JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

Consolidated Financial Statements and
Independent Auditor's Report
for the year ended 31 December 2015

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

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JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Joint Stock Company Central-Asian Power-Energy Company ("the Company") and its subsidiaries (collectively – "the Group") as at 31 December 2015, the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorized for issue by management on 3 June 2016.

On behalf of Group management:

G. D. Artambayeva
President

3 June 2016
Almaty, Republic of Kazakhstan

K. E. Kassymkhanova
Chief Accountant

3 June 2016
Almaty, Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Board of Directors of Joint Stock Company Central-Asian Power-Energy Company:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system 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 system. 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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Member of Deloitte Touche Tohmatsu Limited

Opinion

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

Daulet Kuatbekov
Engagement Partner
Qualified auditor
Qualified certificate No.0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
No.0000015, type MFU-2, issued by the Ministry of Finance
of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

3 June 2016
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

(in thousands of tenge)

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	245,098,543	224,092,886
Goodwill	8	4,844,510	4,844,510
Intangible assets		1,557,731	240,639
Investments in associates	9	2,474,083	2,319,500
Deferred tax assets	20	678,959	116,716
Other financial assets	14	645,653	970,301
Advances paid	12	4,206,462	6,394,848
Other non-current assets		384,360	480,006
Total non-current assets		**259,890,301**	**239,459,406**
CURRENT ASSETS:			
Inventories	10	6,712,973	7,062,881
Trade accounts receivable	11	13,540,563	11,368,982
Advances paid	12	1,639,057	1,399,164
Income tax prepaid		520,212	415,062
Other current assets	13	13,314,732	12,800,188
Other financial assets	14	14,492,606	10,726,290
Cash	15	10,094,221	2,862,728
Total current assets		**60,314,364**	**46,635,295**
TOTAL ASSETS		**320,204,665**	**286,094,701**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	17,022,347	17,022,347
Additional paid-in capital		3,358,488	3,456,226
Revaluation reserve on property, plant and equipment		28,025,007	33,941,284
Retained earnings		34,415,523	32,807,088
Equity attributable to the shareholders of the parent company		**82,821,365**	**87,226,945**
Non-controlling interests	17	55,249,503	50,128,764
Total equity		**138,070,868**	**137,355,709**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2015
(in thousands of tenge)

	Notes	31 December 2015	31 December 2014
NON-CURRENT LIABILITIES:			
Bonds issued	18	38,104,356	31,226,890
Loans	19	64,025,810	39,492,336
Deferred tax liabilities	20	32,024,595	32,171,021
Deferred revenue	21	1,281,070	1,371,012
Ash dump area restoration liabilities		351,710	476,390
Finance lease obligations	22	775,464	1,025,259
Employee benefit obligations		119,690	111,952
Other long-term payables		1,307,046	1,192,211
Total non-current liabilities		**137,989,741**	**107,067,071**
CURRENT LIABILITIES:			
Current portion of bonds issued	18	910,608	783,057
Loans	19	15,783,235	18,481,716
Trade accounts payable	23	20,895,334	13,113,649
Advances received	24	2,615,646	3,852,428
Income tax payable		838	6,812
Current portion of ash disposal area restoration liabilities		53,587	-
Current portion of employee benefit obligations		11,427	12,610
Current portion of finance lease obligations	22	249,296	237,370
Other liabilities and accrued expenses	25	3,624,085	5,184,279
Total current liabilities		**44,144,056**	**41,671,921**
TOTAL EQUITY AND LIABILITIES		**320,204,665**	**286,094,701**

On behalf of Group management:

G. D. Artambayeva
President

3 June 2016
Almaty, Republic of Kazakhstan

K. E. Kassymkhanova
Chief Accountant

3 June 2016
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands tenge)

	Notes	2015	2014
REVENUE	26	110,146,304	109,610,531
COST OF SALES	27	(86,016,656)	(83,911,781)
GROSS PROFIT		**24,129,648**	**25,698,750**
General and administrative expenses	28	(9,031,278)	(8,178,263)
Selling expenses	29	(2,753,715)	(2,103,423)
Other income, net	30	361,786	2,281,581
Foreign exchange loss		(21,694,688)	(787,386)
Finance income	31	2,220,519	1,259,808
Finance costs	32	(7,790,485)	(6,036,155)
Impairment loss on goodwill	8	-	(405,730)
Impairment loss on property, plant and equipment	7	-	(508,564)
(LOSS)/PROFIT BEFORE INCOME TAX		(14,558,213)	11,220,618
INCOME TAX BENEFIT/(EXPENSE)	20	690,867	(3,613,985)
(LOSS)/PROFIT FOR THE YEAR		**(13,867,346)**	**7,606,633**
(Loss)/profit for the year attributable to:			
Owners of the Company		(9,388,066)	3,798,355
Non-controlling interests		(4,479,280)	3,808,278
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment		3,936	34,651,507
Other comprehensive income, net of income tax		3,936	34,651,507
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(13,863,410)**	**42,258,140**
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(9,384,130)	26,192,842
Non-controlling interests		(4,479,280)	16,065,298
(Loss)/earnings per share, in tenge	34	**(282.12)**	**114.15**

On behalf of Group management:

G. D. Artambayeva
President

3 June 2016
Almaty, Republic of Kazakhstan

K. E. Kassymkhanova
Chief Accountant

3 June 2016
Almaty, Republic of Kazakhstan

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JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve on property, plant and equipment	Retained earnings	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
Balance as at 1 January 2014		**17,022,347**	**3,456,226**	**12,462,413**	**28,219,286**	**61,160,272**	**41,623,535**	**102,783,807**
Profit for the year		-	-	-	3,798,355	3,798,355	3,808,278	7,606,633
Other comprehensive income for the year, net of income tax		-	-	22,394,487	-	22,394,487	12,257,020	34,651,507
Total comprehensive income for the year		-	-	22,394,487	3,798,355	26,192,842	16,065,298	42,258,140
Acquisition of a subsidiary	17	-	-	-	-	-	456,119	456,119
Changing of a share in a subsidiary		-	-	-	-	-	1,027,812	1,027,812
Amortisation of revaluation reserve		-	-	(794,608)	794,608	-	-	-
Dividends paid	17	-	-	-	-	-	(905,836)	(905,836)
Acquisition of non-controlling interests of a subsidiary		-		(121,008)	-	(121,008)	(8,138,164)	(8,259,172)
Adjustment of an interest-free loans to the fair value, less income tax		-	-	-	(5,161)	(5,161)	-	(5,161)
Balance as at 31 December 2014		**17,022,347**	**3,456,226**	**33,941,284**	**32,807,088**	**87,226,945**	**50,128,764**	**137,355,709**
Loss for the year		-	-	-	(9,388,066)	(9,388,066)	(4,479,280)	(13,867,346)
Other comprehensive income for the year, net of income tax		-	-	3,936	-	3,936	-	3,936
Total comprehensive loss for the year		-	-	3,936	(9,388,066)	(9,384,130)	(4,479,280)	(13,863,410)
Amortisation of revaluation reserve		-	-	(2,476,298)	2,476,298	-	-	-
Sale of share in subsidiary	17	-	(97,738)	(3,443,915)	8,528,613	4,986,960	9,132,540	14,119,500
Dividends paid	17	-	-	-	-	-	(932,521)	(932,521)
Changing of a share in a subsidiary	17	-	-	-	-	-	1,400,000	1,400,000
Adjustment of an interest-free loans to the fair value, less income tax		-	-	-	(8,410)	(8,410)	-	(8,410)
Balance as at 31 December 2015		**17,022,347**	**3,358,488**	**28,025,007**	**34,415,523**	**82,821,365**	**55,249,503**	**138,070,868**

On behalf of Group management:

G. D. Artambayeva
President

3 June 2016
Almaty, Republic of Kazakhstan

K. E. Kassymkhanova
Chief Accountant

3 June 2016
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands tenge)

	Notes	2015	2014
OPERATING ACTIVITIES:			
(Loss)/profit for the year		(13,867,346)	7,606,633
Adjustments for:			
Income tax (benefit)/expense	20	(690,867)	3,613,985
Depreciation and amortisation	27, 28 29, 30	11,151,634	7,520,425
Employee benefit costs		30,729	32,256
Finance income	31	(2,220,519)	(1,259,808)
Accrual of provision for obsolete inventories	28	46,094	48,253
Accrual of allowance for doubtful debts and impairment provision for advances paid	28	330,684	71,031
Finance costs	32	7,790,485	6,036,155
Loss/(gain) on disposal of property, plant and equipment		17,218	(808,129)
Impairment loss on property, plant and equipment	7	-	508,564
Impairment loss on goodwill	8	-	405,730
Share of profit in associates	30	(148,183)	(105,841)
Foreign exchange loss		21,694,688	787,386
Net gain on operations with financial assets recorded at the fair value through profit or loss		2,266	(13,877)
Provisions for unused vacations	28, 29	20,262	42,551
Gain on write of accounts payable	30	(330,230)	(68,404)
Other		(14,771)	(34,250)
Cash flows from operating activities before changes in working capital		23,812,144	24,382,660
Change in inventories		303,813	(1,782,747)
Change in trade accounts receivable		(2,363,463)	(462,423)
Change in advances paid		(290,863)	325,086
Change in other current assets		1,713,353	(1,459,322)
Change in trade accounts payable		164,804	1,819,913
Change in advances received		(1,236,782)	(1,178,291)
Change in employee benefit obligations		(24,174)	(16,231)
Change in other liabilities and accrued expenses		742,814	945,982
Change in deferred revenue		(55,885)	(90,173)
Cash provided by operating activities		22,765,761	22,484,454
Income tax paid		(382,095)	(627,665)
Interest paid		(8,757,124)	(6,079,326)
Net cash provided by operating activities		13,626,542	15,777,463

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands tenge)

	Notes	2015	2014
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(20,579,974)	(26,102,771)
Purchase of intangible assets		(845,610)	(133,677)
Purchase of non-controlling interest		(1,878,449)	(5,401,551)
Cash placed on deposits		(17,018,517)	(16,897,516)
Withdrawals from deposits		16,899,822	17,025,516
Financial aid provided		(3,200,000)	-
Proceeds from repayment of financial aid		640,000	-
Purchase of associate		(37,548)	-
Dividends received		35,084	-
Proceeds from disposal of property, plant and equipment		453,611	1,856,881
Net cash inflow on acquisition of subsidiaries		-	5,334
Contribution in share capital of subsidiary by non-controlling shareholders	17	1,400,000	-
Proceeds from sale of share in subsidiary	17	14,119,500	1,027,812
Proceeds from sale of investments		-	19,569
Net cash used in investing activities		(10,012,081)	(28,600,403)
FINANCING ACTIVITIES:			
Proceeds from issue of bonds		6,665,356	1,199,999
Repayment of bonds		-	(564,839)
Proceeds from loans		24,217,185	29,625,977
Repayment of loans		(27,008,042)	(16,769,712)
Payment of dividends		(876,790)	(905,836)
Repayment of finance lease obligation		(314,300)	(111,451)
Net cash provided by financing activities		2,683,409	12,474,138
NET CHANGE IN CASH		6,297,870	(348,802)
Effect of changes in foreign exchange rate on cash balance in foreign currency		933,623	72,933
CASH at the beginning of the year	15	2,862,728	3,138,597
CASH at the end of the year	15	10,094,221	2,862,728

On behalf of Group management:

G. D. Artambayeva
President

3 June 2016

K. E. Kassymkhanova
Chief Accountant

3 June 2016

The notes on pages 10-56 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

1. GENERAL INFORMATION

Joint Stock Company Central-Asian Power-Energy Company (CAPEC) (hereinafter - "the Company" or "Parent company") was formed on 1 September 1998. The Company's legal address is 89 Karasai Batyr street, Almaty, Republic of Kazakhstan.

The main activities of the Company and its subsidiaries (hereinafter – "the Group") are power and heat energy production, transmission, distribution and sale, and also chemical production.

As at 31 December 2015 and 2014 the Company's shareholders are Mr. E.A. Amirkhanov (30.99%), Mr. A.Ya. Klebanov (30.99%), Mr. S.V. Kan (30.99%) and Mrs. G.D. Artambayeva (7.03%), residents of the Republic of Kazakhstan.

The Company has a share in the following legal entities:

Subsidiaries	Location	Main activities	Share	
			31 December 2015	31 December 2014
JSC Central-Asian Electric Power Corporation (hereinafter – "CAEPCO")	Almaty, Republic of Kazakhstan	Power and heat energy production, transmission, distribution and sale	57.37%	64.62%
JSC Kaustik	Pavlodar, Republic of Kazakhstan	Production of chemicals	60%	60%
Pavlodar-Vodokanal Severnyi LLP	Pavlodar, Republic of Kazakhstan	Transfer of technical water	80%	80%
CAPEC Green Energy LLP	Almaty, Republic of Kazakhstan	Designing and construction of facilities using renewable energy	-	100%
Kindergarten Alakai LLP	Petropavlovsk, Republic of Kazakhstan	Preschool education	100%	-
CAPEC Energoinvest LLP	Astana, Republic of Kazkhastan	Designing and construction of facilities using renewable energy	100%	-

In November 2015, the Company sold 7.25% share in CAEPCo (Note 17).

In November 2015, the Company established new subsidiary CAPEC-Energoinvest LLP, activity of which is the design and construction of renewable energy generation facilities and production of electricity using renewable energy sources.

In December 2015, the Company established Kindergarten Alakai LLP in Petropavlovsk as a social development initiative of North-Kazakhstan region.

In September 2015, the Company sold 100% of CAPEC Green Energy LLP to JSC Circle Maritime Invest, a related party.

On 23 July 2014 the Company transferred 51.59% of shares of JSC Akmola Electricity Distribution Network Company to the share capital of JSC CAEPCO in return for 4,802,970 shares of JSC CAEPCO. Consequently, share of the Company in JSC CAEPCO increased to 64.62%.

On 4 June 2014, the Company acquired additional 50% of shares in JSC Kaustik (Note 33).

The total number of employees of the Group as at 31 December 2015 and 2014 were 11,350 and 11,214 respectively.

2. OPERATING ENVIRONMENT

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of the new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current year:

The Group adopted the following new or revised standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee (hereinafter - the IFRIC), which came into effect on the consolidated financial statements for the year ended 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle.

The adoption of these Standards did not affect the results of operations or the financial position of the Group. New and revised standards were applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, unless otherwise noted below.

Standards and Interpretations in issue to be adopted in future periods

As at the date of approval of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

	Effective date[1] - for annual periods beginning on or after
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

[1] Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.
[2] The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

During 2015, new and revised standards had been issued. The most significant changes are expected after application IFRS 9 and IFRS 15.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Guidance that is far more prescriptive has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 *Leases*

IFRS 16 *Leases* brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The management of the Group anticipates that the application of IFRS 16 in the future may have a significant impact on the amount of assets and liabilities due to recognition of all leases for contracts where the Group is a lessee. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

4. KEY ASSUMPTIONS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

The following are the key assumptions regarding future and other key sources of uncertainties at the reporting date, which bear a significant risk of material adjustment in the carrying value of assets and liabilities in the next fiscal year.

Determination of the fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment. An independent evaluation of the assets is held on a regular basis. The last independent valuation of property, plant and equipment of the Group was held on 31 December 2014 based on the following grounds:

- the fair value of the Group's certain real estate, land for industrial use, on which Heat and Power Plants are located, as well as vehicles, office equipment and computer equipment are valued at market value, based on an analysis of comparable sales;
- other fixed assets were valued using the cost approach (depreciated replacement cost method);
- the validity of the measurement at fair value, as described above, was determined by the appraiser analysis of discounted future cash flows, which was prepared on the following basis:
  - the forecast period - up to 2025;
  - cash flow projections were made in tenge with the translation into US dollar according to the forecast rate;
  - discount rate applied is 13%.

The Group assesses as at each reporting date whether the carrying amount of property, plant and equipment does not differ materially from that, which would be determined using fair value as at reporting date.

The management of the Group made assessment as at 31 December 2015 and concluded that there were no significant changes in the fair value of property, plant and equipment as at 31 December 2015 from the date of last revaluation on 31 December 2014.

Property, plant and equipment held in trust management

The Group received property, plant and equipment for trust management from the state organizations – Finance Department of Pavlodar region and Finance Department of Pavlodar city. The trust management agreement is considered a concession agreement, since the Government regulates the activity of the Group and controls property, plant and equipment in trust management. Property, plant and equipment received under trust management are not recorded in the consolidated statement of financial position of the Group and income from use of property, plant and equipment is determined at the fair value of the consideration received or receivable and represents the amounts receivable from the supply of heat energy, which are included in profit or loss at the moment of delivery to consumers. The expenses are recognized as incurred and reflected in profits or loss in the period to which they relate.

Useful lives of property and equipment

The Group reviews the useful lives of property, plant and equipment as at the end of each financial year. The evaluation of the useful life of an asset depends on such factors as economic use, repair and maintenance program, technological upgrades and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects the respective information available as at the date of these consolidated financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Ash disposal area restoration liabilities

For production purposes the Group uses ash disposal areas. At the end of the useful life, these ash disposal areas should be restored. In order to determine the amount of the liability on restoration of these ash disposal areas management of the Group is required to conduct the evaluation of future cost of restoration of ash disposal areas. The management evaluates liabilities on restoration of ash disposal areas at amortized cost using effective interest rate of 12%-14% which represents a market rate of financing for the Group.

Provisions

The Group accrues allowance for doubtful debts. Significant judgments are used to estimate doubtful debts. Debt periods, historical and expected customer behavior are considered when identifying doubtful debts. Changes in economy or financial conditions may require adjustments to the allowance for doubtful debts in the consolidated financial statements.

Annually the Group considers the need of provision accrual for obsolete inventories based on annual stock taking and estimation on future use of obsolete stock.

Recognition of revenue from sale of power

The Group recognizes revenue at the moment of delivery of power as per meters of the power consumers. The data from the meters are provided by consumers on a monthly basis and checked by the Group for accuracy on a sample basis. The Group recognizes revenue from power sold from the moment of the last metering to the end of the reporting period based on an estimate. As per this method, the daily volume of electricity consumed is determined according to the data of the previous month which is multiplied by the tariff.

5. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Functional and presentation currency

The functional and presentation currency of these consolidated financial statements is tenge.

Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for property, plant and equipment and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs - are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs - are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Going concern

The consolidated financial statements have been prepared based on the assumption that the Group will continue its operations in the foreseeable future. However, as disclosed in Note 2, in 2015 tenge depreciated significantly against major foreign currencies and in the result net loss of the Group for the year ended 31 December 2015 is 13,863,410 thousand tenge, which mainly occurred due to foreign exchange loss. Also as at 31 December 2015, the Group failed to comply with loan covenants as disclosed in Notes 19 and 37.

Management believes that the Group will realize its assets and discharge its liabilities in the normal course of business, because the Management developed measures to improve profitability, including:

- steady increase in tariffs;
- increase in output;
- reduction of electricity and heat losses through the introduction of ASCAPC ("Automatic system for commercial accounting of power consumption"), installation of meter readings of electric and heat energy for household consumers, reconstruction, rehabilitation and modernization of transmission lines and district heating networks; and
- improving the environmental performance of production.

The Group received waiver letters from banks on noncompliance with aforementioned financial ratios.

On the basis of stated above Management of the Group believes that the consolidated financial statements do not require any adjustment to the carrying amounts of assets and liabilities, income and expense recognition as well as classification of the consolidated statement of financial position, which could be required as a result of these events.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business less accumulated impairment losses, if any.

Changes in a Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests adjusted to reflect the changes in their relative interests in a subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received recognized directly in equity.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Recognition of revenue from power and heat

Revenue is determined at the fair value of the consideration received or receivable and represents amounts receivable for power and heat services provided in the normal course of business, net of discounts and Value Added Tax ("VAT").

Revenue from sales of power and heat is included into profit or loss at the moment of delivery to consumers. The basis for accrual of revenue from power and heat are tariffs approved by the Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Recognition of revenue from sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Related party transactions

In preparation of these consolidated financial statements, the following parties were considered as related parties:

A party is related if:

(a) directly, or indirectly through one or more intermediaries, the party:
  i) controls, is controlled by, or is under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
  ii) has an interest in the Group that gives it significant influence over the Group; or
  iii) has joint control over the Group;
(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is a member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party represents a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party, attention is directed to the substance of the relationship and not merely its legal form.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

The following table shows the tenge exchange rate at specific dates:

	31 December 2015	31 December 2014
US dollar	339.47	182.35
Russian rubles	4.65	3.17

Average tenge exchange rates for the years ended 31 December are:

	2015	2014
US dollar	222.25	179.12
Russian rubles	3.62	4.75

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs also include exchange differences arising as a result of loans in foreign currency to the extent they are considered an adjustment of interest payments. The amount of the exchange difference capitalized in the form of an adjustment of interest expenses does not exceed the amount of interest expenses, which the Group would have capitalized, had the loan been taken in local currency. Any excess in exchange differences is charged to profit or loss.

Income received as a result of temporary investment of the received borrowings till their disbursement for acquisition of qualified assets is deducted from borrowing costs.

All other borrowing costs are recognized through profit or loss in the period in which they are incurred.

Interest rate on KZT loan agreements with the EBRD dated 26 March 2011 and 22 May 2013 includes all-in cost. All-in-cost represents the cost of financing the loan (fees, commissions, etc.), which are paid by the Group during the term of the loan, in accordance with loan agreements.

Employee benefits

Social tax

The Group pays social tax based on current Kazakhstan legislation. The Group's effective social tax rate during 2015 and 2014 was approximately 6% of employees' gross income. The social tax and payroll of personnel are expensed in the period as accrued.

Pension contributions

The Group also withholds 10% form the salary of its employees as contributions to the cumulative pension funds but not more than 160,230 tenge per month in 2015 (2014: not more than 149,745 tenge per month). According to the legislation of the Republic of Kazakhstan, pension contributions are obligations of the employee, and the Group carries no current or future obligations on employee benefits after their retirement, except for payments provided for by the collective agreement.

Pension liabilities

According to the collective agreement the Group pays certain benefits to its employees after the retirement ("Defined benefit pension plan"). According to this agreement the Group ensures the following main payments and benefits:

- one-time benefit upon retirement;
- one-time premium upon a jubilee.

Obligations and expenses on benefits according to the defined benefit pension plan are determined using the projected unit credit method. This method considers each worked year as increasing the right for a benefit by an additional unit and measures each unit separately for recognition of the final obligation. The expenses on benefits are recorded in profit or loss in order to distribute the final benefits during the service time of workers according to the benefit formula under the defined benefit pension plan. This obligation is measured at the current value of estimated future cash flows using the discount rate similar to the rate of return on state bonds, currency and terms on which are comparable with the currency and estimated terms of the obligation under the defined benefit pension plan.

The Group recognizes actuarial gains and losses arising from revaluation of employee benefit obligations in the period when they occurred within expenses on employee benefits.

Income tax expenses

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

Current and deferred taxes

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are initially recorded at acquisition cost. All the property, plant and equipment acquired before 1 January 2005 – date of transition to IFRS – are recorded at the revalued cost being the deem cost. The cost of acquired property, plant and equipment represents the cost of funds paid upon acquisition of respective assets and other directly related costs incurred in delivery of assets to the facility and necessary preparation for their planned utilization.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other fixed assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is required.

After the initial recognition the property, plant and equipment is recorded at the revalued value which represents the fair value at the date of revaluation less accumulated depreciation and any subsequent impairment of the value. The revaluation of property, plant and equipment is conducted on a regular basis so that the possible difference between the carrying value and estimated fair value at the reporting date would be immaterial. The accumulated depreciation at the date of revaluation is eliminated against the total carrying value of the asset, after which the carrying value is restated to the revalued cost of the asset.

If the carrying amount of assets increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading revaluation surplus. However, such an increase should be recognized in profit or loss to the extent that it reverses the decrease in value on revaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset as a result of revaluation decreases, the amount of such a decrease is included in profit or loss. Nevertheless, this decrease should be recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in revaluation surplus in respect of that asset. The decrease, as recognized in other comprehensive income, reduces the amount accumulated in equity under the heading of revaluation surplus.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to profit or loss as incurred.

Depreciation of revalued property, plant and equipment is charged to profit or loss. Depreciation of assets under construction commences when the assets are ready for their intended use. Depreciation is charged so as to write off the cost of assets over the estimated useful lives of the assets, using the straight-line method, on the following basis:

Buildings and constructions	5-70 years
Machinery and production equipment	3-40 years
Vehicles	3-15 years
Other	3-25 years

The carrying amount of an asset, useful life and methods are reviewed and adjusted, if needed, at the end of each financial year.

The gain or loss arising on disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated according to the straight-line method over the estimated useful lives of assets, which is 6-15 years.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct cost of materials and, where applicable, direct labor and overheads incurred to bring inventories to their current location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are revised at each reporting date and adjusted to reflect the best current estimate.

Where the impact of time value of money is significant, the amount of the provision is calculated as the current value of expenses which are expected to settle the obligations. Where the discounting is used, the increase in the provision reflecting the period of past time is recognized as finance cost.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 36.

Held-to-maturity investments

Held-to-maturity investments mainly consist of deposits. Deposits with initial maturity of over three months and deposits with flexible terms of replenishment and partial withdrawals are recorded in the consolidated statement of financial position as other current financial assets. Deposits for debt service with initial maturity of more than a year are recorded in the consolidated statement of financial position as other non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances, cash on broker's accounts and petty cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Bank loans, trade and other accounts payable

Bank loans, trade and other accounts payable after initial recognition, are recorded at the amortized cost using effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

6. SEGMENT INFORMATION

Information reported to the President of the Group, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided and, accordingly, the Group identifies three main segments: production, transmission, distribution and sale of heat and power and production of chemicals. Other services do not exceed the quantitative thresholds, therefore, do not require a separate disclosure.

The Group monitors the multiple profitability ratios such as: profit before tax, profit for the year and gross profit. Despite this, the profit for the year is the ratio used for the purpose of resource allocation and assessment of segment performance.

	For the year ended 31 December 2015			
Key operating results	**Production, transmission, distribution and sale of heat and power**	**Production of chemicals**	**Other**	**Total**
Total revenue	168,646,799	3,326,444	1,409,630	173,382,873
Intrasegment revenue	(62,087,266)	(65,845)	(1,083,458)	(63,236,569)
Revenue from sales to external customers	106,559,533	3,260,599	326,172	110,146,304
Cost of sales	(83,639,575)	(1,793,087)	(583,994)	(86,016,656)
General and administrative expenses	(6,891,295)	(1,203,671)	(936,312)	(9,031,278)
Selling expenses	(1,927,558)	(826,157)	-	(2,753,715)
Finance costs	(3,216,699)	(1,231,369)	(3,342,417)	(7,790,485)
Finance income	331,700	1,339,849	548,970	2,220,519
Foreign exchange loss	(17,651,949)	(2,573,058)	(1,469,681)	(21,694,688)
Other income, net	354,126	(122,634)	130,294	361,786
Income tax benefit	519,872	-	170,995	690,867
Loss for the year	**(5,561,845)**	**(3,149,528)**	**(5,155,973)**	**(13,867,346)**
Other key segment information				
Capital expenditure on property, plant and equipment	32,441,251	97,668	86,402	32,625,321
Depreciation of property, plant and equipment	9,379,428	1,427,360	342,035	11,148,823

	For the year ended 31 December 2014			
Key operating results	**Production, transmission, distribution and sale of heat and power**	**Production of chemicals**	**Other**	**Total**
Total revenue	159,105,465	2,160,454	1,419,293	162,685,212
Intrasegment revenue	(52,092,386)	(32,949)	(949,346)	(53,074,681)
Revenue from sales to external customers	107,013,079	2,127,505	469,947	109,610,531
Cost of sales	(81,802,224)	(1,651,014)	(458,543)	(83,911,781)
General and administrative expenses	(7,030,517)	(544,349)	(603,397)	(8,178,263)
Selling expenses	(1,767,612)	(335,811)	-	(2,103,423)
Finance costs	(2,766,608)	(614,092)	(2,655,455)	(6,036,155)
Finance income	198,603	463,751	597,454	1,259,808
Foreign exchange loss	(826,941)	57,303	(17,748)	(787,386)
Other income,net	2,084,057	(48,873)	246,397	2,281,581
Impairment loss on property, plant and equipment	(466,351)	-	(42,213)	(508,564)
Impairment loss on goodwill	-	-	(405,730)	(405,730)
Income tax expense	(3,577,726)	-	(36,259)	(3,613,985)
Profit/(loss) for the year	**11,057,760**	**(545,580)**	**(2,905,547)**	**7,606,633**
		-		
Other key segment information		-		
Capital expenditure on property, plant and equipment	34,111,982	66,741	282,352	34,461,075
Depreciation of property, plant and equipment	6,541,410	647,902	293,958	7,483,270

7. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and construction	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Cost or revalued cost						
As at 1 January 2014	26,024,922	108,449,207	3,498,208	421,178	17,587,899	155,981,414
Acquisition of subsidiaries	6,453,362	7,768,745	132,312	1,510,080	175,049	16,039,548
Purchases	8,542	1,807,207	481,258	61,722	32,102,346	34,461,075
Internal transfers	870,004	26,772,915	550,484	(1,271)	(28,192,132)	-
Disposals	(152,480)	(1,186,552)	(36,303)	(18,564)	(8,616)	(1,402,515)
Revaluation of property, plant and equipment	4,988,875	37,029,963	756,611	30,371	-	42,805,820
Elimination of accumulated depreciation on revaluation	(3,309,376)	(17,018,163)	(1,368,192)	(178,313)	-	(21,874,044)
As at 31 December 2014	34,883,849	163,623,322	4,014,378	1,825,203	21,664,546	226,011,298
Purchases	286,619	455,282	224,242	120,879	31,538,299	32,625,321
Internal transfers	7,450,102	28,375,836	22,136	(33,226)	(35,814,848)	-
Disposals	(303,930)	(203,580)	(13,244)	(12,000)	(137,246)	(670,000)
As at 31 December 2015	42,316,640	192,250,860	4,247,512	1,900,856	17,250,751	257,966,619

	Land, buildings and construction	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Accumulated depreciation						
As at 1 January 2014	(2,404,435)	(12,303,758)	(925,107)	(138,315)	(309)	(15,771,924)
Acquisition of subsidiaries	(242,102)	(535,686)	(79,512)	(33,546)	(179)	(891,025)
Charge for the year	(1,297,521)	(5,584,549)	(465,813)	(135,387)	-	(7,483,270)
Disposals	6,321	347,319	(15,004)	15,127	-	353,763
Elimination of accumulated depreciation on revaluation	3,309,376	17,018,163	1,368,192	178,313	-	21,874,044
As at 31 December 2014	(628,361)	(1,058,511)	(117,244)	(113,808)	(488)	(1,918,412)
Charge for the year	(2,505,696)	(7,714,886)	(687,813)	(240,428)	-	(11,148,823)
Disposals	179,375	12,923	3,589	3,272	-	199,159
As at 31 December 2015	(2,954,682)	(8,760,474)	(801,468)	(350,964)	(488)	(12,868,076)
Carrying value						
As at 31 December 2015	39,361,958	183,490,386	3,446,044	1,549,892	17,250,263	245,098,543
As at 31 December 2014	34,255,488	162,564,811	3,897,134	1,711,395	21,664,058	224,092,886

The Group's property, plant and equipment were revalued by independent appraiser as at 31 December 2014. The fair value of property, plant and equipment at the valuation date was determined using the cost approach adjusted to the discounted future cash flows (Note 4), namely the method of determining the replacement cost, which is an estimate of the Level 3 in the fair value hierarchy. In estimating the fair value of property, plant and equipment, their current use is considered the best and most profitable form of use.

As a result of revaluation as at 31 December 2014 the Group recognized increase in the value of property, plant and equipment in the amount of 43,314,384 thousand tenge net of income tax of 8,662,877 thousand tenge in other comprehensive income and also loss from impairment of property, plant and equipment of 508,564 thousand tenge in profit or loss.

Net book value of each class of property, plant and equipment, which would be recognized in the consolidated financial statements, had property, plant and equipment been recorded at cost less accumulated depreciation and accumulated provision for impairment losses, would be presented as follows:

	Land, buildings and construction	Machines and production equipment	Vehicles	Others	Construction in progress	Total
As at 31 December 2015	28,031,360	127,944,288	2,420,277	1,423,056	17,250,263	177,069,244
As at 31 December 2014	21,739,609	107,472,060	1,153,870	1,410,039	21,664,058	153,439,636

For the years ended 31 December 2015 and 2014, the Group capitalized interest expenses related to bank loans for the total amount of 2,751,045 thousand tenge and 1,664,901 thousand tenge, respectively.

As at 31 December 2015 and 2014 the carrying value of pledged property, plant and equipment amounted to 131,973,882 thousand tenge and 113,890,010 thousand tenge, respectively (Note 19).

Fully depreciated property, plant and equipment as at 31 December 2015 and 2014 amounted to 188,211 thousand tenge and 123,046 thousand tenge, respectively.

8. GOODWILL

	31 December 2015	31 December 2014
Value		
As at 1 January	4,844,510	2,424,419
Goodwill on acquired subsidiary (Note 33)	-	2,825,821
Impairment loss	-	(405,730)
As at 31 December	4,844,510	4,844,510

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. Key assumptions on which management has determined the value in use include the discount rate and growth rate.

The management estimates the average interest rate in the range of 12%-13% in order to assess the cost of its use for the calculation of its generating units.

Non-controlling interests recognized at the acquisition date, measured at fair value of assets and liabilities.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Sale of heat and power;
- Transmission and distribution of power.
- Production of chemical products.

The recoverable amount of these cash-generating units is determined based on a value in use calculation which uses cash flow projections based on five-year financial budgets and a discount rate of 11.68% per annum for sale of heat and power and transmission and distribution of power and 13.6% per annum for production of chemical products.

Cash flow projections for a period of planning were 5 years for sale of heat and power and transmission and distribution of power CGU and 21 years for production of chemical products CGU. They are based on the expected rate of return and inflation of prices for services and materials during the period of planning. Cash flows beyond this period are extrapolated based on the constant growth rate of 9% and 2.1% per annum respectively. Management believes that any reasonably possible change in key assumptions in determining the recoverable amount not cause the carrying value of the cash-generating units of their recoverable amounts.

9. INVESTMENTS IN ASSOCIATES

	31 December 2015		31 December 2014	
	Share, %	Amount	Share, %	Amount
Investments in JSC Eximbank Kazakhstan	24.99%	1,631,062	24.99%	1,546,731
Investments in JSC Investment Company Astana	9.74%	805,090	9.74%	772,769
Investments in Astana ERC LLP	42.25%	37,931	-	-
		2,474,083		2,319,500

For the year ended 31 December 2015 the change in investments in associates are as follows:

	JSC Eximbank Kazakhstan	JSC Investment Company Astana	Astana ERC LLP	Total
As at 1 January 2015	1,546,731	772,769	-	2,319,500
Purchase of associate	-	-	37,548	37,548
Dividends	-	(35,084)	-	(35,084)
Share of profit of associates (Note 30)	80,395	67,405	383	148,183
Share of other comprehensive income of associates	3,936	-	-	3,936
As at 31 December 2015	1,631,062	805,090	37,931	2,474,083

For the year ended 31 December 2014 the change in investments in associates are as follows:

	JSC Eximbank Kazakhstan	JSC Investment Company Astana	Total
As at 1 January 2014	1,481,580	751,057	2,232,637
Dividends	-	(18,978)	(18,978)
Share of profit of associates (Note 30)	65,151	40,690	105,841
As at 31 December 2014	1,546,731	772,769	2,319,500

Summary of financial information related to JSC Eximbank Kazakhstan and JSC Investment Company Astana is presented below:

JSC Eximbank Kazakhstan	31 December 2015	31 December 2014
Data from the statement of financial position		
Total assets	70,792,084	54,698,798
Total liabilities	(57,452,569)	(41,696,743)
Net assets	13,339,515	13,002,055

JSC Investment Company Astana	31 December 2015	31 December 2014
Data from the statement of financial position		
Total assets	7,011,228	6,522,260
Total liabilities	(181,935)	(25,013)
Net assets	6,829,293	6,497,247

Share of the Company in net assets of JSC Eximbank Kazakhstan and JSC Investment Company Astana:

JSC Eximbank Kazakhstan	2015	2014
Data from the statement of profit or loss and other comprehensive income		
Revenue	247,137	838,168
Profit for the year	321,709	260,706
Other comprehensive income	15,752	-
Total comprehensive income for the year	337,461	260,706
Share of profit	80,395	65,150
Share of other comprehensive income	3,936	-

JSC Investment Company Astana	2015	2014
Data from the statement of profit or loss and other comprehensive income		
Revenue	1,308,482	247,137
Profit for the year	692,045	417,772
Share of profit	67,405	40,961

On 5 November 2015, the Company acquired 42.25% of shares in Astana ERC LLP, primary activity of which is maintaining a settlement system and collection of payments for utilities in Astana.

10. INVENTORIES

	31 December 2015	31 December 2014
Spare parts	5,840,730	5,190,574
Coal and fuel oil	718,434	1,565,162
Other	370,309	477,551
	6,929,473	7,233,287
Provision for obsolete inventories	(216,500)	(170,406)
	6,712,973	7,062,881

For the years ended 31 December, movement in provision for obsolete inventories was as follows:

	2015	2014
As at 1 January	(170,406)	(95,041)
Acquired subsidiary	-	(27,112)
Accrued	(46,094)	(48,253)
As at 31 December	(216,500)	(170,406)

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2015	31 December 2014
Sale and transfer of power and heat	13,915,130	12,338,506
Sale of chemical products	245,593	312,817
Other	657,708	391,037
	14,818,431	13,042,360
Allowance for doubtful debts	(1,277,868)	(1,673,378)
	13,540,563	11,368,982

The average credit period on sales of services is 60 days. No interest is charged on trade accounts receivable for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balance at average refinancing rate of National Bank of Republic of Kazakhstan. The Group recognized an allowance for doubtful debts of 100%, 50%, 25%, and 5% against all receivables outstanding for more than 365 days, 271-365 days, 181-270 days, and 90-180 days, respectively. The Group outsource independent legal firm for collecting receivables over 180 days. Irrecoverable amounts are written off against previously created allowance.

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2015	2014
As at 1 January	(1,673,378)	(1,779,623)
Acquired subsidiary	-	(65,674)
Accrued	(204,127)	(30,188)
Written off against previously created allowance	599,637	202,107
As at 31 December	(1,277,868)	(1,673,378)

Allowance of trade accounts receivable that are past due is presented as follows:

	31 December 2015	31 December 2014
90-180 days	21,082	32,322
181-270 days	39,952	96,436
271-365 days	200,086	243,374
more than 365 days	1,016,748	1,301,246
	1,277,868	1,673,378

The Group does not hold any collateral over trade accounts receivable.

The concentration of credit risks is limited due to the fact that the customer base is large and unrelated. Customer base comprises of population (55%) and legal entities (45%).

Trade accounts receivable as at 31 December 2015 and 2014, were denominated in the following currencies :

	31 December 2015	31 December 2014
Tenge	13,475,013	11,368,904
Russian rubles	65,550	78
	13,540,563	11,368,982

12. ADVANCES PAID

	31 December 2015	31 December 2014
For purchase of property, plant and equipment	4,207,292	6,415,973
For purchase services	896,480	713,811
For purchase goods	764,512	680,006
Other	40,328	16,640
	5,908,612	7,826,430
Provision for impairment	(63,093)	(32,418)
	5,845,519	7,794,012
Non-current	4,206,462	6,394,848
Current	1,639,057	1,399,164
	5,845,519	7,794,012

For the years ended 31 December, movement provision for impairment was as follows:

	2015	2014
As at 1 January	(32,418)	(57,891)
(Accrued)/recovered	(30,675)	18,738
Written off against previously created provision	-	6,735
As at 31 December	(63,093)	(32,418)

13. OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
Receivables for shares	8,011,167	9,545,852
Interest-free financial aid issued to related parties	2,413,003	49,228
Prepaid taxes	1,613,147	2,072,475
Accounts receivable from court proceedings and accrued fines	579,958	784,077
Receivables from employees	347,270	317,487
Prepaid expenses	109,515	94,908
Other	690,326	443,755
	13,764,386	13,307,782
Allowance for doubtful debts	(449,654)	(507,594)
	13,314,732	12,800,188

For the years ended 31 December, movement in allowance for doubtful debts is as follows:

	2015	2014
As at 1 January	(507,594)	(513,114)
Accrued	(95,882)	(59,581)
Written off against previously created provision	153,822	65,101
As at 31 December	(449,654)	(507,594)

14. OTHER FINANCIAL ASSETS

	31 December 2015	31 December 2014
Deposits	15,077,000	11,668,854
Interest receivable	36,611	8,365
Other	24,648	19,372
	15,138,259	11,696,591
Current	14,492,606	10,726,290
Non-current	645,653	970,301
	15,138,259	11,696,591

Included:

Cash restricted in use:		
Cash on the debt service reserve accounts	908,843	1,085,289
Minimal balance on deposits	1,388,921	798,866
	2,297,764	1,884,155

Cash restricted in use are presented on the debt service reserve accounts, as required under the loan agreement entered into between the Group and the EBRD and are intended for the payment of principal and interest of loans, accumulated over a six-month period preceding the date of payment. These funds may be used exclusively for purposes defined by the credit agreement with the EBRD.

In 2015, the Group recognized interest income totaling to 750,569 thousand tenge (2014: 679,701 thousand tenge) (Note 31).

In 2015, interest rates on deposits in tenge and US dollar were 5.2% - 7.7% and 2.8% - 3.5%, respectively.

As at 31 December 2015 and 2014 other financial assets are denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	10,870,197	10,050,684
US dollar	4,264,720	1,641,167
Pound sterling	3,342	4,740
	15,138,259	11,696,591

15. CASH

	31 December 2015	31 December 2014
Cash in banks	9,872,105	2,580,091
Petty cash	168,197	256,443
Cash in broker accounts	15,023	7,841
Cash in card accounts	293	858
Cash in transit	38,603	17,495
	10,094,221	2,862,728

The analysis of cash by currency was as follows:

	31 December 2015	31 December 2014
Tenge	9,747,522	2,785,119
US dollar	344,835	76,644
Euro	1,860	-
Other	4	965
	10,094,221	2,862,728

16. SHARE CAPITAL

	31 December 2015 and 2014		
	Number of shares	Interest	Amount, thousand tenge
E. A. Amirkhanov	10,315,513	30.99%	5,666,349
S. V. Kan	10,315,513	30.99%	5,666,349
A. Ya. Klebanov	10,315,513	30.99%	5,666,349
G. D. Artambayeva	2,330,000	7.03%	23,300
	33,276,539	100%	17,022,347

Issued capital of the Group comprises of 100,000,000 common shares. The number of issued but not placed common shares as at 31 December 2015 and 2014 is 66,723,461.

For the years ended 31 December 2015 and 2014 dividends were not declared.

17. NON-CONTROLLING INTERESTS

	31 December 2015	31 December 2014
Balance at beginning of year	50,128,764	41,623,535
Non-controlling interests in (loss)/profit	(4,479,280)	3,808,278
Non-controlling interests in other comprehensive income	-	12,257,020
Dividends	(932,521)	(905,836)
Non-controlling interests arising on the acquisition of a subsidiary	-	456,119
Non-controlling interests arising on the change of share in a subsidiary	9,132,540	(7,110,352)
Contribution into share capital of subsidiary	1,400,000	-
	55,249,503	50,128,764

In November 2015 the Company sold 7.25% of its shares in CAEPCO to KIF ENERGY S.A'R.L., CKIF ENERGY S.A'R.L., and JSC Baiterek Venture Fund.

18. BONDS ISSUED

Number	Maturity date	Interest rate %	31 December 2015	31 December 2014
KZ2C0Y10D307	December 2018	12.5%	19,922,598	19,922,597
KZ2C0Y10C606	July 2017	6.8% - 13%	7,901,620	7,901,620
KZ2C0Y10D695	October 2020	12.5%	8,000,000	6,067,590
KZP01Y10E533	November 2023	6%	5,676,183	2,276,183
KZP02Y10E531	June 2025	6%	1,700,000	-
Accrued interest on bonds			910,608	783,057
Premium			401,404	238,727
Discount			(1,590,403)	(727,847)
Repurchase of bonds			(3,907,046)	(4,451,980)
			39,014,964	32,009,947
Less: current portion of bonds issued			(910,608)	(783,057)
			38,104,356	31,226,890

The bonds are repayable as follows:

	31 December 2015	31 December 2014
Within two and five years inclusive	31,843,166	23,222,518
After five years	6,261,190	8,004,372
	38,104,356	31,226,890

19. LOANS

	31 December 2015	31 December 2014
Principal amount of bank loans	77,194,710	56,123,526
Interest payable - long-term loans	4,373,986	3,189,021
Interest payable - short-term loans	472,434	131,329
Commissions payable	325,520	174,857
Less:		
Fair value adjustment of loan	(2,185,128)	(1,234,892)
Unamortized part of lump-sum commission	(372,477)	(409,789)
Total	79,809,045	57,974,052
Less:		
Short-term loans	(12,487,741)	(11,579,814)
Current portion of long-term loans	(3,295,494)	(6,901,902)
Long-term loans	64,025,810	39,492,336

Long-term loans, generally, include loans from the EBRD and other international financial institutions obtained for long-term investment program for renovation and modernization of the Group's assets.

Loans with interest rate below market rate are accounted for as a government grant equal to the difference between the proceeds of the loan and its fair value, calculated at current market rates at the time of the receipt of the loan.

Effective interest rate for long-term loans denominated in tenge and US dollar amounted to 7% - 12.6% per annum and 3.28% - 4.07% per annum, respectively (2014: 9.45% - 12.4% and 3.7% per annum, respectively).

Effective interest rate for short-term loans denominated in tenge and US dollar amounted to 14% - 18% per annum and 6.5% per annum, respectively (2014: 7.5% - 14% and 6.5% per annum).

In accordance with loan agreements, the Group shall comply with the following: interest coverage ratio of not less than 4; the financial debt to EBITDA of not more than 4; debt service coverage ratio of not less than 1.25, and a current ratio of not less than 1. However, as at 31 December 2015, the Group breached these financial ratios (Note 37).

As of 31 December 2015 and 2014 long-term loans are secured by property, plant and equipment (Note 7).

Loans mature as follows:

	31 December 2015	31 December 2014
During the second year	6,575,134	4,307,811
Within two and five years inclusive	28,256,156	23,299,415
After five years	29,194,520	11,885,110
	64,025,810	39,492,336

As at 31 December 2015 and 2014, long-term and short-term loans were denominated in the following currencies:

	31 December 2015	31 December 2014
US dollar	50,012,058	32,669,425
Tenge	27,182,652	23,454,101
	77,194,710	56,123,526

20. INCOME TAX

	2015	2014
Current income tax expense	-	335,082
Current income tax expense related to previous years	(3,241)	-
Deferred income tax (benefit)/expense	(687,626)	3,278,903
Total	(690,867)	3,613,985

As at 31 December 2015 and 2014 deferred tax assets and liabilities were as follows:

Deferred tax assets as a result of:	31 December 2015	31 December 2014
Tax losses carried forward	6,140,309	1,865,330
Other temporary differences	558,322	554,274
Total deferred tax assets	6,698,631	2,419,604
Deferred tax liabilities as a result of:		
Carrying value of property, plant and equipment	(37,963,542)	(34,437,882)
Other temporary differences	(80,725)	(36,027)
Total deferred tax liabilities	(38,044,267)	(34,473,909)
Deferred tax liabilities, net	(31,345,636)	(32,054,305)
including:		
Deferred tax assets	678,959	116,716
Deferred tax liabilities	(32,024,595)	(32,171,021)

Movements of deferred taxes for the years ended 31 December are as follows:

	2015	2014
As at 1 January	(32,054,305)	(20,113,844)
Recognized in:		
profit or loss	687,626	(3,278,903)
equity	-	1,319
other comprehensive income	21,043	(8,662,877)
As at 31 December	(31,345,636)	(32,054,305)

The income tax expense for the years ended 31 December is reconciled to pre-tax profit in the consolidated statement of comprehensive income as follows:

	2015	2014
(Loss)/profit before income tax:	(14,558,213)	11,220,618
Tax at the established tax rate	(2,911,643)	2,244,124
Change in unrecognised deferred tax assets	741,915	473,587
Effect of loss of the subsidiary exempt from taxation	888,114	774,243
Tax effect of permanent differences	589,841	117,466
Adjustment to corporate income tax for previous years	906	4,565
Income tax (benefit)/expense	(690,867)	3,613,985

According to the tax legislation of the Republic of Kazakhstan, tax losses can be offset against taxable income within 10 years from the time of their occurrence. The Group has estimated the expected amount of tax losses to be offset against future taxable income during the 2016-2025. As a result, the Group did not recognize deferred tax assets arising from the part of the accumulated tax losses, that will not be used in the future of 12,552,959 thousand tenge (31 December 2014: 8,843,388 thousand tenge).

21. DEFERRED REVENUE

	31 December 2015	31 December 2014
Fair value adjustment of loan	932,933	943,979
Adjustment of guarantee fees	257,182	327,377
Government subsidies	78,580	87,616
Other	12,375	12,040
	1,281,070	1,371,012

22. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	312,864	312,864	249,296	237,370
Within 2 and 5 years inclusive	960,192	1,080,798	775,464	877,806
After 5 years	-	150,542	-	147,453
	1,273,056	1,544,204	1,024,760	1,262,629
Less: future finance charges	(248,296)	(281,575)	-	-
Present value of minimum lease payments	1,024,760	1,262,629	1,024,760	1,262,629

	31 December 2015	31 December 2014
Included:		
- short-term portion	249,296	237,370
- long-term portion	775,464	1,025,259
	1,024,760	1,262,629

23. TRADE ACCOUNTS PAYABLE

	31 December 2015	31 December 2014
For goods purchased	7,788,629	7,654,600
For property, plant and equipment, repair and construction services	9,757,864	2,428,472
For works and services provided	3,295,403	2,242,621
Other	53,438	787,956
	20,895,334	13,113,649

An analysis of trade accounts payable per currency is as follows:

	31 December 2015	31 December 2014
Tenge	18,865,059	12,525,682
US dollar	-	31,520
Russian ruble	2,030,275	556,447
	20,895,334	13,113,649

24. ADVANCES RECEIVED

As at 31 December 2015 and 2014 advances received of 2,615,646 thousand tenge and 3,852,428 thousand tenge mainly included advances received for power and heat.

25. OTHER LIABILITIES AND ACCRUED EXPENSES

	31 December 2015	31 December 2014
Dividends accrued	932,521	876,790
Taxes	738,869	792,240
Payables to employees	733,600	658,226
Provision for unused vacation	518,709	499,805
Pension contributions	174,924	165,565
Payables for shares	-	1,878,450
Other	525,462	313,203
	3,624,085	5,184,279

26. REVENUE

	2015	2014
Sale of power	62,430,495	62,303,995
Sale of heat	20,041,491	19,296,456
Power transmission	18,664,396	19,520,422
Heat transmission	5,423,151	5,499,559
Sale of chemical products	3,238,431	2,100,245
Other	348,340	889,854
	110,146,304	109,610,531

27. COST OF SALES

	2015	2014
Power and heat purchased for sale	19,213,435	24,944,255
Transmission of power and heat	15,850,901	14,643,241
Coal and fuel oil	14,659,689	13,612,252
Depreciation and amortization	10,077,856	7,067,704
Payroll expenses and related taxes	9,980,346	8,812,890
Services received	9,236,300	6,738,229
Inventories	4,281,999	4,515,536
Other	2,716,130	3,577,674
	86,016,656	83,911,781

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Payroll expenses and related taxes	3,296,776	3,147,286
Taxes, except for income tax	1,374,613	1,328,694
Services received	1,228,695	1,214,524
Depreciation and amortisation	750,458	308,117
Inventories	295,547	238,600
Accrual of allowance for doubtful debts and impairment provision for advances paid (Notes 11, 12, and 13)	330,684	71,031
Accrual of provision for the obsolete of inventories (Note 10)	46,094	48,253
Provision for unused vacations	24,606	42,551
Other	1,683,805	1,779,207
	9,031,278	8,178,263

29. SELLING EXPENSES

	2015	2014
Payroll expenses and related taxes	1,452,972	1,249,331
Services received	782,044	591,233
Inventories	156,051	111,543
Depreciation and amortisation	245,481	81,041
Reversal of provision for unused vacation	(4,344)	-
Other	121,511	70,275
	2,753,715	2,103,423

30. OTHER INCOME, NET

	2015	2014
Gain from the write off of accounts payable	330,230	68,404
Income from penalties	299,237	751,386
Share of profit in associates (Note 9)	148,183	105,841
Reserve for onerous contract	(478,568)	-
Depreciation expenses on property, plant and equipment transferred to operating lease	(77,839)	(63,563)
(Loss)/gain from the disposal of property, plant and equipment	(17,218)	808,129
Other	157,761	611,384
	361,786	2,281,581

31. FINANCE INCOME

	2015	2014
Fair value adjustment of long-term loan	1,332,659	-
Interest income from deposits (Note 14)	750,569	679,701
Other	137,291	580,107
	2,220,519	1,259,808

32. FINANCE COSTS

	2015	2014
Interest expenses on bonds	3,881,393	3,574,214
Interest expenses on bank loans	2,923,869	2,083,827
Other	985,223	378,114
	7,790,485	6,036,155

33. BUSINESS COMBINATIONS

	Principal activity	Acquisition date	Share	Purchase consideration
JSC Kaustik	Production of chemicals	4 June 2014	50%	2,000,000

On 4 June 2014, the Company acquired additional 50% of shares in JSC Kaustik activity of which is production of chemicals. The Company attained control from the moment of the execution of the acquisition agreement.

Acquisition of the business was accounted for using the acquisition method.

Business combinations are presented as follows:

	JSC Kaustik
Current assets:	
Cash	5,334
Other financial assets	14,660
Inventories	389,945
Advances paid	164,283
Taxes receivable and prepaid taxes	561,226
Trade accounts receivable	994,488
Other accounts receivable	34,214
Non-current assets:	
Property, plant and equipment	15,148,523
Intangible assets	2,385
Other non-current assets	370
Current liabilities:	
Short-term finance obligations	(1,572,390)
Trade accounts payable	(2,986,797)
Advances received	(1,579,897)
Taxes payable	(22,639)
Other liabilities and accrued expenses	(144,642)
Non-current liabilities:	
Long-term finance obligations	(9,856,390)
Subsidies	(12,375)
Net assets	1,140,298
Consideration transferred	2,000,000
Add: fair value of previously acquired non-controlling interest, 10%	1,510,000
Add: non-controlling interests	456,119
Less: fair value of identifiable net assets acquired	(1,140,298)
Goodwill	2,825,821
Consideration transferred	
Advances paid	2,000,000
	2,000,000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	-
Less: cash balances acquired	(5,334)
	(5,334)

34. (LOSS)/EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing net profit for the year due to Shareholders of the Group by weighted average number of common shares, participating in distribution of net profit, outstanding during the year. The amount of common shares and common shares with diluted effect are the same as no dilution was made.

	2015	2014
Net (loss)/profit, attributable to Owners of the Company	(9,388,066)	3,798,355
Weighted average number of common shares for calculating basic earnings per share	33,276,539	33,276,539
(Loss)/earnings per share, tenge	(282.12)	114.15

Book value per common share in accordance with the requirements of Kazakhstani Stock Exchange is presented below:

	31 December 2015	31 December 2014
Net assets, excluding intangible assets	136,513,137	137,115,070
Number of common shares placed	33,276,539	33,276,539
Book value per share, in tenge	4,102.38	4,120.47

The management of the Group believes that completely fulfill requirements of Kazakhstani Stock Exchange as at the reporting date.

35. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries are eliminated on consolidation and are not presented in this note.

In 2015, the Group had substantial transactions with the following related parties:

	Sale of services		Purchase of services		Purchase of assets	
Name	2015	2014	2015	2014	2015	2014
EBRD	-	-	4,859	-	-	-
Associates	29,305	45,299	60,002	142,497	-	2,607
	29,305	45,299	64,861	142,497	-	2,607

	Due from a related party		Due to a related party	
Name	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EBRD	-	-	636,840	579,364
KAZ HOLDINGS COOPERATIEF U.A.	-	-	295,681	298,359
Associates	66,888	64,951	9,317	35
	66,888	64,951	941,838	877,758

Name	Loans and accrued interest		Deposits		Cash	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EBRD	43,593,215	23,390,055	-	-	-	-
Associates	217,876	909,282	14,767,326	11,289,547	9,385,648	2,306,624
	43,811,091	24,299,337	14,767,326	11,289,547	9,385,648	2,306,624

Name	Interest expense accrued on loans from related parties		Interest income earned on deposits in bank, a related party	
	2015	2014	2015	2014
EBRD	1,801,956	1,022,551	-	-
Associates	28,237	72,497	879,342	736,043
	1,830,193	1,095,048	879,342	736,043

In September 2015, the Company sold 100% of CAPEC Green Energy LLP to JSC Circle Maritime Invest for 10,000 thousand tenge.

Key management personnel

In 2015 compensation to the Board of Directors and other key management personnel of the Group in the form of salary and bonuses amounted to 657,791 thousand tenge (2014: 589,791 thousand tenge).

36. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's main financial instruments are other financial assets, cash, loans, bonds, finance lease obligations as well as accounts receivable and accounts payable. The main risk attributable to the Group's financial instruments are currency risk, liquidity risk and credit risk. The Group also monitors the market risk and interest rate risk arising on all of its financial statements.

Categories of financial instruments

As at 31 December financial instruments are as follows:

	31 December 2015	31 December 2014
Financial assets		
Trade accounts receivable (Note 11)	13,540,563	11,368,982
Other accounts receivable, excluding prepaid expenses and prepaid taxes (Note 13)	11,592,070	10,632,805
Other financial assets (Note 14)	15,138,259	11,696,591
Cash (Note 15)	10,094,221	2,862,728
Financial liabilities		
Bonds issued (Note 18)	39,014,964	32,009,947
Loans (Note 19)	79,809,045	57,974,052
Finance lease obligations (Note 22)	1,024,760	1,262,629
Trade accounts payable (Note 23)	20,895,334	13,113,649
Other liabilities, excluding pension contributions and provision for unused vacation (Note 25)	2,930,452	4,518,909

Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concerns while increasing tariffs, production of electricity and heat energy and optimizing the debt and equity balance.

The equity structure of the Company consists of share capital, additional paid-in capital, revaluation reserve on property, plant and equipment and retained earnings as presented in the consolidated statement of changes in equity.

Basic accounting policies

Basic accounting policies and accepted methods, including recognition criteria, the basis of measurement and recognition of income and expenses for each class of financial assets and financial liabilities and equity instruments, are disclosed in Note 5 to the consolidated financial statements.

Objectives of financial risk management

Risk management is an essential element of the Group's operations. The Group controls and manages financial risks relating to operations of the Group by analyzing the risk exposure by the degree and amount of risk. These risks include interest rate risk, credit risk, market risk, foreign currency risk and liquidity risk. The description of the Group's risk management policies is provided below.

Interest rate risk

The Group's operations are exposed to interest rate risk as it has borrowings with fixed and floating interest rates. The Group manages the interest rate risk by retaining balanced ratio of loans with fixed and floating interest rates.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis was made regarding the exposure to interest rate risk on non-derivative instruments at the reporting date. For liabilities with floating rates the analysis was made assuming that the outstanding liability was not repaid during the entire year. When preparing the management reports on interest rate risk for the key management of the Group an assumption is used on a change in the interest rate by 1%, which meets the expectations of the management regarding the reasonably possible fluctuation of interest rates.

If interest rates on liabilities were 1% more/less and all the other variables remained constant, then the profit of the Group for the year ended 31 December 2015 would decrease/increase by 626,375 thousand tenge (2014: 353,571 thousand tenge), but these changes would be compensated by the Group by changing tariffs on services of the Group. It relates to the Group's exposure to interest rate risk on its loan with a floating interest rate.

Credit risk

Credit risk arising as a result of contracting parties failing to meet the conditions of agreements with the Group's financial instruments is usually limited to amounts, if any, that the contracting parties' liabilities exceed the Group's liabilities to these contracting parties. The Group's policy ensures entering into the transactions involving financial instruments with a group of solvent contracting parties. The Group's maximum credit risk exposure equals the carrying value of each financial asset. The Group believes that its maximum exposure equals the amount of trade accounts receivable (Note 11) and other current assets (Note 13) less allowance for doubtful debts recorded at the reporting date.

The Group has a policy to provide for continued monitoring to ensure that transactions concluded with customers having an adequate credit history and do not exceed the credit limits.

The Group is not the guarantor of the obligations of third parties.

Market risk

Market risk includes interest rate risk, currency risk and other price risks faced by the Group. Due to the fact that the Group holds a dominant position on the market risk, in relation of production, transportation and sale of heat and power, the risk of a possible fluctuations in the value of a financial instrument due to change in market prices is unlikely.

Foreign currency risk

The amounts of financial assets and financial liabilities of the Group denominated in US dollar and other foreign currencies are recognized in tenge. Devaluation of the tenge exchange rate against US dollar can result in increase of losses of the Group.

The Group limits the currency risk by monitoring changes in exchange rates of foreign currencies in which, financial assets and financial liabilities are denominated.

Foreign currency sensitivity analysis

The Group is mainly exposed to the risk of fluctuation of US dollar exchange rate.

The following table reflects the Group's sensitivity to 20% increase or decrease in value of tenge against foreign currencies. 20% – is sensitivity level used in preparation of internal reports on currency risk for key management and represents the management's estimate of justifiably possible changes in exchange rates. The sensitivity analysis includes only unregulated cash positions in foreign currency and adjusts their transfer at the end of the period taking into account 20% change in exchange rates. The sensitivity analysis includes borrowings, cash and other financial assets of the Group denominated in the currency different from the currency of the creditor or borrower. The positive figure indicated below reflects the increase in profits and other equity items when the tenge rate against a respective currency strengthens by 20%. In case of weakening of the tenge rate against a respective currency by 20%, there will be an equal and opposite effect on profits and equity, and the amounts indicated below will be negative.

	US dollar effect	
	2015	**2014**
Financial assets	942,279	343,562
Financial liabilities	(10,002,412)	(6,540,189)

The carrying value of financial assets and liabilities as at 31 December was as follows:

	Financial assets		Financial liabilities	
	2015	**2014**	**2015**	**2014**
US dollar	4,711,396	1,717,811	50,012,058	32,700,945

In 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. As a result, tenge exchange rate to US dollar fluctuated from 187 to 350 tenge per US dollar during August-December 2015. In 2015 the Group incurred foreign exchange losses of 21,694,688 thousand tenge (2014: 787,386 thousand tenge), mainly related to loans denominated in US dollar (Notes 19).

Liquidity risk

The Group's shareholders are ultimately responsible for liquidity risk management since it created an appropriate system of liquidity risk management for management of the Group as per the requirements of management of liquidity and short, mid and long-term financing. The Group manages liquidity risks by maintaining sufficient provisions, bank loans and available credit lines by constant monitoring of predicted and actual cash flow and comparing maturity dates of its financial assets and liabilities.

Liquidity and interest rate risk tables

The following tables show the Group's maturity dates for its non-derivative financial assets and liabilities. The tables were compiled based on the non-discounted movement of cash flows on financial liabilities using the earliest date when Group's payment is due. The table includes cash flows both for interest and principal.

The liquidity risk and interest rate risk table as at 31 December was as follows:

	Weighted average effective interest rate	Up to one year	1-5 years	Over 5 years	Overdue	Total
2015						
Interest free:						
Trade accounts receivable		13,540,563	-	-	1,277,868	14,818,431
Other current assets excluding prepaid expenses and prepaid taxes		11,592,070	-	-	449,654	12,041,724
Cash		10,094,221	-	-	-	10,094,221
Trade accounts payable		(20,895,334)	-	-	-	(20,895,334)
Long-term accounts payable		(29,313)	(146,565)	(271,213)	-	(447,091)
Other liabilities excluding pension contributions and provision for unused vacation		(2,930,452)	-	-	-	(2,930,452)
Interest:						
Other financial assets	2.8-7.7%	15,235,319	762,333	-	-	15,997,652
Bonds issued	6-13% Libor+3%, 3.75%- and All-in-cost+3.75% , 4.5%,	(4,167,353)	(41,385,657)	(8,356,627)	-	(53,909,637)
Loans	0.75-18%	(17,699,871)	(44,081,844)	(40,836,170)	-	(102,617,885)
Finance lease obligation	12.5%	(312,864)	(960,192)	-	-	(1,273,056)
Net position		4,426,986	(85,811,925)	(49,464,010)	1,727,522	(129,121,427)

	Weighted average effective interest rate	Up to one year	1-5 years	Over 5 years	Overdue	Total
2014						
Interest free:						
Trade accounts receivable		11,368,982	-	-	1,673,378	13,042,360
Other current assets excluding prepaid expenses and prepaid taxes		10,632,805	-	-	507,594	11,140,399
Cash		2,862,728	-	-	-	2,862,728
Trade accounts payable		(13,113,649)	-	-	-	(13,113,649)
Long-term accounts payable		(53,825)	(26,288)	(124,890)	-	(205,003)
Other liabilities excluding pension contributions and provision for unused vacation		(4,518,909)	-	-	-	(4,518,909)
Interest:						
Other financial assets	1-9%	12,373,952	-	-	-	12,373,952
Bonds	6.8-12.5% Libor+3%, 3.75%- and All-in-cost+3.75%, 4.5%,	(3,342,452)	(40,357,567)	(2,822,841)	-	(46,522,860)
Loans	0.75-17%	(20,664,508)	(21,153,710)	(21,844,103)	-	(63,662,321)
Finance lease obligation	12.5%	(312,864)	(1,080,798)	(150,542)	-	(1,544,204)
Net positions		(4,767,740)	(62,618,363)	(24,942,376)	2,180,972	(90,147,507)

Fair value of financial instruments

Management of the Group considers that the carrying amount of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

Fair value is defined as the amount at which an instrument could be exchanged between knowledgeable willing parties in an arm's-length transaction, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The fair value of the instruments presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument:

- The carrying amount of cash approximates their fair value due to the short-term maturity period of these financial instruments.
- For financial assets and financial liabilities with maturity within twelve months, the carrying amount approximates their fair value due to the short-term nature of these financial instruments.
- For financial assets and financial liabilities with maturities of more than twelve months, the fair value represents a present value of discounted estimated future cash flows with the use of market rates effective at the end of the reporting period.

Level 3 fair values of land, buildings and constructions as well as machinery and equipment have been generally derived engaging an independent appraiser to determine the fair value of property, plant and equipment. The fair value of property, plant and equipment was determined by applying, in the aggregate, the following generally accepted valuation techniques: comparative, income and cost. Management believes that the results of the assessment appropriately reflect the economic conditions of the Group's property, plant and equipment as at 31 December 2014. From the date of the last revaluation there were no significant changes in the fair value of property, plant and equipment.

37. CONTINGENT LIABILITIES

Legal issues

The Group was and continues to be the subject of legal proceedings and adjudications which separately or in totality did not have a material impact on the Group.

Taxation

The Government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

In particular taxes are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. Although the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the foregoing facts will possibly lead to tax risks for the Group.

In 2015, the Group repaid the liability on penalties and fines and paid taxes on time on due dates.

Environmental issues

The Group's management believes that at the moment the Group follows current environmental, health and safety laws and regulatory acts of the Republic of Kazakhstan. However, these laws and regulatory acts may change in future. The Group is unable to foresee the timing and degree of changes in the environmental, health and safety laws. In case of such changes the Group might be required to upgrade its technological equipment in order to meet more rigid requirements.

At each reporting date, the Group's management estimates the future obligations and creates a provision for restoration of ash disposal areas as per the legislation of the Republic of Kazakhstan.

Insurance

As at 31 December 2015 and 2014, the Group insured production complexes of Heat Power Plant-2, Heat Power Plant-3 and oxygen workshop in Pavlodar and production complexes Heat Power Plant-2 in Petropavlovsk. The Group did not insure other property, plant and equipment. Since the lack of insurance does not represent the decrease in the value of assets or occurrence of liabilities, no provision for unforeseen expenses related to damage or loss of such assets was set up in these consolidated financial statements.

Capital commitments

The Group developed and approved the plan of capital investments for 2016-2020 with the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy. According to the plan, during 2016-2020, the Group is subject to invest in production assets 68,441,043 thousand tenge not including VAT, including 18,159,356 thousand tenge, not including VAT, during 2016.

Tariffs

The Group agrees with the Agency of the Republic of Kazakhstan on regulation of natural monopolies the tariffs on power and heat. Management of the Group believes that it sets tariffs according to the legislation of the Republic of Kazakhstan.

Agreement with the European Bank for Reconstruction and Development

In 2009, CAEPCO concluded a subscription agreement with EBRD, whereby EBRD acquired 24.88% shares of CAEPCO. In 2011, the Company transferred part of its shares to EBRD in accordance with the agreement between the shareholders of the Company. As at 31 December 2015, EBRD owns 24.16% of the shares of CAEPCO (31 December 2014: 24.16%).

Agreement with the Islamic Infrastructure Fund

In 2011, CAEPCO concluded a subscription agreement with IIF (represented by KAZ HOLDINGS COOPERATIEF U.A.), whereby IIF acquired 12.89% shares of JSC CAEPCO. As at 31 December 2015 and 2014 IIF owns 11.22% of JSC CAEPCO shares (31 December 2014: 11.22%). Pursuant to the terms of the agreement the Group shall meet a number of covenants. Management of the Company believes that as at 31 December 2015, the Group did not violate any covenants of the agreement and met all the requirements.

Loan covenant

The Group supervises and monitors compliance of financial covenants per loan agreements on a regular basis. In accordance with loan agreements the Group shall comply with certain financial covenants. As at 31 December 2015, the Group breached financial covenants per loan agreements with European Bank for Reconstruction and Development and Asian Development Bank ("the banks"): interest coverage ratio of not less than 4; the financial debt to EBITDA of not more than 4; debt service coverage ratio of not less than 1.25, and a current ratio of not less than 1. Management informed the banks of the breach prior to year-end and have been in regular communication with the banks regarding an action plan on this point. In accordance with loan agreements the breach of ratios does not automatically trigger early repayment of any amount outstanding, early repayment of the loan may be initiated only after written notification from the banks. Management believe reclassification of long-term loans to current liabilities is not required, as the banks were timely informed about Group's noncompliance with financial covenants and had no intention to accelerate the loans. Subsequently the Group received waiver letters from banks in respect of these financial ratios for financial year of 2015 and as of 31 December 2015.

38. EVENTS AFTER THE REPORTING PERIOD

Shares

On 6 and 13 May 2016 the Company purchased 576,307 and 267,629 shares of CAEPCO from the shareholders, EBRD and KAZ HOLDINGS COOPERATIEF U.A., respectively. As a result the shares of the shareholders become as follows – CAPEC – 59.65%, EBRD – 22.6%, KAZ HOLDINGS COOPERATIEF U.A. – 10.49%, KIF ENERGY S.A'R.L. – 4.35%, CKIF ENERGY S.A'R.L. – 1.45% and JSC «Baiterek Venture Fund» – 1.45%.

Tariffs

Effective from 1 January 2016 , the following tariffs were approved and become effective in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition #177-OD dated 25 November 2015 for water transmition through distribution network of Pavlodar-Vodokonal Severnyi LLP:

- For manufacturing enterprises increased by 9.3%;
- For gardening communities increased by 4.6%.

Effective from 1 January 2016, the following changes in tariffs were approved in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy for JSC PAVLODARENERGO:

- For production of heat increase in average by 10%;
- For electricity transmission and distribution services increase by 16%;
- For heat transmission and distribution services increase in average by 26%;
- For sale of heat increase in average by 15%;
- For sale of electricity increase by 9%.

Effective from 1 January 2016, the following changes in tariffs were approved in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy for JSC SEVKAZENERGO:

- For production of heat increase by 9.8%;
- For electricity transmission and distribution services increase by 6.2%;
- For heat transmission and distribution services increase by 22.3%;
- For sale of heat increase by 15.3%;
- For sale of electricity increase by 5.6%.

Effective from 1 January 2016 in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of Akmola region tariffs for sale of power to corporate customers and residential customers were increased by 5.9% and 5%, respectively; for transmission and distribution of electricity by 12.8%.

Effective from 1 January 2016 in accordance with the the order of Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of Astana tariffs for sale of power and heat were increased by 5.2% and 12.6% respectively.

Loans

On 26 may 2016 an agreements for increase of loans for project implementation on modernization of heat networks in Pavlodar, Petropavlovsk and Ekibazstuz were signed. In accordance with agreements EBRD will provide two loans of 4,650,000 thousand tenge to Pavlodarskiye teplovye seti LLP and Petropavlovskiye Teplovye Seti LLP. The loans will provided together with the Government of the Republic of Kazakhstan within the frame of extended partnership agreement with EBRD, under which the Government will provide 9,300,000 thousand tenge.

In 2016 JSC SEVKAZENERGO received short-term loans of 800,000 thousand tenge within the frame of credit line in SB JSC Sberbank of Russia with an average interest rate of 15% per annum.

Finance lease agreement

On 1 January 2016, financial leasing contract concluded between Pavlodarskye teplovye seti LLP and Development Fund of Housing and Communal Services JSC for the installation of metering equipment for 1,532,184 thousand tenge came into effect. Interest rate is 4% per annum, lease payments are determined according to the repayment schedule for the period until 31 July 2019.

Dividends

In January 2016, CAEPCO paid dividends of 932,521 thousand tenge to the shareholders.

Loan covenant

On 7 March, 11 April and 19 April 2016, the Group received waiver letters from banks in respect of certain financial ratios for financial year of 2015 and as of 31 December 2015.

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Group's management for issue on 3 June 2016.