b>	<b>370,928,022</b>	<b>(35,426,081)</b>	<b>494,683,021</b>
<b>Other segment information</b>							
Investments in joint ventures and associates	3,243,334,533	60,522,184	92,468,369	23,445,191	3,169,468	–	3,422,939,745
Capital expenditures	251,771,251	80,075,523	96,683,410	167,298,364	30,621,148	–	626,449,696
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(11,602,749)	(855,459)	(5,862,523)	(6,614,583)	(5,863,282)	–	(30,798,596)
<b>Assets of the segment</b>	<b>6,613,126,707</b>	<b>713,980,295</b>	<b>1,087,756,149</b>	<b>2,212,877,178</b>	<b>822,587,426</b>	<b>(740,670,097)</b>	<b>10,709,657,658</b>
<b>Liabilities of the segment</b>	<b>568,163,254</b>	<b>172,158,449</b>	<b>517,619,492</b>	<b>1,495,561,554</b>	<b>2,552,194,461</b>	<b>(686,217,349)</b>	<b>4,619,479,861</b>

Eliminations represent the exclusion of intra-group turnovers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****37. SEGMENT REPORTING (continued)**

Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2014:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas sales and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers*	14,984,820	189,744,644	327,844,162	413,047,344	105,688,115	–	1,051,289,085
Revenues from sales to other segments*	937,020,410	41,477,353	1,127,883	21,549,576	21,227,396	(1,022,402,618)	–
<b>Total revenue*</b>	<b>951,985,230</b>	<b>231,221,997</b>	<b>328,972,045</b>	<b>434,596,920</b>	<b>126,915,511</b>	<b>(1,022,402,618)</b>	<b>1,051,289,085</b>
<b>Gross profit*</b>							
Finance income*	551,279,613	106,611,963	86,498,709	104,862,424	6,023,580	(910,548,515)	(55,272,226)
Finance costs*	21,166,220	6,032,128	3,011,047	4,069,669	39,347,412	(19,689,384)	53,937,092
Depreciation, depletion and amortization*	(7,033,718)	(2,985,958)	(15,862,256)	(6,154,070)	(160,931,406)	16,741,421	(176,225,987)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, excluding goodwill	(81,357,290)	(22,750,847)	(29,464,886)	(105,479,339)	(11,435,463)	–	(250,487,825)
Share in profit of joint ventures and associates, net	(263,595,279)	(11,898,652)	(794,395)	4,149,996	(3,780,403)	–	(275,918,733)
Income tax expenses*	432,128,755	(3,521,881)	(8,278,379)	7,000,491	374,726	–	427,703,712
<b>Net profit for the year</b>	<b>(69,061,871)</b>	<b>(19,329,265)</b>	<b>(13,129,029)</b>	<b>(6,059,379)</b>	<b>(25,453,561)</b>	<b>–</b>	<b>(133,033,105)</b>
	33,263,422	22,071,380	(15,567,584)	(82,016,726)	264,449,400	(22,984,800)	199,215,092
<b>Other segment information</b>							
Investments in joint ventures and associates	1,001,055,645	22,925,858	155,159,074	35,339,132	3,181,691	–	1,217,661,400
Capital expenditures	254,705,669	68,546,853	304,635,661	96,885,519	40,418,424	–	765,192,126
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,704,017)	(703,713)	(4,417,914)	(45,623,948)	(3,775,378)	2,120,204	(56,104,766)
<b>Assets of the segment</b>	<b>4,913,043,293</b>	<b>582,812,130</b>	<b>1,016,413,070</b>	<b>2,148,431,600</b>	<b>650,192,853</b>	<b>(472,052,080)</b>	<b>8,838,840,866</b>
<b>Liabilities of the segment</b>	<b>859,017,443</b>	<b>135,506,786</b>	<b>383,061,495</b>	<b>833,462,861</b>	<b>2,652,790,651</b>	<b>(442,110,802)</b>	<b>4,421,728,434</b>

\* Certain numbers shown here do not correspond to the consolidated financial statements for year ended December 31, 2014 and reflect adjustments made, refer to Note 5.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**38. SUBSEQUENT EVENTS**

In January 2016 the Company paid dividends to Shareholders based on the results of 2014 in the amount of 31,104,442 thousand tenge.

In 2016, Group has provided financial aid to Samruk-Kazyna in the total amount 13,863,356 thousand tenge.

On January 19, 2015 the Group made a partial repayment of issued bonds held by Development Bank of Kazakhstan JSC in the amount of 27,355,581 thousand tenge, including accrued interest of 7,214,941 thousand tenge.

On 21 January 2016 the Group paid principal and interest on loans received from DBK JSC in the amount of 18,790,061 thousand tenge and 11,026,129 thousand tenge, respectively. Also, the Group paid interest on loans received from Export-Import Bank of China and Japan Bank for International Cooperation in the amount of 2,306,111 thousand tenge and KZT 222,012 thousand tenge, respectively.