"Sovereign Wealth Fund "Samruk-Kazyna" JSC

Consolidated financial statements

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

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Building a better working world

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Independent auditors' report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

We have audited the accompanying consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Building a better working world

Opinion

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

Ernst & Young LLP

Bakhtiyor Eshonkulov Auditor / audit partner	Evgeny Zhemaletdinov General director Ernst & Young LLP
Auditor qualification certificate No. МФ-0000099 dated 27 August 2012	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003, issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

11 April 2016

CONSOLIDATED BALANCE SHEET

As at December 31, 2015

In millions of tenge	Note	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	6	**10,711,508**	8,405,084
Intangible assets	7	**269,694**	334,289
Investments in joint ventures and associates	8	**2,547,103**	1,813,834
Loans to customers	9	**601,673**	271,989
Amounts due from credit institutions	10	**666,231**	692,377
Deferred tax assets	34	**116,443**	102,436
Other non-current financial assets	11	**178,941**	180,317
Other non-current assets	12	**607,916**	605,071
		15,699,509	12,405,397
Current assets			
Inventories	13	**318,344**	355,515
VAT receivable		**196,805**	228,842
Income tax prepaid		**79,947**	74,560
Trade accounts receivable	14	**283,248**	314,749
Loans to customers	9	**121,241**	458,473
Amounts due from credit institutions	10	**1,492,619**	1,146,227
Other current financial assets	11	**15,000**	26,358
Other current assets	14	**287,050**	244,762
Cash and cash equivalents	15	**1,206,557**	1,234,305
		4,000,811	4,083,791
Assets classified as held for sale	5	**1,189,364**	148,486
Total assets		**20,889,684**	16,637,674

The accounting policies and explanatory notes on pages 9 through 83 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	2015	2014
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	16	**4,916,269**	4,620,562
Revaluation reserve for available-for-sale investments		**32,817**	51,290
Currency translation reserve	16	**1,025,930**	486,162
Other capital reserves	16	**(13,922)**	(14,689)
Hedging reserve	16	**(59,171)**	–
Retained earnings		**2,971,941**	2,224,315
		8,873,864	7,367,640
Non-controlling interest	16	**1,527,508**	764,438
Total equity		**10,401,372**	8,132,078
Non-current liabilities			
Borrowings	17	**5,375,804**	4,329,026
Loans from the Government of the Republic of Kazakhstan	18	**859,715**	412,633
Finance lease liabilities	20	**134,833**	90,396
Provisions	21	**271,553**	229,447
Deferred tax liability	34	**527,014**	512,253
Employee benefit liability	22	**72,439**	61,125
Other non-current liabilities	19	**839,819**	463,571
		8,081,177	6,098,451
Current liabilities			
Borrowings	17	**716,907**	1,313,236
Loans from the Government of the Republic of Kazakhstan	18	**6,722**	1,111
Finance lease liabilities	20	**19,364**	15,802
Provisions	21	**220,920**	153,429
Employee benefit liability	22	**6,384**	5,726
Income taxes payable		**9,490**	4,020
Trade and other payables		**506,213**	456,475
Other current liabilities	23	**355,968**	396,431
		1,841,968	2,346,230
Liabilities associated with assets classified as held for sale	5	**565,167**	60,915
Total liabilities		**10,488,312**	8,505,596
Total equity and liabilities		**20,889,684**	16,637,674

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

САМУРЫК КАЗЫНА

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year December 31, 2015

In millions of tenge	Note	2015	2014*
Continuing operations			
Revenue	24	**3,090,988**	2,970,761
Government grants	25	**28,732**	31,192
		3,119,720	3,001,953
Cost of sales	26	**(2,715,032)**	(2,583,703)
Gross profit		**404,688**	418,250
General and administrative expenses	27	**(380,578)**	(356,894)
Transportation and selling expenses	28	**(211,268)**	(324,639)
Impairment loss	29	**(292,270)**	(381,376)
(Loss)/gain on disposal of subsidiaries		**(1,657)**	1,029
Gain on revaluation of a 50% stake in EGRES-1		**–**	74,798
Operating loss		**(481,085)**	(568,832)
Finance costs	30	**(321,489)**	(272,738)
Finance income	31	**282,122**	128,729
Other non-operating loss		**(36,520)**	(74,970)
Other non-operating income		**41,380**	63,056
Share in profit of joint ventures and associates, net	32	**149,423**	456,941
Net foreign exchange gain/(loss)	33	**683,359**	(29,690)
Profit/(loss) before income tax		**317,190**	(297,504)
Income tax expenses	34	**(274,019)**	(202,221)
Net profit/(loss) for the year from continuing operations		**43,171**	(499,725)
Discontinued operations			
Profit from discontinued operations, net of income tax	5	**261,631**	734,217
Net profit for the year		**304,802**	234,492
Net profit for the year attributable to:			
Equity holder of the Parent		**161,995**	271,548
Non-controlling interest		**142,807**	(37,056)
		304,802	234,492

The accounting policies and explanatory notes on pages 9 through 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	2015	2014*
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations	16.9	**797,728**	244,368
Unrealized loss from revaluation of available-for-sale investments		**(17,094)**	(4,180)
Share of the OCI items of associates and joint ventures to be reclassified to profit or loss in subsequent periods		**(960)**	(70)
Loss on transactions with hedge instruments	16.10	**(81,922)**	–
Tax effect on transactions with hedge instrument	16.10	**7,686**	–
Net realized (loss)/gain on available-for-sale investments		**(419)**	28,812
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**705,019**	268,930
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Share of the OCI items of associates and joint ventures not to be reclassified to profit or loss in subsequent periods		**169**	–
Actuarial losses on defined benefit plans		**(4,387)**	(2,679)
Tax effect on OCI components		**885**	105
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(3,333)**	(2,574)
Other comprehensive income for the year, net of tax		**701,686**	266,356
Total comprehensive income for the year, net of tax		**1,006,488**	500,848
Total comprehensive income for the year, net of tax, attributable to:			
Equity holder of the Parent		**666,861**	507,978
Non-controlling interest		**339,627**	(7,130)
		1,006,488	500,848

* *Certain amounts shown here do not correspond to 2014 consolidated financial statements and reflect adjustments made details of which are disclosed in Note 5.*

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

		Attributable to equity holder of the Parent							
In millions of tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2013		4,484,676	25,302	272,655	(2,711)	1,947,379	6,727,301	779,291	7,506,592
Total comprehensive income for the year		–	24,513	213,777	–	269,688	507,978	(7,130)	500,848
Issue of shares		135,886	–	–	–	(4,740)	131,146	–	131,146
Discount on loans from the Government		–	–	–	–	12,363	12,363	–	12,363
Dividends		–	–	–	–	(9,077)	(9,077)	(58,396)	(67,473)
Other transactions with the Shareholder		–	–	–	–	105,940	105,940	–	105,940
Acquisition of subsidiaries		–	–	–	–	–	–	2,226	2,226
Other distributions to the Shareholder		–	–	–	–	(94,029)	(94,029)	–	(94,029)
Disposal of subsidiaries		–	–	–	–	–	–	44,785	44,785
Change in ownership interests of subsidiaries – acquisition by non-controlling interest		–	1,740	–	(11,843)	14,742	4,639	18,665	23,304
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	(265)	–	–	(13,799)	(14,064)	(15,290)	(29,354)
Other equity movements		–	–	(270)	(135)	(4,152)	(4,557)	287	(4,270)
Balance as at December 31, 2014		4,620,562	51,290	486,162	(14,689)	2,224,315	7,367,640	764,438	8,132,078

The accounting policies and explanatory notes on pages 9 through 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holder of the Parent								
In millions of tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2014		4,620,562	51,290	486,162	–	(14,689)	2,224,315	7,367,640	764,438	8,132,078
Total comprehensive income for the year		–	**(18,473)**	**584,461**	**(59,171)**	–	**160,044**	**666,861**	**339,627**	**1,006,488**
Issue of shares	16.1	**295,707**	–	–	–	–	–	**295,707**	–	**295,707**
Discount on loans from the Government	16.2	–	–	–	–	–	**325,118**	**325,118**	–	**325,118**
Dividends	16.3	–	–	–	–	–	**(34,713)**	**(34,713)**	**(21,559)**	**(56,272)**
Other transactions with the Shareholder	16.4	–	–	–	–	–	**(5,612)**	**(5,612)**	–	**(5,612)**
Other distributions to the Shareholder	16.5	–	–	–	–	–	**(32,201)**	**(32,201)**	–	**(32,201)**
Disposal of subsidiaries	5	–	–	–	–	–	–	–	**(13,676)**	**(13,676)**
Change in ownership interests of subsidiaries – sale of non-controlling interest	16.6	–	–	**(44,693)**	–	**(210)**	**332,753**	**287,850**	**462,150**	**750,000**
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	16.7	–	–	–	–	–	**916**	**916**	**(4,641)**	**(3,725)**
Other equity movements		–	–	–	–	**977**	**1,321**	**2,298**	**1,169**	**3,467**
Balance as at December 31, 2015		**4,916,269**	**32,817**	**1,025,930**	**(59,171)**	**(13,922)**	**2,971,941**	**8,873,864**	**1,527,508**	**10,401,372**

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

In millions of tenge	Note	2015	2014*
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		**317,190**	(297,504)
Profit before income tax from discontinued operations	5	**240,594**	726,964
Adjustments for items of continuing operations			
Depreciation, depletion and amortization	26, 27, 28	**363,623**	378,984
Share in profit of joint ventures and associates, net	32	**(149,423)**	(456,941)
Finance costs	30	**321,489**	272,738
Finance income	31	**(282,122)**	(128,729)
Impairment loss	29	**292,270**	381,376
Long-term employee benefits	22	**16,684**	11,272
Provision charges		**102,242**	45,765
Derivatives		**6,454**	45,998
Gain on disposal of financial assets		**–**	(27,164)
Loss on disposal of property, plant and equipment and other long term assets, net		**8,683**	686
Loss/(gain) on disposal of subsidiaries		**1,657**	(1,029)
Allowance for doubtful debts	27	**12,972**	13,676
Gain on revaluation of a 50% stake in EGRES-1		**–**	(74,798)
Unrealized foreign exchange (gain)/loss, net		**(601,194)**	29,428
Other transactions		**(553)**	(1,083)
Significant items of disposal group classified as held for sale, shown as discontinued operations			
Depreciation, depletion and amortization		**40,841**	39,252
Impairment loss		**166,525**	96,322
Finance costs		**7,912**	15,369
Finance income		**(1,308)**	(640)
Unrealized foreign exchange loss , net		**1,677**	4,641
Loss on disposal of property, plant and equipment and other long term assets, net		**–**	4,041
Share in profit of joint ventures and associates, net		**(160)**	(154)
Cash flows from operating activities before working capital changes		**866,053**	1,078,470
Changes in loans to customers		**407,644**	219,462
Changes in amounts due from credit institutions		**38,827**	(91,330)
Changes in other financial assets		**(9,535)**	969
Changes in inventories		**3,299**	(34,251)
Changes in VAT receivable		**36,188**	(43,159)
Changes in trade accounts receivable		**26,760**	84,232
Changes in other assets		**3,320**	(6,230)
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		**(303,940)**	24,307
Changes in trade and other accounts payable		**38,274**	(101,362)
Changes in amounts due to customers		**219**	(1,532)
Changes in other liabilities		**(61,309)**	(66,324)
Cash generated by operating activities		**1,045,800**	1,063,252
Income taxes paid		**(220,554)**	(252,935)
Interest paid		**(377,124)**	(222,993)
Interest received		**169,981**	71,157
Net cash flows received from operating activities		**618,103**	658,481

The accounting policies and explanatory notes on pages 9 through 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	2015	2014*
Cash flows from investing activities			
Withdrawal of bank deposits, net		**312,293**	227,845
Acquisition of joint ventures and associates		**(18,191)**	(47,772)
Acquisition of subsidiaries, net of cash acquired		**(7,734)**	(256,420)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**17,774**	(9,739)
Purchase of property, plant and equipment		**(1,149,685)**	(970,163)
Purchase of intangible assets		**(11,565)**	(11,842)
Increase in restricted cash		**(35,460)**	–
Sale/(purchase) of other financial assets, net		**8,353**	(12,666)
Proceeds from sale of property, plant and equipment		**23,149**	9,041
Dividends received from joint ventures and associates	8	**230,980**	361,001
Provision of loans		**(65,585)**	(108,896)
Repayment of loans given		**32,533**	–
Net cash flows used in investing activities		**(663,138)**	(819,611)
Cash flows from financing activities			
Proceeds from borrowings		**2,089,138**	1,173,592
Repayment of borrowings		**(3,106,085)**	(524,078)
Repayment of finance lease liabilities		**(17,646)**	(14,489)
Contributions to the share capital	16.1	**149,539**	103,918
Distributions to the Shareholder		**(59,139)**	(68,351)
Dividends paid to non-controlling interest of subsidiaries		**(18,734)**	(64,305)
Contributions to the share capital by non-controlling interest		**–**	23,304
Sale/(acquisition) of non-controlling interest	16.6	**750,000**	(18,570)
Dividends paid to the Shareholder	16.3	**(34,713)**	(9,077)
Net cash flows (used in) / received from financing activities		**(247,640)**	601,944
Net (decrease)/increase in cash and cash equivalents		**(292,675)**	440,814
Cash of subsidiaries reclassified to assets classified as held for sale		**(43,180)**	(7,330)
Effects of exchange rate changes on cash and cash equivalents		**308,107**	59,827
Cash and cash equivalents, at the beginning of the year		**1,234,305**	740,994
Cash and cash equivalents, at the end of the year	15	**1,206,557**	1,234,305

* *Certain amounts shown here do not correspond to 2014 consolidated financial statements and reflect adjustments made details of which are disclosed in Note 5.*

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

САМУРЫК КАЗЫНА

Chief accountant

Almaz Abdrakhmanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. GENERAL INFORMATION

Corporate information

JSC "Sovereign Wealth Fund "Samruk-Kazyna" (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures in these entities for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans of these entities.

The Fund is a holding company combining state-owned enterprises listed in *Note 35* (the "Group"). Prior to February 22, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan "On National Welfare Fund" No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 "On Sovereign Wealth Fund" No. 550-IV, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has seven reportable operating segments *(Note 40)*:

- oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products;
- transportation segment includes operations related to railway and air transportation of cargo and passengers;
- telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- mining and industrial segment includes exploration, mining, processing and sales of mineral resources, military industry enterprises and civil engineering, projects for the development of chemical industry and geological exploration;
- financial and innovation institutions segment includes operations related to assisting the Government in increasing housing availability by investing into residential development;
- corporate center and projects segment covers Fund's investing and financing activities, including provision of loans to related and third parties.

The address of the Fund's registered office is Astana, Esil Region, Kunayev str., 8, Blcok B the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Finance and Operations – Member of the Management Board and Chief accountant of the Fund on April 11, 2016 and preliminary approved by the Audit Committee of the Board of Directors of the Fund on the same date. These consolidated financial statements should be further approved by the Board of Directors and Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Statement of compliance

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

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

Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

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

Group entities

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

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

Exchange rates

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

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Exchange rates (continued)

The following table presents currency exchange rates to tenge as at December 31:

	2015	2014
United States dollar (USD)	**340.01**	182.35
Euro (EUR)	**371.46**	221.97
Russian ruble (RUR)	**4.61**	3.17
Swiss franc (CHF)	**343.48**	184.64

As at April 11, 2016 currency exchange rate of KASE is 336.87 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

The following new and amended standards and interpretations adopted by the Group for the first time in 2015 consolidated financial statements did not have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*.
- Annual improvements 2010-2012 cycle:
  - IFRS 2 *Share-based Payment*;
  - IFRS 3 *Business Combinations*;
  - IFRS 8 *Operating Segments*;
  - IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*;
  - IAS 24 *Related Party Disclosures*.
- Annual improvements 2011-2013 cycle:
  - IFRS 3 *Business Combinations*;
  - IFRS 13 *Fair Value Measurement*;
  - IAS 40 *Investment Property*.

Standards issued but not yet effective

Management of the Group anticipates that the adoption of IFRS 9 *Financial Instruments* in the future may have an 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.

Management of the Group also anticipates that the adoption of IFRS 15 *Revenue from Contracts with Customers* 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Management of the Group anticipates that the adoption of IFRS 16 *Leases* 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.

Management anticipates that application of the following standards, amendments and interpretations effective starting on and after 1 January 2016 will not have a significant impact on the consolidated financial statements in the periods of their application:

- IFRS 14 *Regulatory Deferral Accounts*.
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- Annual improvements cycle – 2012-2014:
    - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
    - IFRS 7 *Financial Instruments: Disclosures*;
    - IAS 19 *Employees Benefits*;
    - IAS 34 *Interim Financial Reporting*.
- Amendments to IAS 1 *Disclosure Initiative*.
- *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 28) *Applying the Consolidation Exception*.

Basis of consolidation

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

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated balance sheet from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated balance sheet separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investment in joint ventures and associates

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group’s investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture/associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group’s share of net assets of the joint venture/associate. Goodwill relating to a joint venture/associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture/associate. Where there has been a change in net assets recognized directly in the equity of the joint venture/associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture/associate are eliminated to the extent of the Group’s interest in the joint venture/associate.

The share in profit of joint ventures/associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture/associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures/associates.

Financial statements of the joint venture/associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures/associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture/associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture/associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

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

Business combinations

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

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

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of an aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed by the Group. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Acquisition of subsidiaries from parties under common control (continued)

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

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

Exploration and development assets on mineral and hydrocarbon resources (oil and gas and mining assets)

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within property, plant and equipment as construction-in-progress, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and development assets on mineral and hydrocarbon resources (oil and gas and mining assets) (continued)

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

Pipelines and refinery assets	4-100 years
Buildings and premises	8-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	3-50 years
Other	3-20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are depreciated on a straight-line basis over the expected useful lives:

Licenses	3-20 years
Software	1-14 years
Other	2-15 years

Indefinite-lived intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

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

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

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

Impairment of non-financial assets

The Group assesses non- financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset group’s recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and a provision is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

A previously recognized impairment provision is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment provision was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment provision been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that its carrying amount may be impaired.

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

Financial assets

The Group's investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments, as appropriate. When investments are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at the time of initial recognition. All purchases and sales of investments are recognized on the settlement date, which is the date that the investment is delivered to or by the Group.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in profit and losses when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Securities are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Derivatives are also classified as financial assets at fair value through profit or loss unless they are designated as effective hedging instruments. Gains and losses on financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income.

Financial assets can be classified as at fair value through profit or loss upon initial recognition if it increases the importance of the information provided, since such classification eliminates or significantly reduces inconsistency of evaluation or recognition, which otherwise would arise from revaluation of assets or liabilities or from recognition of profits or losses on them on a different basis.

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profits and losses. Reversals of impairment losses in respect of equity instruments are not recognized in profits and losses. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profits and losses.

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 recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profits and losses to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

In relation to trade accounts receivable, an allowance for doubtful debts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) when the Group revokes the hedging relationship;

b) when the hedging instrument expires or is sold, terminated, or exercised; or

c) when it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date.

Issued financial instruments or their components are classified as borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government, amounts due to credit institutions, which are initially recognized at fair value of amounts obtained less costs directly attributable to the transaction. Subsequently amounts received are recognized at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying long-term asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Trade and other payables

Liabilities for trade and other accounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the consolidated balance sheet when:

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

Financial liabilities

A financial liability is derecognized in the consolidated balance sheet when the obligation under the liability is discharged or cancelled or expires.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts;
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same;
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 38*.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases

The Group recognises finance leases as assets and liabilities in the consolidated balance sheet at amounts equal at the commencement of the lease term to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to reporting periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each reporting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment in the amount equivalent to the provision is also recognized. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Asset retirement obligation (decommissioning) (continued)

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

(a) changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

(b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

(c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Allowance for bank letters of credit and guarantees

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at their fair value, in "Other liabilities" line, at the corresponding premium. Subsequent to initial recognition, the Group's liability under each guarantee contract is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees arrangements is taken to the consolidated statement of comprehensive income. The premium received is recognized in the profits and losses on a straight-line basis over the life of the guarantee.

Other provisions

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

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

Employee benefits

Defined contribution plan

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit plan (continued)

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in profits and losses and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 *Employee Benefits*.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group’s subsidiaries are unfunded.

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

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

Share based payments

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity (continued)

Share based payments (continued)

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

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

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

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as “advances received from customers”. Advances received from customers approximating the estimated future revenues relating to initiated deliveries are transferred to deferred income under the “Other current liabilities” line in the consolidated balance sheet. Deferred income is credited to current revenue, as the service is provided.

Sales of air transportation tickets that result in award credits for customers, under the customer loyalty program, are accounted for as multiple elements of revenue transactions at the fair value allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the award credits are redeemed and the Group’s obligations have been fulfilled.

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan (“CRNM”). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is a the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

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

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

The internal rate of return is calculated based on the cash flows from each subsurface use contract, adjusted for the national inflation rate. Deferred tax is calculated with respect to both corporate income tax (CIT) and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts use at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value added tax (VAT)

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

Related parties

Related parties include the Group's Shareholder, key management personnel, associates and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 39)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Oil and gas reserves

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

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

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The Group has included in proved reserves only those quantities that are expected to be produced during the initial period of the respective subsurface use contract. This is due to uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's periods of the subsurface use contract and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the oil and gas assets book value. Given the relatively small number of producing fields, it is possible that any change in reserve estimates year on year could significantly affect future charges for DD&A.

Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense. Reserves estimation is performed based on results of detailed mine exploration and is evaluated and approved by the State Reserves Commission ("SRC") of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Recoverability of property, plant and equipment and goodwill

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of property, plant and equipment and goodwill (continued)

As at December 31, 2015 declining commodities prices, devaluation of Kazakhstan tenge and increases in inflation rate and cost of capital indicated that certain Group's oil and gas assets may be impaired. Therefore, for the year ended December 31, 2015 management has carried out a formal assessment of the recoverable amount of certain oil and gas assets (based on the discounted cash flow model) where indications of impairment exist.

Oil and gas assets

The Group engaged independent appraisal to perform impairment test on its share in Kashagan PSA. Impairment test resulted in excess of recoverable amount over the carrying value of assets. One of the main assumption used by the management is that after expiration of PSA in 2041 the Group will obtain 100% control over Kashagan oilfield and will continue production until the end of field life. Recoverable amount was identified as net present value of future 2016-2041 cash flows discounted at WACC of 8.67% and 2042-2062 cash flows at WACC of 8.99%.

As of the reporting date KMG Kashagan BV dismantled damaged onshore pipelines. Thus, as at December 31, 2015 management decided to reclassify dismantled pipelines to other non-current assets (other inventories) and in 2015 recognized impairment for the full amount of 36,047 million tenge. In 2015 the Group also decided to impair offshore (non dismantled) for the full amount of 16,114 million tenge.

On December 31, 2015 certain amounts of VAT receivable on foreign currency differences for the 11 quarters from 2009-2014 were recognized as non-recoverable and non-fundable. Thus, KMG Kashagan BV recognized impairment of undividable portion of VAT receivable in the amount of 16,748 million tenge.

AktauNefteService LLP ("ANS") applied discount rate of 12.77% to 16.01% derived from the CGU's post-tax weighted average cost of capital. The five-year business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts of volume of services volumes, revenues, costs and capital expenditure. Various assumptions such as tariff for the service and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. Most of the projections beyond the 5 (five) year period were inflated using available inflation estimates. As a result, the Group recognized impairment loss on goodwill and property, plant and equipment of ANS in the amount of 11,922 million tenge and 21,547 million tenge.

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

Oil refining assets

Decline in market forecasts indicated a potential impairment of goodwill and oil refining assets of PNHZ. In accordance with the Interstate Collaboration Agreement ("Collaboration Agreement"), starting from 2014 Kazakhstan is allowed to replace Russian oil with Kazakhstan oil during transportation of Russian oil to China through the Kazakhstan pipelines in order to provide refineries with oil.

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

As at December 31, 2015 recoverable amount of oil refining assets of PNHZ (fair value less costs to sell) comprised 210,053 million tenge (2014: 211,821 million tenge). The fair value less costs to is based on a discounted cash flow model. Cash flows are determined on the basis of approved five-year development plans. Discount rate applied to the cash flow projections is 13% (2014: 9.1%), and cash flows beyond the five-year period are extrapolated using a 4.99% growth rate (in 2014: 3.87%). As a result of impairment assessment performed no impairment was identified.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of property, plant and equipment and goodwill (continued)

Energy generating assets

As at December 31, 2015 the Group recognized impairment of property, plant and equipment in the amount of 4,001 million tenge at AZhC and reversal of prior impairment at EGRES-1 of 1,500 million tenge. Sales volume forecasts are based on past performance and management's expectation. Tariff forecasts for kw/h are based on tariffs approved by Committee on Regulation of Natural Monopolies of the Republic of Kazakhstan.

Cash flows have been discounted using after-tax WACC of 12.05% per annum. Long-term inflation rate used to calculate the terminal value is 2.3% per annum.

Railway assets

As at December 31, 2015 the Group conducted impairment tests of its railways assets considering them as single CGU. Under the existing operating model of the National Company Kazakhstan Temir Zholy ("NC KTZh") cash flows of segments within railway business are not sufficiently independent. Future changes caused by implemented reorganization and privatization plans may affect identification of CGU's and have an impact on recoverable amount of the railway assets.

Approved Development plan for 2016-2020 years was the primary source of information for impairment test. The Group built a discounted cash flows model using WACC of 12.52% and average tariffs growth rate of 4%. As a result of the impairment test recoverable amount of railway assets exceeded their carrying value.

Production and sale of silicon and photovoltaic slices

As at December 31, 2015 Group conducted impairment test of two CGU's: Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste and Production of silicon of solar quality, silicon and photovoltaic slices. Impairment test resulted in impairment of 3,476 million tenge and 15,748 million tenge, respectively.

Recoverable amount of the cash generating unit was determined as value in use. The Group applied discount rate of 11.11% and 15.45%, thus, critical accounting estimates and judgments used in calculation of the recoverable amount included future volume and sales prices forecast. The forecast period is equal to remaining useful lives of property, plant and equipment.

Impairment loss on property, plant and equipment, intangible assets, goodwill and other assets of the Group entities for the year ended 31 December 2015 is summarized as follows:

In millions of tenge	**PPE and Intangible assets**	**Goodwill**	**Other long-term assets**
Oil and gas assets			
Kashagan BV – pipelines	**16,114**		
Kashagan BV – investments in PSA	**16,748**		
Kashagan BV – inventories			**36,047**
KTM	**44,891**		
ANS	**21,547**	**11,922**	
Mining assets			
CGU Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste	**3,476**		
CGU Production of silicon of solar quality, silicon and photovoltaic slices	**15,748**		
Energy assets			
EGRES-1	**(1,500)**		
AZhC	**4,001**		
Other			
PPE and Intangible assets	**11,237**		

Total	**132,262**	**11,922**	**36,047**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations related to oil and gas assets

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

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

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

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

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group’s estimate can be affected by changes in asset removal technologies, costs and industry practice.

Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well and assets abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated balance sheet across the Group entities at December 31, 2015 were in the range from 2.10% to 6% and from 5.88% to 10.09%, respectively (2014: from 3% to 6% and from 6% to 10%, respectively). Movements in the provision for asset retirement obligations are disclosed in *Note 21*.

Environmental remediation

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

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group’s environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs included in the annual budget for 2016. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 39*. Movements in the provision for environmental remediation obligations are disclosed in *Note 21*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for obligations on construction of social assets

As at December 31, 2015, other provisions mainly include provisions for obligations to construct the following projects: History Museum of Kazakhstan (NC KMG), Multifunctional ice palace (NC KTZh) in Astana, Tele-radio complex (NC KTZh), Schuchensko – Borovskoi golf club (NC KMG) and reconstruction of World Expo-Center in Moscow (NC KMG). The total estimated costs were recognized in the equity as Other distributions to the Shareholder *(Note 16.5)*. As at December 31, 2015 the carrying amount of the provisions for obligations on construction of social assets were equal to 156,265 million tenge (December 31, 2014: 160,931 million tenge) *(Note21)*.

Useful lives of items of property, plant and equipment

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

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2015 was equal to 116,443 million tenge (2014: 102,436 million tenge). Further details are contained in *Note 34*.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 21* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 39*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 38*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 22)*. This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary, future average railway ticket price). Further details on judgements are disclosed in *Note 22*.

Allowances for doubtful accounts receivable and other assets

The Group accrues allowances for doubtful accounts receivable and other assets. Significant judgment is used to estimate doubtful accounts. In estimating doubtful debts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful debts recognized in the consolidated financial statements. At December 31, 2015, allowances for doubtful debts have been recorded in the amount of 177,625 million tenge (2014: 101,837 million tenge) *(Notes 12 and 14)*.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations in 2015

KMG International N.V.

In December 2015 the Group decided to sell its 51% interest in KMG International N.V. ("KMGI") under the Complex privatisation plan for 2016-2020. At the balance sheet date the Group was in process of negotiating sales terms with a potential buyer. This entity represents a separate geographical unit of operation and is classified as discontinued operations.

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

In millions of tenge	**2015**	2014
Revenue	**1,579,288**	2,135,737
Cost of sales	**(1,056,572)**	(1,212,058)
Gross profit	**522,716**	923,679
General and administrative expenses	**(28,106)**	(19,979)
Transportation and selling expenses	**(49,875)**	(50,338)
Impairment of property, plant and equipment and intangible assets, other than goodwill	**(166,525)**	(45,287)
Impairment of goodwill	**–**	(29,123)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	**–**	(4,041)
Other operating income	**126**	654
Other operating losses	**(29,621)**	–
Operating profit	**248,715**	775,565
Net foreign exchange loss, net	**(1,677)**	(4,641)
Finance income	**1,308**	640
Finance costs	**(7,912)**	(15,369)
Share in profit of joint ventures and associates, net	**160**	154
Profit before income tax for the year from discontinued operations	**240,594**	756,349
Income tax benefit	**21,037**	16,198
Net profit after income tax for the year from discontinued operations	**261,631**	772,547

IFRS requires to eliminate income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group's profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMGI before intercompany eliminations for the years ended 31 December 2015 and 2014 was equal to 34,162 million tenge and 90,880 million tenge, respectively.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2015 (continued)

KMG International N.V. (continued)

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

In millions of tenge	**2015**	2014
Assets		
Property, plant and equipment	**632,565**	434,210
Intangible assets	**78,832**	23,500
Investment in associate	**11,497**	9,211
Deferred tax asset	**39,489**	12,811
Other non-current assets	**3,932**	5,706
Inventories	**86,795**	85,275
Trade accounts receivable	**90,336**	92,744
Other current assets	**62,551**	31,807
Cash and cash equivalents	**34,492**	27,103
Assets classified as held for sale	**1,040,489**	722,367
Liabilities		
Borrowings	**230,088**	138,192
Deferred tax liabilities	**78,194**	49,103
Provisions	**53,394**	21,503
Other non-current liabilities	**556**	719
Trade accounts payable	**40,767**	72,568
Other taxes payable	**18,352**	23,238
Other current liabilities	**75,994**	15,601
Liabilities directly associated with the assets classified as held for sale	**497,345**	320,924
Net assets directly associated with the disposal group	**543,144**	401,443

For the years ended December 31, 2015 and 2014 the net cash flows incurred by KMGI are as follows:

In millions of tenge	**2015**	2014
Operating	**4,299**	34,478
Investing	**(17,623)**	(10,804)
Financing	**2,829**	(31,335)
Net cash outflows	**(10,495)**	(7,661)

Discontinued operations 2014

Discontinued operations in 2014 comprise of results operations of BTA, Temir and Alliance bank disposed in 2014. Loss before and after tax of these entities in 2014 amounted to 29,385 million tenge and 38,330 million tenge, respectively.

Disposals

Subsidiaries of Kamkor Repair Corporation LLP

On May 4, 2015 in accordance with the Privatization plan, the Group sold to a third party its share in subsidiaries of Kamkor Repair Corporation LLP (the "Kamkor") previously included in Transportation segment.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

Subsidiaries of Kamkor Repair Corporation LLP (continued)

As of the disposal date the net assets of Kamkor's subsidiaries were as follows:

In millions of tenge	**At disposal date**
Assets	
Property, plant and equipment	30,096
Inventories	13,318
Trade accounts receivable	22,075
Other assets	11,132
Cash and cash equivalents	4,218
Total assets	**80,839**
Liabilities	
Accounts payable	18,332
Borrowings	4,084
Deferred tax liabilities	2,365
Other liabilities	27,736
Total liabilities	**52,517**
Net assets	**28,322**

Gain on disposal of Kamkor's subsidiaries is presented as follows:

In millions of tenge	**At disposal date**
Consideration received	16,029
Disposed net assets	(28,322)
Disposed non-controlling interest	13,390
Gain on disposal	**1,097**

Net cash flows from the sale of Kamkor's subsidiaries are presented as follows:

In millions of tenge	**At disposal date**
Cash and cash equivalents received	16,029
Less: disposed cash of the subsidiary	(4,218)
	11,811

Summary information

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2015**	December 31, 2014
KMGI	Oil and gas	**1,040,489**	–
Altel JSC	Telecommunication	**48,477**	–
Euro-Asia Air JSC	Oil and gas	**25,421**	23,624
Tulpar-Talgo LLP	Transportation	**18,075**	11,174
Aysir Turizm Ve Insaat A.S.	Oil and gas	**14,389**	9,974
Kamkor LLP	Transportation	**–**	45,659
Aktobe HES JSC	Energy	**–**	9,640
East Kazakhstan regional energy company JSC	Energy	**–**	13,026
Mangistau electricity distribution network company JSC	Energy	**–**	18,533
Kazakhstan railway-carriage repair plant LLP	Transportation	**–**	7,991
Other		**42,513**	8,865
		1,189,364	148,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Summary information (continued)

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2015**	December 31, 2014
KMGI	Oil and gas	**497,345**	–
Altel JSC	Telecommunication	**48,487**	–
Euro-Asia Air JSC	Oil and gas	**11,462**	9,061
Tulpar-Talgo LLP	Transportation	**4,344**	2,066
Aysir Turizm Ve Insaat A.S.	Oil and gas	**3,414**	2,502
Kamkor LLP	Transportation	**–**	25,264
Aktobe HES JSC	Energy	**–**	1,837
East Kazakhstan regional energy company JSC	Energy	**–**	3,860
Mangistau electricity distribution network company JSC	Energy	**–**	9,377
Kazakhstan railway-carriage repair plant LLP	Transportation	**–**	5,939
Other		**115**	1,009
		565,167	60,915

Approval of the Complex Privatization Plan in December 2015 *(Note 1)* raised uncertainty of the management regarding timing of disposal of certain Group subsidiaries. Accordingly, as at December 31, 2015 management ceased classification of Mangistau electricity distribution network company JSC ("MREK"), Aktobe HES JSC, East Kazakhstan regional energy company JSC ("VKREK") and Kazakhstan railway-carriage repair plant LLP as assets held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastruc-ture	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2014	2,067,708	205,152	768,002	601,499	599,537	1,928,114	33,719	62,205	752,298	7,018,234
Foreign currency translation	327,858	21,063	60,167	9,961	(256)	9,344	–	702	2,011	430,850
Additions	113,656	26,316	186,499	32,965	75	189,937	36,809	8,062	819,520	1,413,839
Acquisition through business combinations	22,213	–	15,460	75,493	–	297,229	134	4,722	91,430	506,681
Disposals	(12,979)	(2,412)	(61,489)	(21,961)	(19)	(92,793)	(28,350)	(7,101)	(2,913)	(230,017)
Depreciation charge	(72,929)	–	(64,658)	(36,068)	(22,987)	(189,201)	(11,829)	(13,773)	–	(411,445)
Depreciation and impairment on disposals	9,867	–	21,395	9,534	18	53,711	2,269	6,726	974	104,494
Impairment, net of reversal of impairment	(232,232)	–	(44,259)	(11,371)	(12)	(17,043)	–	(2,645)	(27,746)	(335,308)
Loss of control over subsidiaries	–	–	–	(938)	–	(457)	–	(78)	(208)	(1,681)
Discontinued operations / transfer to assets classified as held for sale	(5)	–	(460)	(26,676)	–	(63,592)	–	(5,294)	(11,185)	(107,212)
Transfers from/(to) intangible assets	(790)	(9,311)	–	–	–	451	–	8	(8,071)	(17,713)
Transfer from/(to) inventories, net	(1)	40	8,892	(67)	(2,907)	11,682	78	3,441	13,204	34,362
Other transfers and reclassifications	108,612	359	113,563	77,763	57,523	284,768	15	8,167	(650,770)	–
Net book value at December 31, 2014	2,330,978	241,207	1,003,112	710,134	630,972	2,412,150	32,845	65,142	978,544	8,405,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2015	**2,330,978**	**241,207**	**1,003,112**	**710,134**	**630,972**	**2,412,150**	**32,845**	**65,142**	**978,544**	**8,405,084**
Foreign currency translation	**1,940,724**	**103,702**	**277,638**	**44,738**	**246**	**42,034**	**295**	**4,819**	**20,124**	**2,434,320**
Additions	**203,103**	**35,844**	**14,438**	**14,765**	**30**	**110,203**	**10,493**	**7,825**	**822,240**	**1,218,941**
Acquisition through business combinations	**–**	**–**	**–**	**2,242**	**–**	**5,274**	**–**	**617**	**20**	**8,153**
Disposals	**(17,034)**	**(437)**	**(8,354)**	**(22,125)**	**(98)**	**(40,063)**	**(12)**	**(6,494)**	**(5,474)**	**(100,091)**
Depreciation charge	**(43,195)**	**–**	**(68,912)**	**(43,323)**	**(23,301)**	**(196,430)**	**(9,219)**	**(13,047)**	**–**	**(397,427)**
Depreciation and impairment on disposals	**12,676**	**–**	**6,566**	**13,339**	**78**	**36,532**	**–**	**5,270**	**3,038**	**77,499**
Impairment, net of reversal of impairment	**(48,217)**	**(2,701)**	**(8,000)**	**(19,202)**	**511**	**(22,883)**	**(375)**	**(793)**	**(39,036)**	**(140,696)**
Loss of control over subsidiaries	**–**	**–**	**–**	**(81)**	**–**	**(17)**	**–**	**(4)**	**–**	**(102)**
Discontinued operations / transfer to assets classified as held for sale	**(36,667)**	**–**	**(574,615)**	**(94,625)**	**–**	**(40,639)**	**–**	**(8,834)**	**(39,672)**	**(795,052)**
Transfers from/(to) intangible assets	**(225)**	**15,762**	**–**	**–**	**–**	**(19)**	**–**	**1**	**(6,094)**	**9,425**
Transfer from/(to) inventories, net	**(19,991)**	**(2,114)**	**2,058**	**(118)**	**(1,986)**	**4,252**	**1,116**	**1,894**	**6,343**	**(8,546)**
Other transfers and reclassifications	**114,974**	**(19,968)**	**209,885**	**92,055**	**297,624**	**149,259**	**5,705**	**4,929**	**(854,463)**	**–**
Net book value at December 31, 2015	**4,437,126**	**371,295**	**853,816**	**697,799**	**904,076**	**2,459,653**	**40,848**	**61,325**	**885,570**	**10,711,508**
Historical cost	**5,300,281**	**382,991**	**1,098,396**	**946,753**	**1,048,884**	**3,668,092**	**65,420**	**127,285**	**956,128**	**13,594,230**
Accumulated depreciation and impairment	**(863,155)**	**(11,696)**	**(244,580)**	**(248,954)**	**(144,808)**	**(1,208,439)**	**(24,572)**	**(65,960)**	**(70,558)**	**(2,882,722)**
Net book value at December 31, 2015	**4,437,126**	**371,295**	**853,816**	**697,799**	**904,076**	**2,459,653**	**40,848**	**61,325**	**885,570**	**10,711,508**
Historical cost	3,066,391	247,393	1,396,499	934,080	754,561	3,472,585	47,823	124,469	1,020,439	11,064,240
Accumulated depreciation and impairment	(735,413)	(6,186)	(393,387)	(223,946)	(123,589)	(1,060,435)	(14,978)	(59,327)	(41,895)	(2,659,156)
Net book value at December 31, 2014	2,330,978	241,207	1,003,112	710,134	630,972	2,412,150	32,845	65,142	978,544	8,405,084

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in exploration and evaluation assets are presented as follows:

In millions of tenge	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2014	200,344	4,808	205,152
Foreign currency translation	21,063	–	21,063
Additions	21,649	4,667	26,316
Disposals	–	(2,412)	(2,412)
Other transfers and reclassifications	(9,311)	399	(8,912)
Net book value at December 31, 2014	233,745	7,462	241,207
Foreign currency translation	**103,702**	**–**	**103,702**
Additions	**33,785**	**2,059**	**35,844**
Disposals	**(437)**	**–**	**(437)**
Impairment	**(2,701)**	**–**	**(2,701)**
Other transfers and reclassifications	**(4,077)**	**(2,243)**	**(6,320)**
Net book value at December 31, 2015	**364,017**	**7,278**	**371,295**
At cost	239,931	7,462	247,393
Accumulated impairment	(6,186)	–	(6,186)
Net book value at December 31, 2014	233,745	7,462	241,207
At cost	**375,713**	**7,278**	**382,991**
Accumulated impairment	**(11,696)**	**–**	**(11,696)**
Net book value at December 31, 2015	**364,017**	**7,278**	**371,295**

As at December 31, 2015 property, plant and equipment with net book value of 2,387,644 million tenge was pledged as collateral for some of the Group's borrowings (2014: 1,740,038 million tenge).

As at December 31, 2015 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 119,652 million tenge (2014: 130,575 million tenge).

As at December 31, 2015 the cost of fully amortised property, plant and equipment of the Group was equal to 470,727 million tenge (2014: 543,765 million tenge).

In 2015, the Group capitalized borrowing costs at an average interest rate of 5.4% in the amount of 31,209 million tenge (2014: at the rate of 9% in the amount 24,027 million tenge).

Impairment of property, plant and equipment

In 2015, the Group recorded net impairment loss in the amount of 140,696 million tenge, which is attributable to impairment of property, plant and equipment of NC KMG, KMG Kashagan, NAC KAP, United Chemical Company LLP ("UCC") and other in the amount of 66,438 million tenge, 35,624 million tenge, 20,738 million tenge, 11,942 million tenge and 5,954 million tenge, respectively *(Note 4)*.

In 2014, the Group recorded net impairment loss in the amount of 335,308 million tenge, which is mainly attributable to impairment of property, plant and equipment of NC KMG in the amount of 323,885 million tenge *(Note 4)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

In millions of tenge	Licenses	Software	Goodwill	Marketing related intangible assets	Subsur-face use rights	Other	Total
Net book value at January 1, 2014	16,202	39,642	143,275	27,957	35,215	22,034	284,325
Foreign currency translation	330	1,904	7,191	5,221	1,365	1,744	17,755
Additions	1,800	7,478	–	1	13,538	2,709	25,526
Acquisitions through business combinations	1	84	75,875	–	41,848	15	117,823
Disposals	(128)	(2,545)	–	(3)	(303)	(3,147)	(6,126)
Discontinued operations	(1,018)	(736)	(322)	–	–	(210)	(2,286)
Amortization charge	(2,479)	(12,526)	–	(1)	(142)	(2,032)	(17,180)
Transfer to assets classified as held for sale	(7)	(297)	–	–	1	(102)	(405)
Accumulated amortization on disposals	127	2,527	–	3	–	2,289	4,946
Impairment provision	(238)	(80)	(106,620)	(955)	(4)	(98)	(107,995)
Transfers (to)/from inventories, net	103	130	–	–	–	(40)	193
Transfers from/(to) property, plant and equipment, net	1,219	4,689	–	–	9,940	1,865	17,713
Other transfers	166	807	–	–	–	(973)	–
Net book value at December 31, 2014	16,078	41,077	119,399	32,223	101,458	24,054	334,289
Foreign currency translation	**1,417**	**2,995**	**8,272**	**23,777**	**8,329**	**7,573**	**52,363**
Additions	**1,773**	**4,624**	**–**	**–**	**3,952**	**2,116**	**12,465**
Acquisitions through business combinations	**–**	**–**	**–**	**–**	**10,994**	**1**	**10,995**
Disposals	**(1,725)**	**(3,859)**	**–**	**(9,386)**	**(562)**	**(2,138)**	**(17,670)**
Discontinued operations	**(6,315)**	**(6,379)**	**(17,820)**	**(48,345)**	**(158)**	**(3,876)**	**(82,893)**
Amortization charge	**(2,875)**	**(11,890)**	**–**	**–**	**(139)**	**(2,767)**	**(17,671)**
Transfer from/(to) assets classified as held for sale	**(1)**	**269**	**(53)**	**(144)**	**12**	**284**	**367**
Accumulated amortization on disposals	**1,505**	**3,565**	**–**	**714**	**–**	**177**	**5,961**
Impairment provision/reversal of impairement, net	**(370)**	**(73)**	**(11,922)**	**1,161**	**(1,402)**	**(6,497)**	**(19,103)**
Transfers from/(to) inventories, net	**–**	**21**	**–**	**–**	**(5)**	**–**	**16**
Transfers from/(to) property, plant and equipment,net	**422**	**2,940**	**–**	**–**	**(15,762)**	**2,975**	**(9,425)**
Other transfers	**1,993**	**(1,923)**	**–**	**–**	**–**	**(70)**	**–**
Net book value at December 31, 2015	**11,902**	**31,367**	**97,876**	**–**	**106,717**	**21,832**	**269,694**
Historical cost	**23,491**	**89,119**	**139,764**	**–**	**127,592**	**29,278**	**409,244**
Accumulated amortization and impairment	**(11,589)**	**(57,752)**	**(41,888)**	**–**	**(20,875)**	**(7,446)**	**(139,550)**
Net book value at December 31, 2015	**11,902**	**31,367**	**97,876**	**–**	**106,717**	**21,832**	**269,694**
Historical cost	39,194	98,291	185,810	33,802	120,478	39,794	517,369
Accumulated amortization and impairment	(23,116)	(57,214)	(66,411)	(1,579)	(19,020)	(15,740)	(183,080)
Net book value at December 31, 2014	16,078	41,077	119,399	32,223	101,458	24,054	334,289

As at December 31, 2015, the subsurface use rights included the net book value of oil and gas and mining exploration and evaluation assets in the amount of 53,503 million tenge and 53,214 million tenge, respectively (2014: 54,767 million tenge and 46,691 million tenge, respectively).

7. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill

As at December 31 carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit groups	**2015**	2014
Cash generating units of KMG International N.V.		
Downstream Romania	**–**	6,774
Other	**–**	2,826
	–	9,600
Cash-generating units of PNHZ	**88,554**	88,554
Other	**1,450**	13,373
Total oil and gas segment	**90,004**	111,527
Total mining segment (Uranium production)	**5,166**	5,166
Total telecommunication segment (IP-TV)	**2,706**	2,706
Total goodwill	**97,876**	119,399

AktauNefteService LLP

As at December 31, 2015, based on the impairment test results, the impairment loss was recognised in respect of goodwill of 11,922 million tenge, attributable to AktauNefterService LLP.

Impairment loss on goodwill recognized in the 2014 consolidated statement of comprehensive income related to impairment in the oil and gas and energy segments in the amount of 106,620 million tenge, which is mainly attributable to impairment of goodwill of NC KMG and EGRES-1 in the amount of 30,745 million tenge and 75,875 million tenge, respectively.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

In millions of tenge	Main activity	Place of business	2015 Carrying amount	2015 Percentage ownership	2014 Carrying amount	2014 Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,028,085**	**20.00%**	501,119	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**206,542**	**50.00%**	196,194	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**97,407**	**50.00%**	62,334	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**82,410**	**50.00%**	67,662	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**70,701**	**50.00%**	26,125	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	**57,774**	**50.00%**	85,878	50.00%
Kazakhstan Petrochemical Industries Inc. LLP ("KPI LLP")	Construction of first integrated chemical complex	Kazakhstan	**35,840**	**51.00%**	27,868	51.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	**29,523**	**50.00%**	42,291	50.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	**29,516**	**50.00%**	–	–
Forum Muider B. V.	Electricity production	Kazakhstan	**25,525**	**50.00%**	26,050	50.00%
Other			**111,179**		194,558	
Total joint ventures			**1,774,502**		1,230,079	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**410,904**	**29.82%**	234,166	29.82%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**163,617**	**33.00%**	117,103	33.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**48,781**	**49.00%**	43,737	49.00%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**45,624**	**20.75%**	22,654	20.75%
JV INKAI LLP	Exploration, production and processing of uranium	Kazakhstan	**40,511**	**40.00%**	18,884	40.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	**–**	**–**	24,687	50.00%
Sekerbank T.A.S.	Banking	Turkey	**–**	**–**	52,414	20.17%
Other			**63,164**		70,110	
Total associates			**772,601**		583,755	
			2,547,103		1,813,834	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2015, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B.V.	KazRosGas LLP	JV KazGerMunay LLP	Ural Group Limited BVI	Kazakhoil-Aktobe LLP
Joint ventures						
Non-current assets	5,924,302	411,943	51,063	196,074	207,323	102,551
Current assets, including	717,423	80,562	176,400	50,368	975	61,428
Cash and cash equivalents	160,542	4,660	77,193	32,656	921	48,138
Non-current liabilities, including	1,150,137	49,495	1,916	44,473	63,777	8,813
Non-current financial liabilities	–	–	–	–	53,901	–
Current liabilities, including	351,163	29,926	30,733	37,150	3,118	39,619
Current financial liabilities	–	–	–	–	–	–
Equity	5,140,425	413,084	194,814	164,819	141,403	115,547
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2015	1,028,085	206,542	97,407	82,410	70,701	57,774
Revenue	2,764,321	400,903	205,531	139,704	16	49,839
Depreciation, depletion and amortization	(250,414)	(33,903)	(959)	(18,690)	(31)	(21,927)
Finance income	2,756	769	4,043	632	11	509
Finance costs	(21,001)	(3,175)	(57)	(807)	(1,079)	(925)
Income tax expenses	(347,422)	(12,775)	(37,478)	(48,569)	8	(17,518)
Profit/(loss) for the year from continuing operations	810,802	39,406	72,506	5,349	(9,831)	(898)
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–
Other comprehensive income	2,269,801	–	79,462	77,251	–	–
Total comprehensive income/ (loss)	3,080,603	39,406	151,968	82,600	(9,831)	(898)
Unrecognized share of losses	–	–	–	–	–	–
Dividends received	89,155	9,356	40,911	13,822	–	27,655

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In millions of tenge	KPI LLP	EGRES-2 JSC	KLPE LLP*	Forum Muider B. V.
Non-current assets	34,783	150,417	27,477	62,640
Current assets, including	40,919	10,212	34,538	19,453
Cash and cash equivalents	27,019	1,533	26,522	4,933
Non-current liabilities, including	564	90,473	–	10,527
Non-current financial liabilities	–	89,979	–	5,287
Current liabilities, including	4,863	11,110	2,984	20,517
Current financial liabilities	–	4,633	–	9,788
Equity	70,275	59,046	59,031	51,049
Share of ownership	51.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2015	35,840	29,523	29,516	25,525
Revenue	–	25,863	–	78,657
Depreciation, depletion and amortization	(17)	(4,098)	(7)	(5,439)
Finance income	384	5	7	435
Finance costs	(370)	(607)	–	(1,815)
Income tax expenses	(1,684)	(6,163)	(2,435)	(2,906)
Profit/(loss) for the year from continuing operations	7,467	(25,535)	9,657	12,242
Profit for the year from discontinued operations, net of income tax	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	7,467	(25,535)	9,657	12,242
Unrecognized share of losses	–	–	–	–
Dividends received	–	–	–	5,039

On December 30, 2014 the Group acquired additional 25% interest in KLPE LLP increasing its share to 50%. Joint control over KLPE LLP was set in February 2015. As a result, in 2015 this entity was reclassified from investments in associates to investments in joint ventures.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2014, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B.V.	KazRosGas LLP	JV KazGerMunay LLP	Ural Group Limited BVI	Kazakhoil-Aktobe LLP
Joint ventures						
Non-current assets	2,800,072	424,102	26,399	160,689	105,156	134,267
Current assets, including	643,151	86,745	107,475	53,055	231	51,669
Cash and cash equivalents	222,715	6,582	83,764	37,630	214	35,088
Non-current liabilities, including	652,276	43,108	291	50,724	52,621	6,674
Non-current financial liabilities	–	–	–	–	49,942	–
Current liabilities, including	285,351	75,350	8,915	27,695	515	7,506
Current financial liabilities	–	–	–	–	–	–
Equity	2,505,596	392,389	124,668	135,325	52,251	171,756
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2014	501,119	196,194	62,334	67,662	26,125	85,878
Revenue	4,085,568	658,832	174,448	238,222	88	78,216
Depreciation, depletion and amortization	(180,588)	(27,097)	(447)	(13,713)	–	(27,324)
Finance income	1,839	200	2,202	1,053	8	144
Finance costs	(22,661)	(2,548)	–	(663)	(613)	(847)
Income tax expenses	(676,776)	(35,113)	(20,396)	(51,840)	17	(7,311)
Profit/(loss) for the year from continuing operations	1,579,142	113,878	58,967	70,873	(2,454)	4,156
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–
Other comprehensive income	303,460	–	18,209	17,285	–	–
Total comprehensive income/(loss)	1,882,602	113,878	77,176	88,158	(2,454)	4,156
Unrecognized share of losses	–	–	–	–	–	–
Dividends received	187,282	45,748	22,335	45,464	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In millions of tenge	KPI LLP	GRES-2 JSC	Forum Muider B. V.
Non-current assets	47,478	145,571	66,536
Current assets, including	22,022	10,633	16,328
Cash and cash equivalents	20,049	671	2,517
Non-current liabilities, including	13,426	60,856	10,809
Non-current financial liabilities	2,738	54,910	5,551
Current liabilities, including	1,431	10,767	19,956
Current financial liabilities	111	8,747	5,551
Equity	54,643	84,581	52,099
Share of ownership	51.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2014	27,868	42,291	26,050
Revenue	–	35,733	91,960
Depreciation, depletion and amortization	(18)	(2,851)	(2,340)
Finance income	415	14	128
Finance costs	(251)	(540)	(1,405)
Income tax expenses	–	(3,709)	(3,879)
Profit/(loss) for the year from continuing operations	(371)	10,258	7,878
Profit for the year from discontinued operations, net of income tax	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income/(loss)	(371)	10,258	7,878
Unrecognized share of losses	–	–	–
Dividends received	–	–	5,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2015, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	PetroKazakhstan Inc. ("PKI")	JV KATCO LLP	Caspian Pipeline Consortium JSC	JV Inkai LLP
Associates					
Non-current assets	**1,547,502**	**584,794**	**66,893**	**1,979,004**	**141,048**
Current assets	**294,221**	**126,836**	**54,690**	**166,134**	**37,432**
Non-current liabilities	**251,209**	**83,297**	**9,015**	**1,968,693**	**13,560**
Current liabilities	**168,415**	**132,525**	**13,156**	**143,506**	**58,448**
Equity	**1,422,099**	**495,808**	**99,412**	**32,939**	**106,472**
Share of ownership	**29.82%**	**33.00%**	**49.00%**	**20.75%**	**40.00%**
Unrecognized gain on transactions with associates	**–**	**–**	**–**	**–**	**(2,078)**
Goodwill	**58,498**	**–**	**69**	**32,590**	**–**
Impairment	**(71,664)**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**6,199**	**–**
Carrying amount of investment as at December 31, 2015	**410,904**	**163,617**	**48,781**	**45,624**	**40,511**
Revenue	**495,309**	**127,768**	**90,329**	**332,604**	**46,392**
(Loss)/profit for the year from continuing operations	**(54,793)**	**(49,898)**	**50,517**	**40,785**	**12,663**
Profit for the year from discontinued operations, net of income tax	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**653,789**	**190,848**	**–**	**108,928**	**45,466**
Total comprehensive income	**598,996**	**140,950**	**50,517**	**149,713**	**58,129**
Unrecognized share of losses	**–**	**–**	**–**	**8,096**	**–**
Dividends received	**1,882**	**–**	**20,812**	**–**	**400**

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

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2014, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	PKI	JV KATCO LLP	Caspian Pipeline Consortium JSC	JV INKAI LLP	KLPE LLP	Sekerbank T.A.S.
Associates							
Non-current assets	901,800	450,552	67,927	1,014,519	75,974	24,979	1,073,529
Current assets	202,033	97,201	44,832	243,835	18,521	26,710	812,607
Non-current liabilities	128,281	106,144	8,118	1,252,953	6,200	–	331,732
Current liabilities	146,140	86,752	13,271	95,820	38,951	2,314	1,209,595
Equity	829,412	354,857	91,370	(90,419)	49,344	49,375	344,809
Share of ownership	29.82%	33.00%	49.00%	20.75%	40.00%	50.00%	20.17%
Unrecognized gain on transactions with associates	–	–	(1,102)	–	(854)	–	–
Goodwill	58,498	–	68	17,506	–	–	–
Impairment	(71,664)	–	–	–	–	–	(17,134)
Other	–	–	–	23,910	–	–	–
Carrying amount of investment as at December 31, 2014	234,166	117,103	43,737	22,654	18,884	24,687	52,414
Revenue	448,255	306,365	62,634	250,014	32,827	–	210,829
Profit for the year from continuing operations	6,662	69,721	16,057	35,348	8,087	1,324	24,612
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–
Other comprehensive income	124,505	55,823	–	19,925	7,090	–	911
Total comprehensive income	131,167	125,544	16,057	55,273	15,177	1,324	25,523
Unrecognized share of losses	–	–	–	6,987	–	–	–
Dividends received	1,861	29,981	5,786	–	1,137	–	–

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

In millions of tenge	2015	2014
Carrying amount of investments as at December 31	**111,179**	194,558
Net loss for the year from continuing operations	**(59,718)**	(32,847)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income	**502**	2,855
Total comprehensive loss	**(59,216)**	(29,992)

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

In millions of tenge	2015	2014
Carrying amount of investments as at December 31	**63,164**	70,110
Net loss for the year from continuing operations	**(5,653)**	(6,291)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income	**9,287**	(227)
Total comprehensive income/(loss)	**3,634**	(6,518)

In 2015 dividends received from individually insignificant joint ventures and associates were equal to 21,948 million tenge (2014: 17,919 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2015 and 2014:

In millions of tenge	2015	2014
Balance as at January 1	**1,813,834**	1,717,249
Share in profit of joint ventures and associates, net *(Note 5, 32)*	**149,583**	457,095
Dividends received	**(230,980)**	(361,001)
Change in dividends receivable	**(18,186)**	19,990
Acquisitions	**19,543**	59,113
Disposals	**(6,152)**	(209,945)
Transfers to assets classified as held for sale	**(35,223)**	(6,029)
Foreign currency translation	**857,853**	116,241
Other comprehensive income, other than foreign currency translation	**16,228**	32,636
Transfer from financial assets	**–**	122
Impairment	**(38,370)**	(11,760)
Discount on loans given	**16,245**	–
Other changes in equity of joint ventures and associates	**2,728**	123
Balance as at December 31	**2,547,103**	1,813,834

During 2015, the Group recognized an impairment loss of its investment in Sekerbank T.A.S. associate company, in the amount of 28,974 million tenge. The recoverable amount of this investment was determined based on the sales value.

On December 30, 2015 a Share Purchase Agreement ("SPA") has been signed between the Fund and JSC "Kazkommertsbank" ("KKB") regarding the purchase by KKB of 224,353,416.49 shares in Şekerbank T.A.Ş. by KKB which represents 19.37% of the share capital of Şekerbank T.A.Ş.

In accordance with the SPA, the sale process (transfer of shares and payment for shares) will be effected pursuant to the execution of necessary conditions precedent, including compliance with the conditions of the current Shareholders Agreement signed with the Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (SEMVAK/Şekerbank T.A.Ş. Voluntary Pension Fund), the other majority shareholder of the Bank – Şekerbank T.A.Ş., necessary boards resolutions and permissions to be obtained from relevant Government Authorities. The Fund believes that these conditions will be met within next 12 (twelve) month. The sale price will be determined at the date of share transfer. As at December 31, 2015 investment in Şekerbank T.A.Ş in the amount of 23,477 million tenge was classified as assets held for sale.

As at December 31, 2015, the Group's share in unrecognized losses of joint ventures and associates was equal to 509,665 million tenge (2014: 39,062 million tenge).

9. LOANS TO CUSTOMERS

As at December 31, loans to customers comprised the following:

In millions of tenge	**2015**	2014
Loans to large entities	**705,342**	725,598
Net investments in finance lease	**35,547**	16,103
Other loans	**2,971**	483
Total loans	**743,860**	742,184
Less: impairment allowance	**(20,946)**	(11,722)
Loans to customers, net	**722,914**	730,462
Less: current portion	**(121,241)**	(458,473)
Non-current portion	**601,673**	271,989

Movements in the loan impairment allowance for the years ended December 31 were as follows:

In millions of tenge	**2015**	2014
Allowance at January 1	**11,722**	207,560
Charged, net	**9,167**	21,007
Written-off	**–**	(210,037)
Transfers to assets classified as held for sale	**–**	(5,794)
Foreign exchange difference	**57**	39,436
Discontinued operations	**–**	(40,450)
Allowance at December 31	**20,946**	11,722

As at December 31 the components of net investments in finance lease are as follows:

In millions of tenge	**2015**	2014
Within one year	**5,064**	2,658
Later than one year, but not later than five years	**20,180**	10,590
After five years	**40,206**	22,844
Minimum lease payments	**65,450**	36,092
Less: unearned finance income	**(29,903)**	(19,989)
Net investment in finance leases	**35,547**	16,103

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2015**	2014
Bank deposits	**1,811,401**	1,478,695
Loans to credit institutions	**347,449**	359,909
Amounts due from credit institutions, net	**2,158,850**	1,838,604
Less: current portion	**(1,492,619)**	(1,146,227)
Non-current portion	**666,231**	692,377

In millions of tenge	**2015**	2014
10 largest local banks	**1,247,512**	1,259,737
Other local credit institutions	**271,103**	269,881
International credit institutions	**640,235**	308,986
	2,158,850	1,838,604

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

In millions of tenge	**2015**	2014
Ratings from AAA (Aaa) to AA-(Aa3)	**61,984**	75,188
Rating from A+(A1) to A-(A3)	**433,680**	153,810
Rating from BBB+(Baa1) to BBB(Baa2)	**47,596**	53,293
Rating from BBB-(Baa3) to BB-(Ba3)	**132,225**	162,733
Rating from B+(B1) to B-(B3)	**1,324,295**	1,364,084
No rating	**159,070**	29,496
	2,158,850	1,838,604

As at 31 December 2015 amounts in credit insitutions with no rating are represented by loans issued to BTA Bank JSC and Zhilstroysberbank Kazakhstan JSC (2014: Zhilstroysberbank Kazakhstan JSC).

In millions of tenge	**2015**	2014
Amounts due from credit institutions, denominated in US dollars	**1,227,138**	862,119
Amounts due from credit institutions, denominated in tenge	**924,781**	973,040
Amounts due from credit institutions, denominated in other currencies	**6,931**	3,445
	2,158,850	1,838,604

As at December 31, 2015 the weighted average interest rate on amounts due from credit institutions was 5.55% (2014: 5.15%).

As at December 31, 2015 amounts due from credit institutions included cash in the amount of 111,819 million tenge pledged as collateral for certain Group's borrowings (2014: 47,082 million tenge).

11. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2015**	2014
Note receivable from shareholder of joint venture	**30,424**	18,466
Note receivable from associate	**42,320**	28,238
Available-for-sale financial assets, including	**108,449**	138,078
Equity securities	**87,297**	111,297
Bonds of Kazakhstan financial agencies	**10,935**	15,265
Treasury bills of the Ministry of finance of the Republic of Kazakhstan	**9,297**	10,519
Corporate bonds	**1,031**	1,009
Less: impairment allowance	**(111)**	(12)
Held to maturity financial assets, including	**2,089**	1,966
Bonds of Kazakhstan financial agencies	**2,089**	1,966
Financial assets at fair value through profit and loss, including	**10,276**	7,447
Other equity securities	**10,276**	7,447
Derivative financial instruments, including	**383**	12,480
Options	**383**	1,375
Currency swaps	**–**	4,678
Other	**–**	6,427
Total financial assets	**193,941**	206,675
Less: current portion	**(15,000)**	(26,358)
Non-current portion	**178,941**	180,317

As at December 31, 2015 the interest rates for available-for-sale financial assets were in the range from 4.5% to 13% (December 31, 2014: from 4% to 13%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2015**	2014
Financial assets denominated in tenge	**119,070**	146,410
Financial assets denominated in US dollars	**74,488**	47,785
	193,558	194,195

Investments in Toshiba Nuclear Energy Holdings (US) Inc and Toshiba Nuclear Energy Holdings (UK) Ltd

In 2007 NAC KAP acquired a 10% interest in Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") and Toshiba Nuclear Energy Holdings UK Ltd ("TNEH-UK") for 540,000 thousand US dollars (equivalent of 66,005 million tenge at the date of acquisition).

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into Put Option and Call Option agreements. The Put Option provides NAC KAP with an option to sell its shares to Toshiba Corporation if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant JSC (a subsidiary of NAC KAP) for an estimated exercise price of 522,180 thousand US dollars and exercisable until February 28, 2018. The Call Option provides Toshiba Corporation with the right to demand from NAC KAP the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment of the United States decides that NAC KAP is no longer a strategic partner. In such case, the exercise price will be determined by an independent international appraiser.

As at December 31, 2015 the options were not exercised by NAC KAP or Toshiba Corporation. The Group classified this investment as available-for-sale as this best reflects the intention and ability of the Group to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost as their fair value cannot be reliably measured.

As at December 31, 2015 carrying amount of these investments was equal to 66,005 million tenge (as at December 31, 2014: 66,005 million tenge).

Equity securities (available for sale financial assets) – common shares of KKB

As at December 31, 2015 amount of the Fund stake in KKB common shares was equal to 85,517,241 shares, the fair value of these shares was equal to 20,011 million tenge (2014: 35,062 million tenge).

12. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2015**	2014
Advances paid for non-current assets	**268,915**	286,358
Long-term VAT receivable	**136,902**	126,583
Long-term receivables	**94,721**	75,660
Restricted cash	**66,843**	17,885
Long-term inventories	**45,258**	8,717
Asset held for the benefit of the Shareholder	**41,268**	23,851
Prepaid expenses	**18,258**	20,856
Assets for sale to the Shareholder	**12,977**	12,906
Other	**47,160**	60,134
Less: impairment provision	**(124,386)**	(27,879)
	607,916	605,071

As at December 31, 2015 the Group's restricted cash was primary represented by letter of credit in the total amount of 43,163 million tenge (2014: nil). This cash is intended for payments under the contract, concluded between "Karabatan Utility Solutions" LLP and South Korean company "Doosan Heavy Industries & Construction Co. Ltd" for the equipment and construction of gas turbine station.

As of reporting date KMG Kashagan has completed dismantling of the onshore part of the pipeline, but the decision on further use or liquidation of the pipelines has not been made yet. As the result, management of KMG Kashagan decided to transfer the cost of the onshore pipeline in the total amount of 36,047 million tenge to Other non-current assets and to fully impair them *(Note 4)*.

13. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2015**	2014
Uranium products	**65,882**	37,314
Production materials and supplies	**33,890**	33,014
Gas processed products	**33,353**	13,853
Oil and gas industry materials and supplies	**26,026**	23,176
Oil refined products for sale	**25,867**	75,458
Goods for resale	**25,177**	25,039
Work in progress	**25,137**	31,437
Fuel	**17,798**	22,203
Crude oil	**11,606**	29,445
Railway industry materials and supplies	**10,003**	12,631
Electric transmission equipment spare parts	**7,440**	2,595
Aircraft spare parts	**5,687**	5,687
Uranium industry materials and supplies	**2,733**	3,649
Telecommunication equipment spare parts	**2,685**	3,573
Other materials and supplies	**37,672**	55,396
Less: write-down to net realizable value	**(12,612)**	(18,955)
	318,344	355,515

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2015**	2014
Trade accounts receivable	**310,367**	354,948
Less: allowance for doubtful debts	**(27,119)**	(40,199)
	283,248	314,749

As at December 31 other current assets comprised the following:

In millions of tenge	**2015**	2014
Assets for distribution to the Shareholder	**86,755**	82,958
Advances paid and deferred expenses	**64,840**	75,836
Other accounts receivable	**40,011**	45,491
Other prepaid taxes	**38,974**	37,401
Restricted cash	**31,259**	7,597
Dividends receivable	**22,911**	3,702
Amounts due from employees	**5,063**	4,875
Other	**23,357**	20,661
Less: impairment allowance	**(26,120)**	(33,759)
	287,050	244,762

At December 31, 2015 the Group's receivables in the amount of 29 million tenge were pledged under certain Group borrowings (2014: 32,333 million tenge).

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

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

In millions of tenge	**2015**	2014
Allowance at January 1	**73,958**	68,746
Change in estimate	**9**	282
Charged, net	**26,306**	9,047
Foreign currency translation	**5,083**	4,159
Reinstatement, net	**(2,750)**	(28,921)
Loss of control over subsidiary	**–**	17,188
Acquisition through business combinations	**–**	3,491
Transfers to assets classified as held for sale	**(49,367)**	(34)
Allowance at December 31	**53,239**	73,958

At December 31, 2015 none of the Group's receivables were interest bearing (2014: 7,003 million tenge).

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

			Past due but not impaired				
In millions of tenge	**Total**	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
2015	**283,248**	**234,859**	**6,343**	**10,174**	**5,275**	**1,344**	**25,253**
2014	314,749	239,790	17,152	15,425	8,293	7,170	26,919

15. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2015**	2014
Bank deposits – US dollars	**519,162**	559,049
Bank deposits – tenge	**166,241**	229,167
Bank deposits – other currency	**3,747**	5,285
Current accounts with banks – tenge	**248,431**	267,300
Current accounts with banks – US dollars	**231,677**	148,609
Current accounts with banks – other currency	**29,750**	16,031
Cash on hand	**3,464**	3,308
Cash in transit	**3,985**	3,000
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**100**	2,556
	1,206,557	1,234,305

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2015 the weighted average interest rates for short-term bank deposits and current accounts were 5.68% and 1.28%, respectively (2014: 3.42% and 0.66%, respectively).

16. EQUITY

16.1 Share capital

During 2015 and 2014 the Fund issued common shares, which were paid as follows:

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at 31 December 2013	3,481,602,341		4,484,676
Cash contributions	10,000	18,306,039; 7,000,000	103,918
Property contributions	9,993	1,200,359; 2,772,663; 2,522,901	18,073
Contribution of state-owned shares	1,400	1,506,930; 10,573,010	13,895
As at 31 December 2014	**3,481,623,734**		**4,620,562**
Cash contributions	**12,000**	**11,619,075; 12,700,435; 20,648,187;**	**149,539**
Property contributions	**31,477**	**4,171,027;10,466,896; 13,456,258;19,354,725**	**142,443**
Contribution of state-owned shares	**297**	**12,542,000**	**3,725**
As at 31 December 2015	**3,481,667,508**		**4,916,269**

As at December 31, 2015 3,481,667,508 shares of the Fund were fully paid (as at December 31, 2014: 3,481,623,734 shares).

Cash contributions

In 2015 the Shareholder made cash contribution to the Fund's share capital in the amount of 149,539 million tenge (2014: 103,918 million tenge). These amounts are aimed to finance projects implemented by the subsidiaries of the Fund.

Property contributions

In 2015 the Shareholder made the property contribution to the Fund's share capital in the form of a transfer of the right to claim the payment on the "Kazakhstani promisory note" in accordance with an agreement between the Government of the Republic of Kazakhstan and "Caspian Pipiline Consortium-K" in the amount of 126,591 million tenge.

In 2015 the Shareholder made the property contribution to the Fund's share capital: gas pipelines in 6 regions of the Republic of Kazakhstan for the total amount of 13,456 million tenge, the Karabatan railway station valued at 2,323 million tenge and other property totaling to 73 million tenge.

Contribution of state-owned shares

In 2015 the Shareholder transferred to the Fund 35% of the shares of "Kazakh Academy of Transport and Communications named after M. Tynyshbaev" JSC ("KazATC"). The fair value of this contribution was equal to 3,725 million tenge for further transfer of shares of KazATC to NC KTZh.

16.2 Discount on loans from the Government

In October 2015 the Fund placed coupon bonds for the total amount of 751,631 million tenge at below-market rate. Bonds were acquired by the National Bank of the Republic of Kazakhstan *(Note 18)*.

The fair value of bonds payable was equal to 432,967 million tenge. The difference between nominal value of bonds and their fair value in the amount of 318,664 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

In July 2015 the Fund received below-market loan from the Ministry of Finance of the Republic of Kazakhstan. Discount at initial recognition of this loan in the amount of 6,454 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

16. EQUITY (continued)

16.3 Dividends

Dividends attributable to equity holder of the Parent

On October 29, 2015 the Fund paid dividends to the Shareholder in the amount of 34,713 million tenge based on financial results for 2014 according to the Resolution of the Government dated October 21, 2015 (2014: 9,077 million tenge).

Dividends attributable to non-controlling interest

In 2015 the Group declared dividends in the amount of 18,449 million tenge to the holders of non-controlling interest in EP KMG, KazTransOil JSC (“KTO”) and other entities (2014: 58,396 million tenge to the holders of non-controlling interest in EP KMG, KTO and other entities).

In 2015 the Group declared dividends in the amount of 3,110 million tenge to the National Bank of the Republic of Kazakhstan as the holder of non-controlling interest in NC KMG (2014: nil).

16.4 Other transactions with the Shareholder

During 2015 the Group recognized a provision for an onerous obligation in the amount of 5,612 million tenge due to expected losses of the project of gas turbine station implemented by UCC.

16.5 Other distributions to the Shareholder

Construction and transfer of fixed assets

In 2015, the Group increased a provision for construction of the History Museum of Kazakhstan in Astana city by 2,593 million tenge. Also, the Group recognized provision for construction of kindergartens in Astana city for the amount of 1,793 million tenge.

Sponsorship under the Shareholder’s request

During 2015 in accordance with the resolution of the Shareholder, the Group provided sponsorship in the total amount of 23,361 million tenge for financing of various projects.

Other distributions

During 2015 the Group recognized as Other distributions to the Shareholder expenses of financing PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas industry, in the total amount of 4,454 million tenge.

16.6 Change in ownership interests of subsidiaries – sale of non-controlling interest

NC KMG

On August 6, 2015 the Fund disposed 58,420,748 of common shares of NC KMG comprising 10 (ten) % of the shares plus 1 (one) common share to the National Bank of the Republic of Kazakhstan. As a result of this transaction, the Group received cash in the amount of 750,000 million tenge, non-controlling interest increased by 462,150 million tenge, and the difference in the amount of 287,850 million tenge was recognized in equity attributable to equity holder of the Parent of the Fund. Related currency translation reserve and other capital reserves in the amount of 44,693 million tenge and 210 million tenge, respectively, were transferred to non-controlling interest.

16. EQUITY (continued)

16.7 Change in ownership interests of subsidiaries – acquisition of non-controlling interest

Acquisition of non-controlling interest in KazATC

On October 20, 2015 the Group acquired non-controlling interest of 35% in KazATC. As a result of the transaction, the Group invested 3,725 million tenge *(Note 16.1)*, non-controlling interest decreased by 4,641 million tenge, and the difference in the amount of 916 million tenge was recognized as an increase in retained earnings.

16.8 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests:

	Non-controlling interest			
	2015		2014	
	Share	**Carrying amount**	Share	Carrying amount
NC KazMunayGas JSC	**10.00% + 1**	**1,337,359**	–	555,162
Kazakhtelecom JSC	**49.00%**	**148,362**	49.00%	137,606
Air Astana JSC	**49.00%**	**13,224**	49.00%	24,065
KEGOC JSC	**10.00% - 1**	**14,646**	10.00% - 1	15,610
Other		**13,917**		31,995
		1,527,508		764,438

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. EQUITY (continued)

16.8 Non-controlling interest (continued)

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

In millions of tenge	NC KazMunayGas JSC	Kazakhtelecom JSC	Air Astana JSC	KEGOC JSC
Summarised balance sheet				
Non-current assets	**7,322,050**	**318,470**	**101,610**	**246,121**
Current assets	**3,387,608**	**118,024**	**106,741**	**106,078**
Non-current liabilities	**(3,330,345)**	**(61,028)**	**(138,221)**	**(165,198)**
Current liabilities	**(1,289,135)**	**(83,045)**	**(43,094)**	**(40,543)**
Total equity	**6,090,178**	**292,421**	**27,036**	**146,458**
Attributable to:				
Equity holder of the Parent	**4,752,819**	**144,059**	**13,812**	**131,812**
Non-controlling interest	**1,337,359**	**148,362**	**13,224**	**14,646**
Summarised statement of comprehensive income				
Profit/(loss) for the year from continuing operations	**(176,119)**	**26,357**	**10,363**	**1,381**
Profit for the year from discontinued operations	**670,802**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year, net of tax	**1,567,236**	**22,301**	**(20,382)**	**1,381**
Attributable to:				
Equity holder of the Parent	**1,228,056**	**11,465**	**(10,394)**	**1,243**
Non-controlling interest	**339,180**	**10,836**	**(9,988)**	**138**
Dividends paid to non-controlling interest	**(15,851)**	**(534)**	**(854)**	**(886)**
Summarised cash flow information				
Operating activity	**146,447**	**69,493**	**25,883**	**49,976**
Investing activity	**1,222,935**	**(43,542)**	**(25,928)**	**(32,871)**
Financing activity	**(1,630,541)**	**(23,949)**	**(10,064)**	**(23,053)**
Net (decrease)/increase in cash and cash equivalents	**(261,159)**	**2,002**	**(10,109)**	**(5,948)**

16. EQUITY (continued)

16.8 Non-controlling interest (continued)

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

In millions of tenge	NC KazMunayGas JSC	Kazakhtelecom JSC	Air Astana JSC	KEGOC JSC
Summarised balance sheet				
Non-current assets	6,587,199	351,691	102,783	228,527
Current assets	2,251,642	66,002	59,421	66,830
Non-current liabilities	(3,223,877)	(97,104)	(83,050)	(110,615)
Current liabilities	(1,197,852)	(50,280)	(29,993)	(28,644)
Total equity	4,417,112	270,309	49,161	156,098
Attributable to:				
Equity holder of the Parent	3,861,950	132,703	25,096	140,488
Non-controlling interest	555,162	137,606	24,065	15,610
Summarised statement of comprehensive income				
Profit/(loss) for the year from continuing operations	(548,846)	13,534	3,486	4,962
Profit for the year from discontinued operations	748,061	–	–	–
Total comprehensive income for the year, net of tax	407,597	5,631	3,486	4,962
Attributable to:				
Equity holder of the Parent	385,104	3,386	1,778	4,466
Non-controlling interest	22,493	2,245	1,708	496
Dividends paid to non-controlling interest	(48,204)	(13,724)	(766)	–
Summarised cash flow information				
Operating activity	268,481	28,702	23,720	18,431
Investing activity	(149,443)	(63,168)	(3,049)	(32,309)
Financing activity	237,952	580	(9,897)	15,680
Net (decrease)/increase in cash and cash equivalents	356,990	(33,886)	10,774	1,802

16. EQUITY (continued)

16.9 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. Foreign translation difference amounted to 3,214,455 million tenge (2014: 556,163 million tenge)

On July 1, 2015 certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2015 unrealized foreign currency loss of 2,416,727 million tenge (2014: 311,795 million tenge) resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

16.10 Hedge reserve

Hedge reserve includes the effect of cash flow hedge accounting to record any fair value gains or losses on the instruments in a hedge reserve in respect of foreign currency revenue proceeds. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

In 2015 NC KTZh entered into cash flow hedge with Eurobonds denominated in Swiss francs (CHF) and maturing in 2019 and 2022, to reduce the risk of changes in sales revenue from transit, expressed in CHF. As of 31 December 2015 hedge loss attributable to equity holders of the Parent amounted to 43,492 million tenge *(Note 17)*.

In 2015 Air Astana entered into cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. As of 31 December 2015 hedge loss attributable to equity holders of the Parent amounted to 38,430 million tenge before tax of 7,686 thousand tenge *(Note 20)*. Loss attributable to non-controlling interest comprised 15,065 million tenge.

16.11 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

16.12 Book value per share

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**2015**	2014
Total assets	**20,889,684**	16,637,674
Less: intangible assets	**(269,694)**	(334,289)
Less: total liabilities	**(10,488,312)**	(8,505,596)
Net assets for common shares	**10,131,678**	7,797,789
Number of common shares as at December 31	**3,481,667,508**	3,481,623,734
Book value per common share, tenge	**2,910**	2,240
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,652,133**	3,481,610,658
Basic and diluted share in net profit for the period	**87.55**	67.35
Basic and diluted share in net profit/(loss) from continuing operations	**12.40**	(143.54)

17. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2015**	2014
Fixed interest rate borrowings	**4,097,890**	4,575,675
Weighted average interest rate	**7.08%**	6.51%
Variable interest rate borrowings	**1,994,821**	1,066,587
Weighted average interest rate	**3.52%**	3.56%
	6,092,711	5,642,262
Less: amounts due for settlement within 12 months	**(716,907)**	(1,313,236)
Amounts due for settlement after 12 months	**5,375,804**	4,329,026

In millions of tenge	**2015**	2014
US dollar-denominated borrowings	**5,012,062**	4,029,894
Tenge-denominated borrowings	**812,584**	1,413,127
Other currency-denominated borrowings	**268,065**	199,241
	6,092,711	5,642,262

Under the terms and conditions of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. Where the Group entities did not comply with existing covenants, the Group negotiated changes in original covenant terms or received waivers from creditors by the end of 2015. At December 31, 2015 and 2014, Group management believes that the Group's subsidiaries complied with all significant original and modified covenants.

Credit facility of China State Development Bank

In 2015 the Group made an early repayment of loans provided by the China State Development Bank for the purpose of development of Bozshakol, Abyz, Bozymchak and Nurkazgan copper fields in the amount of 1,993 million US dollars (equivalent to 368,621 million tenge at the exchange rate at the date of repayment).

Bonds repayment and issuance

In 2015 NC KMG redeemed bonds issued at the London Stock Exchange in the amount of 5,843 million US dollars (equivalent to 1,563,702 million tenge at the exchange rate at the date of repayment).

In August 2015 the Fund redeemed bonds in the amount of 750,000 million tenge issued within the first bond program and acquired by BTA Bank JSC and Alliance Bank JSC in 2009.

In 2015 a portion of the redeemed bonds with the nominal value of 210,000 million tenge (1,000 tenge per bond) was reissued on the Kazakhstan Stock Exchange with yield to maturity of 8% and annual coupon of 6%, the actual amount received is 197,000 million tenge.

In 2015 NAC KAP redeemed bonds in the amount of 500 million US dollars (equivalent to 92,900 million tenge at the exchange rate at the date of repayment). For this purpose NAC KAP received a syndicated bank loan in the amount of 450 million US dollars (equivalent to 82,715 million tenge at the exchange rate at the date of a loan agreement).

Other loans

On October 30, 2015 the Fund signed a loan agreement with the Bank of Tokyo-Mitshubishi UFJ, Ltd for the amount of 1,500 million US dollars (equivalent to 466,350 million tenge at the exchange rate at the payment date), the loan term is 5 (five) years until October 30, 2020 with the grace period of 3.5 years and interest rate of 1.8% + 6M Libor.

The carrying amount of borrowings by the Group subsidiaries is presented below:

In millions of tenge	**2015**	2014
NC KMG and its subsidiaries	**3,221,341**	3,090,528
NC KTZh and its subsidiaries	**1,203,388**	689,327
The Fund	**858,040**	1,306,118
Samruk-Energy and its subsidiaries	**353,466**	188,349
NAC KAP and its subsidiaries	**172,621**	137,072
KEGOC and its subsidiaries	**171,231**	107,596
Other subsidiaries of the Fund	**112,624**	123,272
Total borrowings	**6,092,711**	5,642,262

17. BORROWINGS (continued)

As at December 31, 2015 within the total amount of borrowings an amount of 1,735,399 million tenge (28%) was related to bonds issued by NC KMG at London Stock Exchange, 852,871 million tenge (14%) – to the bonds issued by NC KTZh on various stock exchanges (London, Swiss and Singapore), 504,475 million tenge (8%) – Fund's loans from the Bank of Tokyo-Mitshubishi UFJ, 466,864 million tenge (8%) – NC KMG loans from the Development Bank of Kazakhstan.

As at December 31, 2014 within the total amount of borrowings an amount of 1,896,914 million tenge (34%) was related to bonds issued by NC KMG at London Stock Exchange, 763,143 million tenge (14%) – Fund's bonds acquired by BTA Bank JSC (currently KKB) and Aliance Bank (currently Fortebank JSC), 457,018 million tenge (8%) – bonds issued by NC KTZh on several stock exchanges (London, Swiss and Singapore), 271,411 million tenge (5%) – NC KMG loans from the Development Bank of Kazakhstan.

Changes in exchange rates and hedge instrument

During 2015 carrying amount of borrowings increased by 2,707,212 million tenge as a result of change in exchange rate of tenge to US dollar. On July 1, 2015 certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2015, unrealized foreign currency loss of 2,416,727 million tenge on the translation of these borrowings was recognized in other comprehensive income and offset with gains on net assets recognized in currency translation reserve *(Note 16.9)*.

On August 7, 2015, the Group performed hedging of cash flows to decrease the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal amounts of Eurobonds issued on 20 June 2014 on Swiss stock exchange and maturing on 20 June 2019 and 2022 were used as the hedging instruments, which are separately identifiable and reliably estimated. A highly probable forecasted revenue stream relating to the transit transportation in Swiss francs (in particular, first sales received in the period from 1 January to 20 June 2019 and 2022) is the hedged item in this hedging relationship. As at December 31, 2015, a foreign currency loss of 43,492 million tenge on the borrowings, representing an effective portion of the hedge, was reclassified to other comprehensive income as hedging reserve *(Note 16.10)*.

18. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2015**	2014
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**727,882**	279,141
Loans from the Government of the Republic of Kazakhstan	**77,249**	74,037
Bonds acquired by the National Bank of the Republic of Kazakhstan	**61,306**	60,566
	866,437	413,744
Less: amounts due for settlement within 12 months	**(6,722)**	(1,111)
Amounts due for settlement after 12 months	**859,715**	412,633

On October 15, 2015 the Fund registered the eleventh issue of bonds with the annual coupon of 3% for the total amount of 769,500 million tenge. During the period from October 20th to 29th, 2015 the Fund issued bonds for the total amount of 751,631 million tenge. The bonds were acquired by the National Bank of the Republic of Kazakhstan.

The fair value of these bonds were equal to 432,967 million tenge. The difference between the nominal and fair value of the bonds, which amounts to 318,664 million tenge, was recorded as non-recurring income within retained earnings in the consolidated statement of changes in equity.

19. OTHER NON-CURRENT LIABILITIES

As at December 31 other non-current liabilities comprised the following:

In millions of tenge	**2015**	2014
Payables for acquisition of additional interest inindivisable stake of the North-Caspian project	**766,014**	396,345
Deferred income	**21,821**	16,933
Long-term payables and other liabilities	**51,984**	50,293
	839,819	463,571

19. OTHER NON-CURRENT LIABILITIES (continued)

Payables for acquisition of additional interest in undividable stake of the North-Caspian project

On October 31, 2008 all participants of the North-Caspian project (the "NCP" or the "Project) signed an agreement according to which all project participants except for KMG Kashagan agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan in NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost consisted of fixed amount of 1.78 billion US dollars plus annual interest at LIBOR + 3%, which is annually capitalised within the principal amount. Additional 8.48% interest acquired was used as collateral for this liability.

As at December 31, 2015 the amortized cost of this payable was equal to 766,014 million tenge (as at December 31, 2014: 396,345 million tenge). The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts. The Group does not expect the commercial production at Kashagan field to start during 2016, as a result, the payable was classified as non-current liabilities as at December 31, 2015.

As at December 31, 2015 and 2014 the fair value of these payables approximates their carrying amount.

20. FINANCE LEASE LIABILITIES

The Group has finance leases for various items of property, plant and equipment, mainly aircraft.

During 2012-2014 Air Astana JSC ("Air Astana"), subsidiary of the Group, acquired 11 (eleven) aircrafts under fixed interest finance lease agreements. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease. Loans provided by financial institutions to the lessor in respect of 6 (six) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircrafts were guaranteed by US Export Import Bank and 2 (two) Embraer aircrafts were guaranteed by Brazilian Development Bank. Air Astana pledged the leased assets with carrying amount of 81,277 million tenge to secure finance lease liabilities (2014: 88,501 million tenge).

The Air Astana finance leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain finance lease agreements include covenants as regards to change of ownership of the Air Astana. These requirements have been met during 2015.

As at December 31, 2015 interest calculation was based on effective interest rates ranging from 3.09% to 19.7% (2014: from 3.09% to 19.7%).

As at December 31 future minimum lease payments under finance leases together with the present value of the net minimum lease payments comprised the following:

In millions of tenge	**2015** **Minimum lease payments**	**2015** **Present value of minimum lease payments**
Within one year	**24,977**	**19,364**
Two to five years inclusive	**77,367**	**62,969**
After five years	**76,986**	**71,864**
Less: amounts representing finance costs	**(25,133)**	**–**
Present value of minimum lease payments	**154,197**	**154,197**
Less: amounts due for settlement within 12 months	**(24,977)**	**(19,364)**
Amounts due for settlement after 12 months	**129,220**	**134,833**

In millions of tenge	2014 Minimum lease Payments	2014 Present value of minimum lease payments
Within one year	20,768	15,802
Two to five years inclusive	54,832	44,111
After five years	50,597	46,285
Less: amounts representing finance costs	(19,999)	–
Present value of minimum lease payments	106,198	106,198
Less: amounts due for settlement within 12 months	(20,768)	(15,802)
Amounts due for settlement after 12 months	85,430	90,396

The Air Astana finance lease obligations are denominated in US dollars.

20. FINANCE LEASE LIABILITIES (continued)

On July 1, 2015 Air Astana hedged a portion of US dollar finance lease liabilities with highly probable future US dollar revenue streams. At December 31, 2015, finance lease liabilities in the amount of 85,117 million tenge are designated as hedging instrument denominated in US dollars of highly probable revenue forecasted for the period 2015-2025. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities being hedged match the future cash inflows of the expected revenue.

As at December 31, 2015, a foreign currency loss of 38,430 million tenge before deferred income tax of 7,686 million tenge on the finance lease liabilities, representing an effective portion of the hedge, was reclassified to other comprehensive income as hedging reserve *(Note 16.10)*.

21. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at January 1, 2014	71,433	39,193	20,230	132,736	35,632	299,224
Foreign currency translation	4,275	2,878	229	–	739	8,121
Change in estimate	9,039	1,188	13	–	(12,688)	(2,448)
Unwinding of discount	5,507	1,247	–	–	70	6,824
Provision for the year	40,560	46	10,938	31,775	38,426	121,745
Transfer to assets classified as held for sale	–	(19)	–	–	(63)	(82)
Additions through business combinations	1,267	–	831	–	–	2,098
Use of provision	(1,093)	(2,277)	(13,040)	(3,580)	(20,941)	(40,931)
Reversal of unused amounts	–	(57)	(3,483)	–	(8,135)	(11,675)
Provision at December 31, 2014	130,988	42,199	15,718	160,931	33,040	382,876
Foreign currency translation	**42,743**	**16,290**	**9,415**	**–**	**6,691**	**75,139**
Change in estimate	**(1,781)**	**(333)**	**8,670**	**2,544**	**(802)**	**8,298**
Unwinding of discount	**10,340**	**1,413**	**–**	**–**	**368**	**12,121**
Provision for the year	**963**	**102**	**60,559**	**(30)**	**46,089**	**107,683**
Transfer to assets classified as held for sale	**(2,651)**	**(35,196)**	**–**	**–**	**(12,811)**	**(50,658)**
Use of provision	**(609)**	**(2,588)**	**(14,181)**	**(7,180)**	**(15,774)**	**(40,332)**
Reversal of unused amounts	**(690)**	**(1,815)**	**–**	**–**	**(149)**	**(2,654)**
Provision at December 31, 2015	**179,303**	**20,072**	**80,181**	**156,265**	**56,652**	**492,473**

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	1,047	9,148	5,880	104,314	33,040	153,429
Non-current portion	129,941	33,051	9,838	56,617	–	229,447
Provision at December 31, 2014	130,988	42,199	15,718	160,931	33,040	382,876
Current portion	**1,024**	**8,311**	**63,228**	**107,664**	**40,693**	**220,920**
Non-current portion	**178,279**	**11,761**	**16,953**	**48,601**	**15,959**	**271,553**
Provision at December 31, 2015	**179,303**	**20,072**	**80,181**	**156,265**	**56,652**	**492,473**

22. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. EMPLOYEE BENEFIT LIABILITY (continued)

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, Kazakhtelecom JSC ("KTC"), Samruk-Energy JSC, NAC KAP, National Company Kazakhstan Engineering JSC and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

In millions of tenge	**2015**	2014
Present value of defined benefit obligation	**78,823**	66,851
Liability falling due within one year	**(6,384)**	(5,726)
Liability falling due after one year	**72,439**	61,125

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	**2015**	2014
Total liability at the beginning of the year	**66,851**	60,295
Current service cost	**4,578**	4,143
Past service cost	**7,737**	1,396
Interest cost	**5,162**	3,813
Benefits paid during the year	**(6,741)**	(5,137)
Unrecorded past service cost	**(2,040)**	202
Actuarial losses recognized during the period in other comprehensive income	**4,378**	3,218
Actuarial losses recognized during the period in profit and loss	**1,256**	1,074
Foreign exchange	**–**	(279)
Transfer to assets held for sale	**(2,358)**	(1,874)
Total liability at the end of the year	**78,823**	66,851

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, in the amount of 21,071 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2015 (2014: 13,846 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2015	2014
Discount rate	**7.75%**	7.01%
Expected rate of increase of future annual financial assistance	**5.47%**	4.73%
Expected rate of increase of future annual minimum salary	**6.63%**	5.71%
Expected rate of increase of future annual railway ticket price	**10.2%**	7.5%

23. OTHER CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2015**	2014
Advances received and deferred income	**119,419**	100,427
Due to employees	**78,787**	90,829
Other taxes payable	**66,851**	100,569
Amounts due to customers	**21,069**	20,628
Dividends payable	**7,225**	4,037
Other estimated liabilities	**5,738**	5,033
Payable for the acquisition of interest in KazakTurkMunay LLP	**–**	13,700
Other	**56,879**	61,208
	355,968	396,431

24. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Railway cargo transportation	**620,918**	736,074
Sales of uranium products	**303,998**	243,495
Oil and gas transportation	**296,617**	286,228
Electricity complex	**230,192**	235,509
Sales of gas products	**213,782**	191,650
Sales of oil refined products	**212,499**	292,542
Telecommunication services	**180,705**	198,823
Air transportation	**160,479**	163,682
Sales of crude oil	**121,652**	21,315
Electricity transmission services	**98,028**	75,821
Refined gold	**92,200**	42,425
Railway passenger transportation	**72,926**	78,579
Interest revenue	**49,933**	53,441
Oil processing fees	**45,984**	38,948
Postal services	**31,837**	27,942
Other revenue	**359,881**	287,276
Less: indirect taxes and commercial discounts	**(643)**	(2,989)
	3,090,988	2,970,761

25. GOVERNMENT GRANTS

According to the Resolution of the Government of the Republic of Kazakhstan No. 1188 dated November 11, 2004 "On the approval of subsidies for carrier losses related to provision of passenger transportation", beginning from January 1, 2005, NC KTZh started to receive government grants as a compensation for carriers' losses on socially important destinations. There are no unfulfilled conditions or contingences attached to these grants. The amount of subsidy for the year ended December 31, 2015 was equal to 21,722 million tenge (2014: 24,638 million tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 1039 dated October 7, 2004 "On the approval of subsidies for telecommunication operators losses connected with the provision of universal telecommunication services in rural areas", beginning from 4th quarter of 2004, KTC started to receive government grants as compensation for operators' losses on socially important services. There are no unfulfilled conditions or contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2015 was equal to 7,010 million tenge (2014: 6,277 million tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 915 dated August 17, 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana to other cities in Kazakhstan. The subsidy is based on the excess of flight costs over revenue earned. The amount of subsidy for the year ended December 31, 2015 was equal to nil tenge (2014: 242 million tenge).

Other government grants and subsidies for the year ended December 31, 2015 were equal to nil tenge (2014: 35 million tenge).

26. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Materials and supplies	**732,870**	602,218
Personnel costs	**685,464**	661,509
Depreciation, depletion and amortization	**336,179**	354,455
Fuel and energy	**209,823**	263,632
Production services received	**156,582**	139,101
Repair and maintenance	**100,498**	78,609
Gold raw materials	**89,524**	41,704
Mineral extraction tax	**79,462**	103,338
Interest expense	**74,641**	68,879
Rent	**36,333**	38,199
Cost of oil processing	**26,678**	28,993
Other	**186,978**	203,066
	2,715,032	2,583,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Personnel costs	**152,819**	146,427
Fines and penalties	**49,248**	638
Consulting services	**26,429**	20,249
Taxes other than income tax	**26,401**	48,656
Depreciation and amortization	**19,414**	17,475
Sponsorship and charitable donations	**17,746**	32,991
Allowance for doubtful debts	**12,972**	13,676
Rent	**6,384**	6,233
Business trips	**5,449**	6,245
Repair and maintenance	**4,573**	5,134
Other	**59,143**	59,170
	380,578	356,894

In 2015 the Group accrued a provision in the amount of 27,846 million tenge as a result of EP KMG comprehensive tax audit of 2009-2012. The amount includes taxes and penalties in the amount of 22,380 million tenge and 5,466 million tenge, respectively.

In addition, in 2015 the Group paid fines and penalties for corporate income tax, in accordance with the Act of tax audit of the Fund № 28 dated November 14, 2013 in the amount of 18,126 million tenge, including fines and penalties in the amount of 13,468 million tenge and 4,658 million tenge, respectively.

28. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Rent tax	**41,557**	152,623
Custom duties	**84,639**	87,246
Transportation	**44,996**	44,416
Personnel costs	**10,979**	12,993
Commission fees to agents and advertising	**8,070**	11,814
Depreciation and amortization	**6,890**	6,104
Other	**14,137**	9,443
	211,268	324,639

29. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Impairment of property, plant and equipment and intangible assets (*Note 4*)	**132,262**	285,262
Impairment of VAT receivable	**54,509**	803
Impairment of investments in joint ventures and associates *(Note 8)*	**38,370**	11,760
Impairment of non-current inventories *(Note 4)*	**36,047**	–
Impairment of goodwill *(Note 7)*	**11,922**	77,497
Impairment / (reversal of impairment) of loans to customers *(Note 9)*	**9,167**	(905)
Other	**9,993**	6,959
	292,270	381,376

30. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Interest on loans and debt securities issued	**256,064**	227,680
Interest on payable for the acquisition of additional interest in North Caspian Project	**19,601**	13,471
Unwinding of discount on provisions and other payables	**12,784**	7,336
Interest on finance lease liabilities	**6,385**	5,766
Other	**26,655**	18,485
	321,489	272,738

31. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Interest income on amounts due from credit institutions and cash and cash equivalents	**96,364**	84,138
Gain from early redemption of debt securities issued	**54,837**	–
Gain from derecognition of liabilities	**44,412**	–
Income from loans and financial assets	**31,663**	15,133
Unwinding of discount on long-term receivables	**10,725**	6,088
Dividend income	**7,067**	–
Guarantee income	**5,959**	5,614
Other	**31,095**	17,756
	282,122	128,729

At the end of 2015 the Group performed early redemption of bonds at London Stock Exchange totalling 3.68 billion US dollars, as a result of these transactions a gain was recorded in the amount of 54,837 million tenge *(Note 17)*.

As at December 31, 2015 MDC (Oil and Gas N Block Kazakhstan) GmbH assigned its 24.50% portion in the project N to the Group. As a result of this transaction the Group recognised a gain from derecognition of liabilities in the amount of 37,329 million tenge.

According to the conditions of purchase agreement with Türkiye Petrolleri Anonim Ortakliği ("TPAO"), the Group concluded that TPAO renounced rights to claim debt from the Group on a sale of its share in KTM. As a result, the Group recorded gain from derecognition of liabilities to the TPAO in the amount of 38,231 thousand US dollars (equivalent to 7,083 million tenge at the average rate for 6 months of 2015).

32. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014
Tengizchevroil LLP	**162,160**	315,828
KazRosGas LLP	**36,253**	29,484
JV KATCO LLP	**24,753**	7,868
Mangistau Investments B.V.	**19,703**	56,939
JV South Mining Chemical Company LLP	**10,435**	(19)
Karatau LLP	**10,043**	4,476
JV Akbastau JSC	**8,080**	3,931
Forum Muider B. V.	**6,121**	3,939
KLPE LLP	**4,829**	331
JV Inkai LLP	**3,842**	3,235
Kazakhstan Petrochemical Industries Inc LLP	**3,808**	(189)
Ekibastuz GRES-2 LLP	**(12,768)**	5,129
Kazzinc LLP	**(16,339)**	1,987
Petro Kazakhstan Inc.	**(16,466)**	23,008
Kazakhstan-China Pipeline LLP (oil pipeline)	**(17,541)**	(6,496)
Beineu-Shymkent Pipeline LLP (gas pipeline)	**(60,433)**	(13,861)
Other	**(17,057)**	21,351
	149,423	456,941

33. NET FOREIGN EXCHANGE LOSS

On August 20, 2015 the National Bank and the Government of the Republic of Kazakhstan decided to implement a new monetary policy based on inflation targeting regime, abolish the currency corridor and move to a free float exchange rate.

As a result of this decision, the exchange rates of tenge to US dollar and other major currencies were changed. The exchange rates before correction in August, 2015 and as at December 31, 2015 were 188.35 tenge to 1 US dollar and 340.01 tenge to 1 US dollar, respectively, which resulted in significant foreign exchange gains and losses for the year ended December 31, 2015.

34. INCOME TAX EXPENSES

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

In millions of tenge	**2015**	2014
Current income tax expenses		
Corporate income tax (CIT)	**200,960**	136,141
Withholding tax on dividends and interest income	**27,431**	44,790
Excess profit tax	**8,131**	11,534
Deferred income tax expense/(benefit)		
Corporate income tax (CIT)	**(44,360)**	(16,844)
Withholding tax on dividends and interest income	**79,045**	28,384
Excess profit tax	**2,812**	(1,784)
Income tax expenses	**274,019**	202,221

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

In millions of tenge	**2015**	2014
Accounting profit/(loss) before income tax from continuing operations	**317,190**	(297,504)
Accounting profit before income tax from discontinued operations	**240,594**	726,964
Income tax expenses on accounting profit	**111,557**	85,892
Tax effect of other items, which are not deductible or assessable for taxation purposes	**14,235**	92,232
Change in unrecognized deferred tax assets	**73,307**	41,539
Excess profit tax	**10,943**	9,750
Effect of different corporate income tax rates	**3,082**	(9,077)
Share in nontaxable profit of joint ventures and associates	**(5,190)**	(43,059)
Other differences	**45,048**	17,691
Total corporate income tax expenses	**252,982**	194,968
Add: income tax benefit attributable to discontinued operations	**21,037**	7,253
Income tax expense from continuing operations	**274,019**	202,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. INCOME TAX EXPENSES (continued)

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

	2015				2014			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**127,736**	**(1,900)**	**–**	**125,836**	72,782	(1,619)	–	71,163
Tax loss carryforward	**325,717**	**–**	**–**	**325,717**	219,984	–	–	219,984
Employee related accruals	**13,635**	**7**	**–**	**13,642**	10,293	107	–	10,400
Impairment of financial assets	**8,250**	**–**	**–**	**8,250**	5,190	–	–	5,190
Provision for environmental remediation	**14,794**	**–**	**–**	**14,794**	7,180	9	–	7,189
Other accruals	**3,000**	**31**	**–**	**3,031**	7,094	1,774	–	8,868
Other	**42,390**	**–**	**–**	**42,390**	33,846	–	–	33,846
Less: unrecognized deferred tax assets	**(241,084)**	**–**	**–**	**(241,084)**	(138,815)	–	–	(138,815)
Less: deferred tax assets offset with deferred tax liabilities	**(176,133)**	**–**	**–**	**(176,133)**	(115,389)	–	–	(115,389)
Deferred tax assets	**118,305**	**(1,862)**	**–**	**116,443**	102,165	271	–	102,436
Deferred tax liabilities								
Property, plant and equipment	**538,376**	**2**	**–**	**538,378**	538,579	177	–	538,756
Undistributed earnings of joint ventures and associates	**–**	**–**	**154,154**	**154,154**	–	–	75,187	75,187
Other	**10,615**	**–**	**–**	**10,615**	13,699	–	–	13,699
Less: deferred tax assets offset with deferred tax liabilities	**(176,133)**	**–**	**–**	**(176,133)**	(115,389)	–	–	(115,389)
Deferred tax liabilities	**372,858**	**2**	**154,154**	**527,014**	436,889	177	75,187	512,253
Net deferred tax liabilities	**(254,553)**	**(1,864)**	**(154,154)**	**(410,571)**	(334,724)	94	(75,187)	(409,817)

34. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2015				2014			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1	**334,724**	**(94)**	**75,187**	**409,817**	287,544	1,490	46,801	335,835
Foreign currency translation	**7,120**	**(854)**	**(78)**	**6,188**	5,427	200	–	5,627
Charged to other comprehensive income	**(8,107)**	**–**	**–**	**(8,107)**	2,218	–	–	2,218
Acquisitions of subsidiaries	**4,768**	**–**	**–**	**4,768**	75,198	–	–	75,198
Discontinued operations *(Note 5)*	**(39,592)**	**–**	**–**	**(39,592)**	(1,923)	–	–	(1,923)
(Credited)/charged to profit and loss	**(44,360)**	**2,812**	**79,045**	**37,497**	(33,740)	(1,784)	28,386	(7,138)
Balance at December 31	**254,553**	**1,864**	**154,154**	**410,571**	334,724	(94)	75,187	409,817

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 241,084 million tenge as at December 31, 2015 (2014: 138,815 million tenge).

Tax losses carryforwards as at December 31, 2015 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

35. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		2015	2014
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90% - 1**	100.00%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**100.00%**	100.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**90% + 1**	90% + 1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	**51.00%**	51.00%
9	Air Astana JSC ("Air Astana")	**51.00%**	51.00%
10	National Company "Kazakhstan Engineering" JSC ("Kazakhstan Engineering") and subsidiaries	**100.00%**	100.00%
11	Real Estate Fund "Samruk-Kazyna" JSC	**100.00%**	100.00%
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
13	United Chemical Company LLP and subsidiaries ("UCC")	**100.00%**	100.00%
14	Samruk-Kazyna Invest LLP	**100.00%**	100.00%
15	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
16	KOREM JSC	**100.00%**	100.00%
17	International Airport Atyrau JSC	**100.00%**	100.00%
18	International Airport Aktobe JSC	**100.00%**	100.00%
19	Airport Pavlodar JSC	**100.00%**	100.00%
20	Karagandagiproshaht and K LLP	**–**	90.00%
21	SK Finance LLP	**100.00%**	100.00%
22	Kazakh Research Power Engineering Institute named after Chokin JSC	**–**	50% + 1
23	KGF IM	**–**	100.00%
24	Qazaq Air JSC	**100.00%**	–
25	"Kazakh nuclear power plants" JSC	**100.00%**	100.00%
26	"Aviation Company "Air Kazakhstan" JSC	**53.55%**	53.65%

36. SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows for the year ended 31 December 2015:

1. Hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings of the Group denominated in US dollars. Effect of 2015 hedging was equal to 2,416,727 million tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations *(Note 17)*.
2. Discount on the Fund's bonds payable that were acquired by the National Bank of the Republic of Kazakhstan was equal to 318,664 million tenge *(Note 18)*.
3. Contribution to the Fund's share capital of a promissory note of the Caspian Pipeline Consortium – K JSC for the total amount of 126,591 million tenge *(Note 16.1)*.
4. Hedging of future cash flows against finance lease liabilities and borowings denominated in foreign currency in the amount of 81,922 million tenge.

37. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

37. RELATED PARTY DISCLOSURES (continued)

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities
Due from related parties	**2015**	**45,744**	**39,058**	**10,771**
	2014	34,735	29,722	10,837
Due to related parties	**2015**	**43,127**	**91,496**	**1,836**
	2014	36,929	45,164	1,945
Sale of goods and services	**2015**	**48,968**	**261,978**	**189,293**
	2014	86,812	271,549	112,771
Purchase of goods and services	**2015**	**163,644**	**239,436**	**11,691**
	2014	147,254	254,639	10,509
Other income/(loss)	**2015**	**95,576**	**63,453**	**(91,085)**
	2014	(65)	(6,301)	(5,222)
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2015**	**–**	**–**	**145,923**
	2014	–	–	258,142
Loans to customers	**2015**	**217,010**	**237,449**	**193,667**
	2014	49,723	148,513	5,765
Loans received	**2015**	**–**	**217**	**1,746,804**
	2014	32,224	6	915,279
Other assets	**2015**	**10,591**	**48,843**	**14,385**
	2014	2,424	50,203	8,822
Other liabilities	**2015**	**2,614**	**13,349**	**26,842**
	2014	3,686	836	9,437
Interest received	**2015**	**17,557**	**18,061**	**14,546**
	2014	3,515	10,634	7,393
Interest accrued	**2015**	**3,066**	**86**	**63,012**
	2014	165	688	80,764

As at December 31, 2015 some of the Group's borrowings in the amount of 87,901 million tenge were guaranteed by the Government of the Republic of Kazakhstan (2014: 55,201 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 16,717 million tenge for the year ended December 31, 2015 (2014: 13,405 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans to customers, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 17)*.

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) and equity (through the impact on the fair value of investments available for sale) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	Increase/ (decrease) in basis points*	Effect on profit and loss	Other effect on equity
2015			
US dollar	**50/(12)**	**3,256/(781)**	**(552)/133**
Tenge	**50/(12)**	**(19)/3**	**(23)/5**
2014			
US dollar	2/(2)	(1,072)/1,072	(822)/822
Tenge	2/(2)	(29)/29	(29)/29

* *1 basis point = 0.01%.*

Currency risk

As a result of significant borrowings, finance lease liabilities and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	Increase/(decrease) in exchange rate	Effect on profit and loss
2015		
US dollar	**60.00%/(20.00%)**	**818,961/(288,318)**
Euro	**60.00%/(20.00%)**	**68,987/(22,996)**
2014		
US dollar	17.37%/(17.37%)	237,018/(250,234)
Euro	18.36%/(18.36%)	(906)/895

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset. The Group considers that its maximum exposure is reflected by the amount of loans to customers *(Note 9)*, amount due from credit institutions *(Note 10)*, trade accounts receivable and other current assets *(Note 14)*, other financial assets *(Note 11)*, and cash and cash equivalents *(Note 15)*, net of allowances for impairment recognized at the reporting date.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

Procedures are in force to ensure that sales are only made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

Liquidity risk

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

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

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

In millions of tenge	**On demand**	**Due later than 1 month but not later than 3 months**	**Due later than 3 month but not later than 1 year**	**Due later than 1 year but not later than 5 years**	**Due after 5 years**	**Total**
At December 31, 2015						
Loans from the Government of the Republic of Kazakhstan	**13**	**24**	**36,168**	**166,616**	**2,831,991**	**3,034,812**
Borrowings	**63,408**	**70,753**	**727,895**	**4,236,512**	**3,157,838**	**8,256,406**
Finance lease liabilities	**70**	**6,170**	**18,687**	**77,294**	**76,986**	**179,207**
Due to customers	**21,049**	**8**	**12**	**17**	**–**	**21,086**
Trade and other payables	**103,738**	**248,023**	**153,794**	**1,698**	**4,731**	**511,984**
Derivatives	**–**	**–**	**236**	**–**	**–**	**236**
Other current liabilities	**51,594**	**27,331**	**23,474**	**792,596**	**15,444**	**910,439**
	239,872	**352,309**	**960,266**	**5,274,733**	**6,086,990**	**12,914,170**
At December 31, 2014						
Loans from the Government of the Republic of Kazakhstan	13	24	12,262	74,490	1,647,892	1,734,681
Borrowings	27,879	426,678	565,480	1,874,776	3,531,769	6,426,582
Finance lease liabilities	29	5,156	13,425	47,187	50,585	116,382
Due to customers	20,685	–	–	–	–	20,685
Trade and other payables	126,939	131,505	20,765	446,277	12	725,498
Derivatives	–	182	1,974	–	–	2,156
Other current liabilities	28,021	20,668	90,244	17,132	6,833	162,898
	203,566	584,213	704,150	2,459,862	5,237,091	9,188,882

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBITDA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2015	2014
D/EBITDA	**4.93**	4.39
D/E	**0.81**	0.81

In billions of tenge	2015	2014
Borrowings *(Note 17)*	**6,353**	5,642
Loans from the Government of the Republic of Kazakhstan *(Note 18)*	**866**	414
Payable for the acquisition interest in NCP *(Note 19)*	**766**	396
Finance lease liabilities *(Note 20)*	**154**	106
Due to customers *(Note 23)*	**21**	21
Derivatives	**–**	2
Guaranteed principal amount of liabilities of entities outside the Group	**281**	–
Debt	**8,441**	6,581
Profit before income tax	**558**	429
Interest expense	**290**	250
Depreciation, depletion and amortization	**404**	418
Impairment loss	**459**	478
Gain on revaluation of a 50% stake in EGRES-1	**–**	(75)
EBITDA	**1,711**	1,500
Total equity	**10,401**	8,132

The amount of borrowings includes loans of Altel JSC received under the credit line from Development Bank in Kazakhstan JSC and Sberbank of Russia JSC for the total amount of 30 billion tenge, which is classified as liabilities associated with assets held for sale.

Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2015 and 2014 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2015
Financial instruments category				
Assets				
Available-for-sale financial assets	**29,907**	**10,335**	**1,166**	**41,408**
Financial assets at fair value through profit and loss	**–**	**–**	**10,276**	**10,276**
Derivative financial assets	**–**	**–**	**383**	**383**
Liabilities				
Derivative financial liabilities	**–**	**175**	**61**	**236**

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2014
Financial instruments category				
Assets				
Available-for-sale financial assets	70,042	907	78	71,027
Financial assets at fair value through profit and loss	–	4,079	3,368	7,447
Derivative financial assets	–	12,102	379	12,481
Liabilities				
Derivative financial liabilities	–	2,156	–	2,156

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2015 is presented as follows:

In millions of tenge	**Available-for-sale financial assets**	**Financial assets at fair value through profit/loss**	**Derivative financial assets**	**Total financial assets**
As at January 1, 2014	726	–	–	726
Total profit/(loss) recognized in profit and loss	–	1,118	379	1,497
Acquisition	–	517	–	517
Sale	(648)	–	–	(648)
Transfer from Level 1 and Level 2	–	1,733	–	1,733
As at December 31, 2014	**78**	**3,368**	**379**	**3,825**
Total profit/(loss) recognized in profit and loss	**–**	**88**	**(26)**	**62**
Acquisition	**156**	**2,741**	**30**	**2,927**
Transfer from Level 1 and Level 2	**–**	**4,079**	**–**	**4,079**
Other	**932**	**–**	**–**	**932**
As at December 31, 2015	**1,166**	**10,276**	**383**	**11,825**

	December 31, 2015				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Amounts due from credit institutions	**2,158,850**	**2,138,505**	**1,094,521**	**971,906**	**72,078**
Financial liabilities					
Borrowings	**6,092,711**	**5,532,497**	**3,153,781**	**1,994,714**	**384,002**
Loans from the Government of the Republic of Kazakhstan	**866,437**	**849,567**	**–**	**849,567**	**–**

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

	December 31, 2014				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	1,838,604	1,806,337	897,699	862,997	45,641
Financial liabilities					
Borrowings	5,642,262	5,379,111	2,980,365	2,225,469	173,277
Loans from the Government of the Republic of Kazakhstan	413,744	348,835	–	348,835	–

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

39. COMMITMENTS AND CONTINGENCIES

Operating environment

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

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy on August 20, 2015. As a result of implementation of this policy the official exchange rate increased from 188.35 tenge per 1 US dollar to 340.01 tenge per 1 US dollar as at December 31, 2015.

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

Taxation

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

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

As at December 31, 2015 contingencies related to taxation included the following:

2009-2012 Comprehensive tax audit of EP KMG (NC KMG)

On September 2, 2015 the KMG EP, the subsidiary of NC KMG, received the final tax assessment related to the 2009-2012 comprehensive tax audit for 38,511 million tenge, including additional taxes of 18,620 million tenge, 9,697 million tenge penalty and 10,194 million tenge of fine. As per the decision of the Committee of the State Revenues dated September 28, 2015, fines were reduced from 10,194 million tenge to 9,306 million tenge.

39. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

2009-2012 Comprehensive tax audit of EP KMG (NC KMG) (continued)

The EP KMG does not agree with the results of the tax audit and has sent an appeal of the additional charges to the Committee of the State Revenues on September 7, 2015. Pending the results of the appeal management will consider further actions including but not limited to appealing to the appropriate courts.

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

VAT receivable related to the KMG EP's sale of assets to JSC "Ozenmunaigas" and JSC "Embamunaigas" in 2012 was equal to 46,558 million tenge. The tax authorities have conducted various audits and have repeatedly denied the EP KMG requests to have these VAT amounts recognised as tax receivable. The EP KMG reassessed its tax position regarding VAT and believes that it is more probable than not that it will ultimately be unsuccessful in its claim and consequently created a valuation allowance for the amount of 42,306 million tenge. During 2015 the tax authorities carried out VAT tax audits of JSC "Ozenmunaigas" and JSC "Embamunaigas" covering period of 2013 and 2014. As a result of these audits a provision for nonrecoverable VAT equal to 4,447 million tenge was created in these financial statements.

Comprehensive tax audits of NAC KAP Group entities

On June 30, 2014, tax authorities completed comprehensive tax inspection for 2009-2012 of JV KATKO LLP, the Group's associate engaged in production and sale of uranium products. Based on the results of inspections, JV KATKO LLP was issued with assessments for total amount of approximately 12 billion tenge (the Group's share is approximately 6 billion tenge). Consistently with the approach of other NAC KAP Group companies JV KATKO LLP recognised liability for the property tax and related mineral extraction tax.

JV KATKO LLP filed an appeal on the results of tax inspection. The appeal is currently at the additional examination stage at the Tax Department of the South Kazakhstan Region. Considering amendments to Article 111-1 and subpoint 6 of point 2 of Article 310 of the Tax Code, the amount of assessed additional corporate income tax and mineral extraction tax are expected to decrease. Based on the assessment of the existing tax risks JV KATKO LLP has created a tax provision for 6,210 million tenge, including taxes of 2,996 million tenge, penalty of 1,648 million tenge and fine of 1,566 million tenge.

Management expects that considering the amendments to tax legislation the most of the additional assessments of taxes, interest and fine resulting from the complex tax inspections of entities in the Group would be cancelled. Currently some entities are subject to additional tax inspections, therefore the amount of exposures in respect of possible tax assessments cannot be reliably estimated but may be material. The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

Legal proceedings

KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMG International N.V.)

As at December 31, 2015 and 2014, KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. As of December 31, 2015 the total amount of claims was equal to 8,700 million tenge (2014: 19,100 million tenge).

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

Civil litigation (KMG International N.V.)

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

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

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

39. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Civil litigation (KMG International N.V.) (continued)

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

Litigation with the Romanian Competition Council (KMG International N.V.)

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

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

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

Commodity price fluctuations

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

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

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

Cost recovery audits

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

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2015 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

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

Kazakhstan local market obligation

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

39. COMMITMENTS AND CONTINGENCIES (continued)

Kazakhstan local market obligation (continued)

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

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

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2015 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2016	122,896	52,549
2017	51,354	44,230
2018	42,804	43,521
2019	32,658	42,565
2020-2026	186,450	199,092
Total	**436,162**	**381,957**

Capital commitments

NC KMG

As at December 31, 2015, NC KMG, including joint ventures, had other capital commitments of approximately 878,000 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2014: 832,000 million tenge).

NC KTZh

As at December 31, 2015, NC KTZh had committed to contracts for construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, development of primary backbone transport communication net, construction of a multifunctional ice palace in Astana, construction of port and infrastructure objects of Khorgos – Vostochnye vorota special economic zone, purchase of cargo and passenger electric locomotives, cargo and passenger carriers and locomotives totaling 409,412 million tenge (December 31, 2014: 555,846 million tenge).

KMG Kashagan

As at December 31, 2015, in accordance with Kashagan Development Plan and Budget, KMG Kashagan had capital commitments on acquisition, construction or development of undivided interest exploration and evaluation assets and oil and gas development assets amounting to 715,389 thousand US dollars (243,239 million tenge). As at December 31, 2014 capital commitments were equal to 487,827 thousand US dollars (88,955 million tenge).

Samruk Energy JSC

As at December 31, 2015 capital commitments of Samruk Energy under the contracts on acquisition of plant, property and equipment were equal to 128,417 million tenge (December 31, 2014: 191,853 million tenge).

Capital commitments of Samruk Energy joint ventures

As at December 31, 2015 Samruk Energy group's share in capital commitments of joint ventures (Forum Muider), EGRES-2 was equal to 49,037 million tenge (as at December 31, 2014: 14,931 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

Investment commitments of Samruk Energy

As at December 31, 2015 in accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Samruk Energy's group entities involved in the production of electricity have investment obligations of 78,289 million tenge (December 31, 2014: 70,919 million tenge). As at December 31, 2015 the Samruk Energy's group share in investment commitments of EGRES-2 was equal to 5,301 million tenge (December 31, 2014: 9,450 million tenge).

Kazakhstan Electricity Grid Operating Company JSC

To ensure the stable and reliable performance of the national electricity grid, KEGOC developed a capital investment plan. As at December 31, 2015, KEGOC had investment obligations on the projects related to construction of substations and power lines as well as electrical grid modernization for the total amount of 84,277 million tenge (December 31, 2014: 103,344 million tenge).

UCC

As at December 31, 2015 UCC had contractual obligations on purchase of property, plant and equipment and construction services under investment projects equalling to 125,569 million tenge (December 31, 2014: 31,750 million tenge).

Other contractual commitments

As at December 31, 2015 other capital commitments of the Group under the contracts on acquisition of plant, property and equipment were equal to 24,872 million tenge (December 31, 2014: 63,617 million tenge).

Operating lease commitments

Operating lease commitments relate mainly to aircraft lease with the lease term from 5 (five) to 10 (ten) years. All operating lease contracts contain market review clauses in the event that Air Astana JSC exercises option to renew. Air Astana JSC does not have the option to purchase leased assets at the expiry of lease period.

As at December 31, operating lease commitments were as follows:

In millions of tenge	**2015**	2014
Within one year	**21,124**	11,078
From one to five years	**95,432**	35,557
Over five years	**117,460**	4,095
Total	**234,016**	50,730

Operating lease commitments include fixed rental payments and certain portion of payments for technical support which vary according to flying hours.

The fixed and variable rental payments are denominated and settled in US dollars. This currency is routinely used in international commerce for aircraft operating leases.

Commitments to extend guarantees, letters of credit and other commitments related to settlement operations

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 15 years.

The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

As at December 31 commitments to extend guarantees were as follows:

In millions of tenge	**2015**	2014
Contracted amount		
Guarantees	**807,285**	471,472

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

39. COMMITMENTS AND CONTINGENCIES (continued)

Commitments to extend guarantees, letters of credit and other commitments related to settlement operations (continued)

The total outstanding contractual commitments to extend guarantee indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The Group could also request collateral for credit instruments.

Commitments on recycle use of anti-crisis funds

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012, No. 17-5/11-10 dated January 30, 2013 and No. 17-5/И-788 dated 7 October 2013 the Fund is obliged to finance certain investment projects in the total amount of 571,852 million tenge.

Taking into account investments made in 2012-2015, the Fund's commitments as at December 31, 2015 were equal to 69,825 million tenge (December 31, 2014: 101,028 million tenge), including the Fund's commitments to finance investment projects which were equal to 26,589 million tenge (December 31, 2014: 48,913 million tenge) and the Fund's commitments allocated to finance the "Available housing-2020" program in the amount of 43,236 million tenge (December 31, 2014: 52,115 million tenge).

Commitments for capital projects at the expense of the Republican budget

In accordance with the minutes of the meetings of the Management Council of National Fund of the Republic of Kazakhstan dated November 12, 2014 and November 14, 2014 it is planned to allocate targeted transfers from the National Fund to the Republican Budget for financing certain investment projects totaling 127,200 million tenge during 2015-2016, including amount of 81,000 million for financing of infrastructure objects on SEZ "National oil and gas chemical technopark" and SEZ "Khorgos-East Gate" territories, 46,200 million tenge for construction of railway lines on routes Shu-Almaty 1 and Borzhakty-Yersai and construction of a ferry complex on Kuryk port and operation of universal cargo-passenger ferries.

Taking into account allocated and utilized funds in 2015, the liabilities of the Fund to be fulfilled as at December 31, 2015 were equal to 26,400 million tenge and were provided for financing of SEZ "Khorgos-East Gate" investment project. These funds were allocated from the Republican budget and had been utilized by the Fund in the first quarter of 2016.

40. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has 7 (seven) reportable operating segments as follows:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products.
- Mining and industrial segment is engaged in exploration, mining, processing and sales of uranium, beryllium, tantalum and other solid materials, military industry enterprises and civil machine industry, projects for the development of chemical industry and geological exploration.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, function of oversight over the input of electricity into the energy system and consumption of imported electricity, function of centralised operation and dispatch of facilities in the Unified Electricity System of the Republic of Kazakhstan.
- Financial and innovation institutions segment includes operations related to assisting the Government in increasing housing availability by investing into residential development.
- Corporate center and projects segment covers Fund's investing and financing activities, including provision of loans to related and third parties.

Certain of the above operating segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. SEGMENT REPORTING (continued)

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

In millions of tenge	Oil and gas	Mining and industrial	Trans-portation	Telecom-munication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,061,984	538,675	887,151	249,997	299,610	6,856	46,715	–	3,090,988
Revenues from sales to other segments	51,954	24,005	17,865	4,229	39,472	62	72,036	(209,623)	–
Total revenue	1,113,938	562,680	905,016	254,226	339,082	6,918	118,751	(209,623)	3,090,988
Gross profit	(1,358)	112,874	150,661	72,857	108,633	1,418	35,457	(75,854)	404,688
General and administrative expenses	(162,387)	(35,852)	(88,472)	(32,145)	(22,259)	(1,891)	(44,116)	6,544	(380,578)
Transportation and selling expenses	(195,362)	(5,367)	(6,259)	(7,027)	(3,204)	–	–	5,951	(211,268)
Finance income	175,781	30,269	7,731	5,012	7,019	4,315	64,526	(12,531)	282,122
Finance costs	(220,202)	(12,133)	(71,674)	(8,507)	(28,501)	(1,785)	(1,454)	22,767	(321,489)
Share in profits of joint ventures and associates	125,856	44,880	(12,188)	–	(10,062)	937	–	–	149,423
Foreign exchange gain/(loss), net	520,421	(61,093)	(436,120)	4,207	(121,434)	–	(4,665)	782,043	683,359
Depreciation, depletion and amortization	(141,966)	(20,166)	(118,218)	(32,505)	(50,015)	(175)	(578)	–	(363,623)
Impairment of property, plant and equipment	(99,300)	(22,813)	(1,990)	(35)	(3,572)	–	–	–	(127,710)
Impairment of goodwill	(11,922)	–	–	–	–	–	–	–	(11,922)
Impairment of other assets	(112,371)	(9,680)	(2,792)	(1,043)	(129)	7	(26,630)	–	(152,638)
Income tax expenses	(233,165)	(13,091)	4,031	(9,271)	(5,998)	(768)	(14,404)	(1,353)	(274,019)
Net (loss)/profit for the period from continuing operations	(217,415)	22,833	(450,536)	26,805	(75,997)	2,404	8,709	726,368	43,171
Net profit/(loss) for the period from discontinued operations	262,601	(1)	(465)	–	–	–	(2)	(502)	261,631
Total net profit for the period	45,186	22,832	(451,001)	26,805	(75,997)	2,404	8,707	725,866	304,802
Other segment information									
Total assets of the segment	12,932,833	1,641,342	3,109,511	497,259	1,411,125	161,527	6,972,233	(5,836,146)	20,889,684
Total liabilities of the segment	5,672,714	466,381	2,100,302	184,982	749,528	106,757	1,843,865	(636,217)	10,488,312
Allowances for doubtful debts	3,744	1,166	9,947	881	(2,250)	–	(517)	1	12,972
Investments in joint ventures and associates	1,798,243	647,563	33,003	–	104,788	21,767	(21,757)	(36,504)	2,547,103
Capital expenditures	701,923	67,573	291,059	41,975	127,751	88	591	1	1,230,961

40. SEGMENT REPORTING (continued)

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

In millions of tenge	Oil and gas	Mining and industrial	Trans-portation	Telecom-munication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,012,128	381,568	1,012,353	226,373	283,841	2,795	51,703	–	2,970,761
Revenues from sales to other segments	48,463	23,433	16,431	5,531	35,802	26,225	164,543	(320,428)	–
Total revenue	1,060,591	405,001	1,028,784	231,904	319,643	29,020	216,246	(320,428)	2,970,761
Gross profit	(60,920)	74,357	276,664	59,028	97,769	4,428	112,041	(145,117)	418,250
General and administrative expenses	(156,919)	(28,898)	(92,454)	(27,336)	(27,222)	(2,703)	(29,537)	8,175	(356,894)
Transportation and selling expenses	(308,538)	(5,526)	(5,946)	(6,522)	(2,682)	–	–	4,575	(324,639)
Finance income	54,865	8,446	11,103	4,264	5,905	4,011	61,218	(21,083)	128,729
Finance costs	(187,263)	(12,324)	(51,852)	(7,696)	(28,149)	(1,602)	(9,549)	25,697	(272,738)
Share in profits of joint ventures and associates	427,703	11,163	45	–	13,064	4,966	–	–	456,941
Foreign exchange gain/(loss), net	71,497	(19,773)	(80,917)	(7,300)	(2,469)	(2,214)	11,009	477	(29,690)
Depreciation, depletion and amortization	(170,488)	(20,553)	(110,046)	(40,262)	(37,326)	(181)	(467)	339	(378,984)
Impairment of property, plant and equipment	(274,923)	(2,702)	(1,165)	(2,192)	(2,908)	–	–	–	(283,890)
Impairment of goodwill	(1,622)	–	–	–	(75,875)	–	–	–	(77,497)
Impairment of other assets	(2,207)	(3,817)	(1,843)	(1,847)	(1,236)	(10,011)	972	–	(19,989)
Income tax expenses	(133,379)	(5,446)	(24,232)	(6,666)	(13,127)	(420)	(17,143)	(1,808)	(202,221)
Net loss for the period from continuing operations	(573,614)	14,991	37,464	6,869	40,942	6,509	98,763	(131,649)	(499,725)
Net profit/(loss) for the period from discontinued operations	772,829	–	(687)	–	(4,061)	–	(38,317)	4,453	734,217
Total net profit for the period	199,215	14,991	36,777	6,869	36,881	6,509	60,446	(127,196)	234,492
Other segment information									
Total assets of the segment	8,892,801	1,189,779	3,007,926	468,891	1,282,988	156,022	5,487,572	(3,848,305)	16,637,674
Total liabilities of the segment	4,475,689	340,441	1,541,120	185,400	600,813	102,377	1,810,681	(550,925)	8,505,596
Allowances for doubtful debts	5,787	260	3,652	683	2,695	–	589	10	13,676
Investments in joint ventures and associates	1,217,661	431,348	37,386	–	111,520	52,424	–	(36,505)	1,813,834
Capital expenditures	765,200	89,312	404,743	60,554	120,114	3,408	306	–	1,443,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. SUBSEQUENT EVENTS

Borrowings

In January 2016 NC KMG made a partial repayment of bonds held by Development Bank of Kazakhstan JSC in the amount of 46,146 million tenge, including interest payable of 18,241 million tenge.

On March 18, 2016 Locomotive JSC, the subsidiary of NC KTZh, repaid the portion of loans in the amount of 38 million euros (equivalent to 14,953 million tenge), including premium paid to COFACE within the framework of signed additional loan agreement №2 dated May 27, 2013 to the GDS dated 31 May 2012 with total amount of 157,699 million euros. The loan was provided at interest rate of 3.04% with expected full repayment of the loan in 2026.

On March 25, 2016 NAC Kazatomprom paid an amount of 31 million US dollars (equivalent to 10,659 million tenge on maturity date) to the Bank of Tokyo-Mitsubishi UFJ, Ltd. as repayment of principal of the syndicated loan in the amount of 28 million US dollars (equivalent to 9,627 million tenge on maturity date) and interest payment in the amount of 3 million US dollars (equivalent to 1,031 million tenge on maturity date).

On March 28, 2016 the loan was issued in the amount of 140 million US dollars from Citibank Nassau Bahamas Branch (equivalent to 48,136 million tenge) with interest rate at Libor 1 month + 2% per annum by Intergas Central Asia JSC, the subsidiary of NC KMG, within the framework of the credit line signed on December 24, 2013.

On March 29, 2016 Intergas Central Asia JSC made a partial redemption of Eurobonds in the amount of 149 million US dollars (equivalent to 50,743 million tenge on the maturity date), including accrued interest in the amount of 4 million US dollars (equivalent to 1,165 million tenge) and premiums in the amount of 3 million US dollars (equivalent to 1,209 million tenge).

Changes in Group structure

In February 2016, Remlocomotive JSC, subsidiary of NC KTZh, sold a 25% interest in the joint venture Electrovoz Kurastyru Zauyty LLP. As a result of the sale, the the Group lost joint control of Electrovoz Kurastyru Zauyty LLP; however, retained a 25% interest and respective significant influence. As a result, Electrovoz Kurastyru Zauyty LLP was classified as an associate to the Group.

In January 2016, NC KTZh sold its administrative building 'Emerald Quarter' for the total amount of 24,300 million tenge, including VAT.

From January to April 2016 the Samruk Energy increased its equity interest in Balkhash TES by 12,123 million tenge..

On February 29, 2016 the deal on the formation of a joint venture in the mobile segment by Altel JSC and Mobile Telecom-Service LLP (hereinafter "the Operators") was finalized on the basis of the Treaty of subscription of the Group's subsidiary Kazakhtelecom JSC, on the shares of Khan Tengri Holding B.V., in exchange for the shares of Altel JSC on November 3, 2015. During 2016, the merger of the Operators into one legal entity is expected.

Bonds

On March 30, 2016 NC KTZh redeemed accrued interest on 10-year Eurobonds (700 million US dollars) in the amount of 22.3 million US dollars (equivalent to 7,630 million tenge at the redemption date).

VAT receivable

On March 30, 2016 NC KTZh made a VAT refund from the budget in the amount of 7,408 million tenge.

Other events

During first quarter of 2016 the Shareholder made cash contribution to the share capital of the Fund in the amount of 36,400 million tenge for the purpose of financing projects implemented by NC KTZh.

On March 25, 2016 the Group signed a contract with Finance and Investment Corporation Alel JSC to supply gold and silver at a total estimated cost of 37,643 million tenge, with the term of contract on December 31, 2016.