

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Consolidated financial statements

*For the year ended December 31, 2014
with independent auditors' report*

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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 2014 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 about whether the consolidated financial statements are free from material misstatement.

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

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

CONSOLIDATED BALANCE SHEET

As at December 31

<i>In millions of tenge</i>	Note	2014	2013*
Assets			
Non-current assets			
Property, plant and equipment	7	8,405,084	7,018,234
Intangible assets	8	334,289	284,325
Investments in joint ventures and associates	9	1,813,834	1,717,249
Loans to customers	10	271,989	647,083
Amounts due from credit institutions	11	692,377	282,676
Deferred tax assets	35	102,436	42,084
Other non-current financial assets	12	180,317	144,564
Other non-current assets	13	605,071	461,896
		12,405,397	10,598,111
Current assets			
Inventories	14	355,515	346,300
VAT receivable		228,842	248,792
Income tax prepaid		74,560	77,721
Trade accounts receivable	15	314,749	361,069
Loans to customers	10	458,473	249,800
Amounts due from credit institutions	11	1,146,227	1,291,888
Other current financial assets	12	26,358	81,951
Other current assets	15	244,762	211,020
Cash and cash equivalents	16	1,234,305	740,994
		4,083,791	3,609,535
Assets classified as held for sale	6	148,486	1,086,843
Total assets		16,637,674	15,294,489

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

<i>In millions of tenge</i>	Note	2014	2013*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	17	4,620,562	4,484,676
Revaluation reserve for available-for-sale investments		51,290	25,302
Currency translation reserve	17	486,162	272,655
Other capital reserves	17	(14,689)	(2,711)
Retained earnings		2,224,315	1,947,379
		7,367,640	6,727,301
Non-controlling interest		764,438	779,291
Total equity		8,132,078	7,506,592
Non-current liabilities			
Borrowings	18	4,329,026	3,366,527
Loans from the Government of the Republic of Kazakhstan	19	412,633	197,216
Finance lease liabilities	21	90,396	74,982
Provisions	22	229,447	137,246
Deferred tax liability	35	512,253	377,919
Employee benefit liability	23	61,125	55,717
Amounts due to customers		58	11,152
Other non-current liabilities	20	463,513	272,798
		6,098,451	4,493,557
Current liabilities			
Borrowings	18	1,313,236	607,839
Loans from the Government of the Republic of Kazakhstan	19	1,111	71,342
Finance lease liabilities	21	15,802	13,698
Provisions	22	153,429	161,978
Employee benefit liability	23	5,726	4,578
Income taxes payable		4,020	58,010
Trade and other payables		456,475	408,140
Amounts due to customers		20,628	230,763
Derivatives		2,156	527
Other current liabilities	24	373,647	517,515
		2,346,230	2,074,390
Liabilities associated with assets classified as held for sale	6	60,915	1,219,950
Total liabilities		8,505,596	7,787,897
Total equity and liabilities		16,637,674	15,294,489

* Certain amounts shown here do not correspond to the consolidated financial statements for the year ended December 31, 2013 and reflect reclassifications made to conform with the presentation in the consolidated statement of financial position as at December 31, 2014.

Finance director – Member of the Management Board


 Nurlan Rakhmetov


 Almaz Abdrahmanova

Chief accountant

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years December 31

<i>In millions of tenge</i>	Note	2014	2013*
Revenue	25	5,106,498	4,978,772
Government grants	26	31,192	28,996
		5,137,690	5,007,768
Cost of sales	27	(3,795,760)	(3,602,383)
Gross profit		1,341,930	1,405,385
General and administrative expenses	28	(376,874)	(362,008)
Transportation and selling expenses	29	(374,977)	(347,457)
Impairment loss	30	(455,785)	(152,829)
Gain on revaluation of a 50% stake in EGRES-1	5	74,473	-
Gain on disposal of subsidiaries		1,029	23,916
Other operating income		65,426	41,560
Other operating loss		(80,415)	(18,186)
Operating profit		194,807	590,381
Finance costs	31	(288,107)	(230,746)
Finance income	32	129,369	83,902
Share in profit of joint ventures and associates, net	33	457,095	546,342
Net foreign exchange loss	34	(34,331)	(35,007)
Profit before income tax		458,833	954,872
Income tax expenses	35	(186,024)	(259,054)
Net profit for the year from continuing operations		272,809	695,818
Discontinued operations			
Loss from discontinued operations, net of tax	6	(38,317)	(256,062)
Net profit for the year		234,492	439,756
Net profit for the year attributable to:			
Equity holder of the Parent		271,548	407,246
Non-controlling interest		(37,056)	32,510
		234,492	439,756

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In millions of tenge</i>	Note	2014	2013*
Other comprehensive income, net of tax			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Exchange differences on translation of foreign operations		244,438	54,538
Unrealized loss from revaluation of available-for-sale investments		24,492	(1,967)
Loss on transactions with hedge instruments		-	(254)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		268,930	52,317
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Actuarial losses on defined benefit plans, net of tax		(2,574)	(6,715)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(2,574)	(6,715)
Other comprehensive income for the year, net of tax		266,356	45,602
Total comprehensive income for the year, net of tax		500,848	485,358
Total comprehensive income for the year, net of tax, attributable to:			
Equity holder of the Parent		507,978	452,012
Non-controlling interest		(7,130)	33,346
		500,848	485,358

* Certain amounts shown here do not correspond to 2013 consolidated financial statements and reflect adjustments made which are detailed in Note 6.

Finance director – Member of the Management Board



 Nurlan Rakhmetov



 Almaz Abdrakhmanova

Chief accountant

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

In millions of tenge	Note	Attributable to equity holder of the Parent							Total
		Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	
Balance as at December 31, 2012		4,409,314	24,846	219,712	16,200	1,944,252	6,614,324	801,135	7,415,459
Total comprehensive income for the year		–	(1,448)	53,031	(293)	400,722	452,012	33,346	485,358
Issue of shares	17.1	75,362	–	–	–	(25,234)	49,128	–	49,128
Discount on loans from the Government	17.2	–	–	–	–	249,828	249,828	–	249,828
Dividends paid	17.3	–	–	–	–	(9,077)	(9,077)	(60,721)	(69,798)
Other transactions with the Shareholder	17.4	–	1,879	(92)	(17,617)	(464,847)	(480,677)	–	(480,677)
Acquisition of subsidiaries		–	–	–	–	–	–	6,588	6,588
Other distributions to the Shareholder	17.5	–	–	–	–	(147,534)	(147,534)	–	(147,534)
Other equity movements		–	25	4	(1,001)	269	(703)	(1,057)	(1,760)
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

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In millions of tenge</i>	Note	Attributable to equity holder of the Parent							Total
		Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	
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	17.1	135,886	-	-	-	(4,740)	131,146	-	131,146
Discount on loans from the Government	17.2	-	-	-	-	12,363	12,363	-	12,363
Dividends paid	17.3	-	-	-	-	(9,077)	(9,077)	(58,396)	(67,473)
Other transactions with the Shareholder	17.4	-	-	-	-	105,940	105,940	-	105,940
Acquisition of subsidiaries		-	-	-	-	-	-	2,226	2,226
Other distributions to the Shareholder	17.5	-	-	-	-	(94,029)	(94,029)	-	(94,029)
Disposal of subsidiaries	6	-	-	-	-	-	-	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	17.6	-	-	-	-	(13,799)	(14,064)	(15,290)	(29,354)
Other equity movements	17.7	-	(265)	(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	7,367,540	764,438	8,132,078

Finance director – Member of the Management Board



Nurlan Rakhmetov



Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

<i>In millions of tenge</i>	Note	2014	2013*
Cash flows from operating activities			
Profit before income tax from continuing operations		458,833	954,872
Loss before income tax from discontinued operations		(29,373)	(242,701)
Adjustments for:			
Depreciation, depletion and amortization	27, 28, 29	418,236	356,069
Share in profit of joint ventures and associates, net	33	(457,095)	(546,342)
Finance costs	31	288,107	230,746
Finance income	32	(129,369)	(83,902)
Impairment loss	30	455,785	152,829
Long-term employee benefits	23	11,272	14,983
Provision charges		45,765	6,758
Derivatives		45,998	26
Gain on disposal of financial assets		(27,164)	–
Loss on disposal of property, plant and equipment and other long term assets, net		4,727	3,393
Gain on disposal of subsidiaries		(1,029)	(23,916)
Allowance for doubtful debts	28	10,217	7,232
Gain from revaluation of existing stake in EGRES-1 on step acquisition	5	(74,473)	–
Reclassification of realized gains and losses on available-for-sale investments to profit and loss		–	626
Unrealized foreign exchange loss		34,069	33,746
Other transactions		2,052	1,410
<i>Significant items of disposal group classified as held for sale, shown as discontinued operations:</i>			
Impairment loss		21,912	79,835
Impairment of disposal group	6	–	158,729
Other adjustments related to discontinued operations		–	873
Cash flows from operating activities before working capital changes		1,078,470	1,105,266
Changes in loans to customers		219,462	(33,541)
Changes in amounts due from credit institutions		(91,330)	(13,130)
Changes in other financial assets		969	23,691
Changes in inventories		(34,251)	(34,545)
Changes in VAT receivable		(43,159)	(70,227)
Changes in trade accounts receivable		84,232	(41,685)
Changes in other assets		(6,230)	3,014
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		24,307	(2,774)
Changes in trade and other accounts payable		(101,362)	(30,081)
Changes in amounts due to customers		(1,532)	(75,285)
Changes in other liabilities		(66,324)	(14,746)
Cash generated by operating activities		1,063,252	815,957
Income taxes paid		(252,935)	(222,698)
Interest paid		(222,993)	(180,255)
Interest received		71,157	59,745
Net cash flows received from operating activities		658,481	472,749

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In millions of tenge</i>	Note	2014	2013*
Cash flows from investing activities			
Withdrawal/(placement) of bank deposits, net		227,845	(397,103)
Acquisition of joint ventures and associates		(47,772)	(294,398)
Acquisition of subsidiaries, net of cash acquired	5	(256,420)	(23,833)
Cash of disposed subsidiaries		(73,818)	(167,363)
Cash of subsidiaries reclassified to disposal group		(7,330)	(79,658)
Purchase of property, plant and equipment		(970,163)	(1,179,183)
Purchase of intangible assets		(11,842)	(24,362)
(Purchase)/sale of other financial assets, net		(12,666)	40,103
Proceeds from sale of property, plant and equipment		9,041	13,029
Dividends received from joint ventures and associates	9	361,001	438,759
Repayment of financial liability		-	(19,973)
Proceeds from sale of subsidiaries	6	64,079	4,528
Provision of loans		(108,896)	(11,309)
Stock options exercised		-	(20)
Net cash flows used in investing activities		(826,941)	(1,700,783)
Cash flows from financing activities			
Proceeds from borrowings		1,173,592	1,283,082
Repayment of borrowings		(524,078)	(752,206)
Repayment of finance lease liabilities		(14,489)	(10,678)
Buy back of subsidiaries' shares		-	(264)
Contributions to the share capital	17.1	103,918	39,320
Distributions to the Shareholder	17.5	(68,351)	(12,599)
Dividends paid to non-controlling interest of subsidiaries	17.3	(64,305)	(45,273)
Contributions to the share capital by non-controlling interest	17.6	23,304	-
Acquisition of non-controlling interest	17.7	(18,570)	-
Dividends paid to the Shareholder	17.3	(9,077)	(9,077)
Net cash flows received from financing activities		601,944	492,305
Net increase/(decrease) in cash and cash equivalents		433,484	(735,729)
Effects of exchange rate changes on cash and cash equivalents		59,827	8,297
Cash and cash equivalents, at the beginning of the year		740,994	1,468,426
Cash and cash equivalents, at the end of the year	16	1,234,305	740,994

* Certain amounts shown here do not correspond to 2013 consolidated financial statements and reflect adjustments made which are detailed in Note 6.

Finance director – Member of the Management Board


 Nurlan Rakhmetov

 Almaz Abdurakhmanova

Chief accountant

The accounting policies and explanatory notes on pages 9 through 106 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended December 31, 2014**

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 interest 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 organization 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.

The Fund is a holding company combining state-owned enterprises listed in *Note 36* (the "Group"). Prior to February 1, 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 41*):

- 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. Further, this segment included commercial banks acquired by the Fund during 2009.
- 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, Kunayev str. 8, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Finance director – Member of the Management Board and Chief accountant of the Fund on April 27, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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” and “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, except for hedge of net assets of foreign operations against certain borrowings (*Note 37*).

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.

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

	2014	2013
United States dollar (USD)	182.35	154.06
Euro (EUR)	221.97	212.02
Russian ruble (RUR)	3.17	4.68
Swiss franc (CHF)	184.64	173.02

As at April 27, 2015 currency exchange rate of KASE is 185.8 tenge to 1 US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in accounting policies and disclosures**

Accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2013, except for certain standards and amendments which are effective for annual periods beginning on or after January 1, 2014:

The nature and the impact of each new standard and amendment are described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group's consolidated financial statements, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group's consolidated financial statements, since none of the entities in the Group has any offsetting arrangements.

Amendments to IAS 36 Assets impairment: Disclosures on Recoverable Amount for Non-financial Assets

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into effect. In addition, these amendments require disclosure of information on asset's or CGU recoverable amount on which impairment loss was recognized or reimbursed during the reporting period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended December 31, 2013.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group's consolidated financial statements as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 *Levies* is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. This interpretation has no impact on the Group's consolidated financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual improvements 2010-2012 Cycle

These improvements are effective from July 1, 2014 and are not expected to have a material impact on the Group's consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not yet effective (continued)***Annual improvements 2010-2012 Cycle (continued)**IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

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

Annual improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014 and are not expected to have a material impact on the Group’s consolidated financial statements. They include:

IFRS 3 Business Combinations

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

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

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Standards issued but not yet effective (continued)***Annual improvements 2011-2013 Cycle (continued)**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

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

Annual improvements 2012-2014 Cycle

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, summaries of which are provided below. The changes are effective January 1, 2016. Earlier application is permitted and must be disclosed. The Group did not early adopt any of these amendments.

IFRS 5 Non-Current Assets Held for Sale and Discontinued

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

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

IAS 19 Employee Benefits Discount rate: regional market issue

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

IAS 34 Interim Financial

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries (*Note 36*).

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Consolidation (continued)***Business combinations (continued)*

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 of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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	5-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	2-50 years
Other	3-40 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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	2-20 years
Software	2-10 years
Other	2-20 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.

Impairment of non-financial assets

The Group assesses 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 debts 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 impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

Derivative financial instruments

In the course of its ordinary activity the Group operates with different derivative financial instruments, including futures, forwards, swaps and options at currency and capital markets, crude oil forward and swap contracts to hedge its risks associated with commodity prices fluctuations. Such derivative financial instruments are held primarily for trading purposes, are initially recognized according to recognition policies of financial instruments and are subsequently measured at fair value. Fair value is determined based on registered market quotations and pricing models that take into account spot price and strike price of the respective instruments and other factors. Derivative financial instruments are accounted for as an asset (unrealised gain), when fair value is positive and as liability (unrealised loss), when fair value is negative. Gains and losses from operations with these instruments are recognized in the consolidated statement of comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Convertible debt instruments

The component of the convertible debt instrument that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption.

Options on remaining non-controlling interest arising on business combination

If, as a part of a business combination, the Group becomes a party to a put-option on remaining non-controlling interest in the acquired business, the Group assesses whether being a party to such option gives it access to benefits and risks associated with ownership of such non-controlling interest.

When it is determined that the put-option on the remaining shares gives access to benefits and risks of share ownership, the business combination is accounted for on the basis that the underlying shares subject to the put option have been acquired. Fair value of the liability to the shareholders of non-controlling interest under the put option is recognized as a part of the cost of the business combination. Any difference between that cost, and the share of the net assets that would otherwise have been regarded as being attributable to the non-controlling interest, is reflected within goodwill. Any dividends subsequently declared and paid to such non-controlling interest prior to the exercise of the option are charged directly to profits and losses.

The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any finance charges are recorded directly in the consolidated statement of comprehensive income.

Options on purchased interest arising on acquisition of investments in associates and available-for-sale investments

If, while acquiring investments, the Fund issues a call option to a third party on acquired interest in the business, the Fund assesses whether being a party to such option gives a third party access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a third party with access to benefit and risk of ownership of an interest, a call option is not accounted for the purposes of determination of Fund's significant influence.

Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39 *Financial instruments: Recognition and Measurement*. Changes in the fair value of a financial liability as well as any gain or loss related to the realization of these options are recorded directly in the consolidated statement of comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 39*.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)***Finance leases (continued)*

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.

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 premium received. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 plan is 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 its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Equity (continued)***Share based payments (continued)*

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.

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

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

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

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 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 part of their revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 following temporary differences 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 40*) 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 reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly 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 property's 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Uranium reserves**

Uranium reserves are a primary component of the Group's projected cash flow estimates that are used to assess the recoverable values of respective non-current assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves ("SCR") to interpret geological and exploration data and determine explored reserves (proved reserves) and estimated reserves (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not imply that all reserves will be extracted on an economically effective basis. Uranium reserves are analyzed and revised on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy. It is possible that any annual change in reserve estimates could significantly affect future charges for DD&A.

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are based on the budget for the next 5 (five) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The Group assesses each asset or cash generating unit (CGU) every reporting period to determine whether any indication of impairment exists. 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 crude oil, uranium and metal prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for oil and gas and mining assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows 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.

Exploration and evaluation assets are tested for impairment at the moment of transfer to tangible and intangible production assets or when impairment indicators are present.

In 2014 the Group recognized an impairment of property, plant and equipment, intangible assets and goodwill in the amount of 335,308 million tenge, 1,375 million tenge and 106,620 million tenge, respectively (2013: 67,179 million tenge, 8,274 million tenge and 4,945 million tenge, respectively) in the consolidated statement of comprehensive income, which is mostly related to the impairment of non-current assets of JSC "NC "KazMunayGas" ("NC KMG") and JSC "Samruk-Energy" (Note 7 and Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Recoverability of property, plant and equipment of JSC "Exploration and Production "KazMunayGas" ("KMG EP"), subsidiary of JSC "NC "KazMunayGas"**

In 2013 the Group recognized an impairment charge of 56 billion tenge in its consolidated financial statements as a result of a formal assessment of the recoverable amount of KMG EP non-current assets. The main indicator was an increase in export customs duty from 40 US dollar per ton to 60 US dollar per ton that occurred on April 12, 2013.

In 2014 the Group recognized an additional impairment charge of 257 billion tenge in its consolidated financial statements as a result of a formal assessment of the recoverable amount of KMG EP. The main indicators were declining crude oil prices, increases in employee benefit costs and an increase in export customs duty from 60 US dollar per ton to 80 US dollar per ton. The recoverable amount of CGU was identified using a discounted cash flow model. The discount rate of 13.09% was derived from the CGU's post-tax weighted average cost of capital ("WACC"). 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 Uzenmunaygas subsurface use contract expiry in 2021. Expenditure cash flows up to 2019 were obtained from the CGU's business plan together with management's current assessment of probable changes in operational and capital expenditure. Most of the projections beyond that period were inflated using available inflation estimates, except for capital expenditure projections, which represent management's best available estimate as at the date of impairment assessment.

The key assumptions required for the recoverable amount estimation are the crude oil prices, production volumes, the foreign exchange rate and discount rate. The sensitivity of the headroom to changes in the key assumptions was estimated.

Brent crude oil price assumptions were based on market expectations together with the expectations of independent industry analysis and research organizations. If Brent crude oil prices had been assumed to be 5% higher than the price assumptions used in the assessment, this would have had the effect of increasing the estimated recoverable amount by almost 37 billion tenge.

Estimated production volumes are based on the business plan and take into account development plans as part of the long-term planning process. If the production volume were to be reduced by around 5% for the whole period, this would cause almost nil effect.

An assumed KZT/US dollar exchange rate of 185 was used to convert US dollar denominated sales based on the business plan. If the KZT/US dollar exchange rate had been assumed to be 25% higher for the whole period, it would have had the effect of increasing the recoverable amount of Uzenmunaygas non-current assets by 99 billion tenge.

Recoverability of property, plant and equipment and goodwill of Kazmunaygas International N.V., subsidiary of JSC "NC "KazMunayGas" and Pavlodar Oil Chemical Plant LLP

The Group has material goodwill related to past acquisitions of Kazmunaygas International N.V. ("KMGI") and Pavlodar Oil Chemical Plant LLP ("PNHZ").

KMGI

KMGI has four main CGUs: Refining, Downstream Romania, Dyneff and Other.

As a result of the impairment analysis of the recoverable amount of KMGI non-current assets an impairment charge of 74,546 million tenge was recognized in the consolidated financial statements for the year ended December 31, 2014. The impairment charge was allocated to the goodwill and intangible assets (*Note 8*) related to each CGU, and the remaining to property, plant and equipment (*Note 7*). Decline in market forecasts indicated a potential impairment of goodwill and assets of refining, downstream and other segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Recoverability of property, plant and equipment and goodwill of Kazmunaygas International N.V., subsidiary of JSC "NC "KazMunayGas" and Pavlodar Oil Chemical Plant LLP (continued)*****KMGI (continued)****Refining*

In 2014 the impairment loss attributable to Refining of 62,844 million tenge was recognized, of which 21,466 million tenge was allocated to the related goodwill and 41,378 million tenge was allocated to the property, plant and equipment. The present value of the free cash flows was determined using discounted cash flows from financial budgets approved by senior management covering a five-year period at 367,666 thousand US dollars (67,044 million tenge), and the present value of the residual value at 1,084,014 thousand US dollars (197,670 million tenge), resulting in the estimated fair value less costs of disposal of 1,451,680 thousand US dollars (264,714 million tenge). In 2014 the discount rate applied to cash flow projections is 9.7% (2013: 9.7%) and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2013: 1.5%) that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.2% (2013: 8.2%).

Dyneff

In 2014 the impairment loss attributable to Dyneff was recognized in the amount of 6,423 million tenge, of which 5,468 million tenge was allocated to the related goodwill and 955 million tenge was allocated to the intangible assets. The discount rate applied to cash flow projections in 2014 is 8.1% (2013: 8.0%) and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2013: 1.5%) that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 6.6% in 2014 (2013: 6.5%).

Downstream Romania

In 2014 no impairment was recognized with respect to Downstream Romania. The present value of free cash flows was determined on the basis of discounted cash flows from five-year financial projects approved by management. The discount rate applied to cash flow projections in 2014 is 9.7% (2013: 9.7%) and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2013: 1.5%) that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.2% (2013: 8.2%).

Other

In 2014 the impairment loss attributable to other CGU was recognized in the amount of 5,279 million tenge, of which 2,188 million tenge was allocated to the related goodwill and 3,091 million tenge was allocated to the property, plant and equipment. The recoverable amount of Other CGU was calculated using the discount rate applied to cash flow projections is 9.8% (2013: 9.8%) and cash flows beyond the five-year period are extrapolated using a 1.5% (2013: 1.5%) growth rate that is the same as the long-term average growth rate for the industry and the capitalization rate at 8.3% in 2014 (2013: 8.3%).

Key assumptions used in calculating fair value less costs of disposal of Refining, Downstream Romania, Dyneff and Other:

- Refinery margins;
- Production volumes;
- Discount rate;
- Growth rate.

Refinery margins – Estimates are made by the Group's management based the historical information and the industry trends and are generally in line with the analysts' forecasts.

Production volumes – Estimates are made by the Group's management based on the historical production volumes and estimated downtime periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Recoverability of property, plant and equipment and goodwill of Kazmunaygas International N.V., subsidiary of JSC "NC "KazMunayGas" and Pavlodar Oil Chemical Plant LLP (continued)*****KMGI (continued)****Other (continued)*

Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate – Growth rates are based on published industry research.

Sensitivity to changes in assumptions for Refining, Downstream Romania, Dyneff and Other

Results of assessment of recoverable amount of CGUs are sensitive to changes in key assumptions. Changes in the key assumptions would result in a further impairment.

PNHZ

In 2014 no impairment was recognized with respect to PNHZ. The discount rate applied to cash flow projections in 2014 is 9.1% (2013: 11.34%) and cash flows beyond the five-year period are extrapolated using a 3.87% growth rate (2013: 4.3%).

Key assumptions used in calculating fair value less costs of disposal

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

- Volumes of crude oil and oil products output;
- Capital expenditures for 2015-2018;
- Prices of crude oil in the local market;
- Discount rate.

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

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

Prices of crude oil in the local market – the prices which are based on the assessment of the management of NC KMG on purchase of crude oil from local oil producers.

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

Significant change in valuation technique of the recoverable amount

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of property, plant and equipment and goodwill of Kazmunaygas International N.V., subsidiary of JSC “NC “KazMunayGas” and Pavlodar Oil Chemical Plant LLP (continued)

PNHZ (continued)

Significant change in valuation technique of the recoverable amount (continued)

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

Sensitivity to changes in assumptions for PNHZ

Results of assessment of recoverable amount of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in exchange rate of tenge, WACC discount rates and target cash flow projections in terminal period. Increase in discount rates by 2% from 9.1% to 11%, would result in impairment of goodwill by 106,948 million tenge. Decrease of target cash flow projections in terminal period by 3% from 11.7% to 8.7% would result in impairment of goodwill in the amount of 79.161 million tenge. Decrease of exchange rate tenge against US dollars by 10% would result in full impairment of goodwill and in impairment of PNHZ non-current assets.

Recoverability of property, plant and equipment of JSC “NAC “Kazatomprom”

Based on the impairment assessment the Group did not recognise impairment losses as recoverable amount of assets (CGUs) related to uranium production exceeded their carrying amounts.

At December 31, 2014 the following factors were considered by management as indication of impairment of assets (CGUs) related to certain uranium mines: less than budgeted production volumes; higher than budgeted production costs; and time to expiration of subsurface use contracts.

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments. Management performed test for impairment for assets (CGUs) for which potential impairment indications were identified as at December 31, 2014.

For the purpose of impairment test assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (CGUs). The Group identified each mine (contract territory) as a separate CGU. If several mines are technologically connected with single processing plant (section for processing of pregnant solutions) the Group considers such mines as one CGU. Below are principal assumptions used by management for calculation of value in use:

- average annual uranium prices are estimated at the following levels:

	2015	2016	2017	2018	2019
Average price of U ₃ O ₈ per pound (in US dollar)	37.70	37.80	39.15	41.89	46.23

- forecast production based on volumes stipulated by subsurface use contracts;
- operating and capital expenditures after 2019 will increase at the growth rate of 4-6% per annum;
- discount rate of 8.09%-13.08% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of property, plant and equipment of JSC “NAC “Kazatomprom” (continued)

Sensitivity to changes in assumptions for JSC “NAC “Kazatomprom”

Presented below is the sensitivity analysis disclosing possible impairment losses at reasonably possible changes of principal assumptions (with all other parameters held constant) for assets (cash generating units) where impairment indications were identified:

- average annual uranium prices;

	2015	2016	2017	2018	2019	Impairment loss
Average price of U ₃ O ₈ per pound (in US dollar)	29.50	29.65	31.30	33.73	37.33	(25.496)
Average price of U ₃ O ₈ per pound (in US dollar)	22.62	22.68	23.49	25.13	27.74	(26.665)

- forecast production decrease by 20% would result in impairment loss of 23,302 million tenge.

Recoverability of property, plant and equipment and goodwill of EGRES-1, subsidiary of JSC “Samruk-Energy”

The carrying amount of the CGU exceeds its recoverable amount by 77,375 million tenge. As a result of value-in-use calculations impairment provision was created for goodwill in the amount of 75,875 million tenge (*Note 8*) as well as for property, plant and equipment in the amount of 1,500 million tenge.

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

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

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

The discount rates used are after-tax, and reflect specific risks relating to the CGU. The Group used WACC as the discount rate. After-tax discount rate is 13%.

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

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

Management estimates that negative signs of the current economic situation will last for approximately 4-5 years with steady improvements further when EGRES-1 will reach optimal load of the power station as a result of the industrial programs of the Government of the Republic of Kazakhstan and improvement in the international metals market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Recoverability of property, plant and equipment and goodwill of EGRES-1, subsidiary of JSC “Samruk-Energy” (continued)**

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

Sensitivity to changes in assumptions for EGRES-1

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

Assets retirement obligations*Oil and gas production facilities*

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 Kazakhstan market.

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

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

The long-term inflation and discount rates used to determine the obligation in the consolidated balance sheet across the Group entities at December 31, 2014 were in the range from 3% to 6% and from 6% to 10%, respectively (2013: from 2% to 5.6% and from 6% to 8%, respectively). Movements in the provision for asset retirement obligations are disclosed in *Note 22*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Assets retirement obligations (continued)***Major oil and gas pipelines*

According to the Law of the Republic of Kazakhstan "On major pipelines" which was made effective on July 4, 2013 mainly the Group's two subsidiaries, JSC KazTransOil ("KTO"), the subsidiary of NC KMG, and Intergas Central Asia JSC ("ICA"), the subsidiary of KazTransGaz JSC, (*Note 22*), have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2014 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of pipelines and land were equal to 55,760 million tenge (December 31, 2013: 16,678 million tenge).

Assessing the cost of environmental rehabilitation is subject to potential changes in ecological requirements and interpretations of the law. Furthermore, uncertainties in the estimates of these costs include potential changes in alternative liquidation methods, recovery of damaged land, discount and inflation rates and periods of obligation.

Environmental remediation

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

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs included in the annual budget for 2015. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 40*. Movements in the provision for environmental remediation obligations are disclosed in *Note 22*.

Provision for obligations on construction of social assets

As at December 31, 2014, other provisions mainly include provisions for obligations to construct the following projects: Concert Hall (the Fund), History Museum of Kazakhstan (NC KMG), Multifunctional ice palace (NC KTZh) in Astana, Schuchensko – Borovskoi golf club (NC KMG) and reconstruction of World Expo-Center in Moscow (NC KMG). The total estimated costs were recognized in equity as other distributions to the Shareholder (*Note 17.5*). Increase in the provisions is mainly attributable to additional Government's assignments on construction of Multifunctional ice palace (23,596 million tenge) and Concert Hall (10,760 million tenge).

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, 2014 was equal to 102,436 million tenge (2013: 42,084 million tenge). Further details are contained in *Note 35*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**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 22* relates mainly to the Group's application of Kazakhstan transfer pricing legislation to export sales of crude oil from 2002 to 2006. Further uncertainties related to taxation are disclosed in *Note 40*.

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 39*.

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 23*). 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 23*.

Impairment losses on loans to customers and credit institutions

The Group reviews its individually significant loans to customers and credit institutions at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of comprehensive income. In particular, judgement by management is required in estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgement about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The impairment loss on loans to customers and credit institutions is disclosed in more details in *Notes 10 and 11*.

Allowances for doubtful accounts receivable

The Group makes allowances for doubtful accounts receivable. 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 recorded in the consolidated financial statements. At December 31, 2014, allowances for doubtful debts have been created in the amount of 101.837 million tenge (2013: 96.396 million tenge) (*Notes 13 and 15*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS****Acquisitions in 2014***Acquisition of interest in Ekibastuzskaya GRES-1 named after Bulat Nurzhanov LLP*

On March 31, 2014 the Group acquired the remaining 50% interest in Ekibastuzskaya GRES-1 named after Bulat Nurzhanov LLP ("EGRES-1"), a coal-fired power station with available capacity of 4000 MW. The total consideration paid was equal to 236,652 million tenge. The Group started to consolidate results of EGRES-1 from April 1, 2014. The following table summarizes the consideration paid for EGRES-1, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

In millions of tenge

Consideration	
Cash and cash equivalents	236,652
Fair value of previously held interest	231,953
Total consideration	468,605

The investment in the EGRES-1 in the amount of 157,480 million tenge held prior to the acquisition was revalued to its fair value at the acquisition date and a respective gain in the amount of 74,473 million tenge was recognised in consolidated statement of comprehensive income.

The consideration paid by the Group was based on results of an external appraisal of the acquiree's business taken as a whole. However, in accordance with IFRS 3 *Business Combinations*, the Group must account for acquisitions based on the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. These two different approaches can lead to differences; and, as set out in the table below, recognition of goodwill.

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

In millions of tenge

Assets	
Property, plant and equipment	462,451
Other non-current assets	249
Inventories	5,892
Trade accounts receivable	2,193
Other current assets	3,981
Cash and cash equivalents	3,615
	478,381
Liabilities	
Loans	(10,070)
Other non-current liabilities	(744)
Deferred tax liability	(64,408)
Trade and other accounts payable	(8,856)
Other current liabilities	(1,573)
	(85,651)
Total identifiable net assets	392,730
Goodwill	75,875
Net cash acquired with the subsidiary	3,615
Cash paid	(236,652)
Net cash outflow on acquisition	(233,037)

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable property, plant and equipment was performed by an independent professional appraiser.

Goodwill on the acquisition in the amount of 75,875 million tenge arose from a number of factors, including effect of devaluation of the tenge into purchase consideration, which was set in US dollars. As a result of the acquisition, the Group increased its share in the production of electric energy segment and became the largest power generation group in Kazakhstan. Goodwill is not deductible for income tax purposes.

Revenue of EGRES-1 included in the consolidated financial statements from April 1, 2014 to December 31, 2014 was equal to 73,792 million tenge. Profit of EGRES-1 from the acquisition date of April 1, 2014 included in the consolidated financial statements was equal to 25,910 million tenge. If the acquisition had been made at the beginning of the year, the Group's profit would be increased by 4,033 million tenge and revenue would be increased by 25,910 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. ACQUISITIONS (continued)

Acquisitions in 2014 (continued)

Acquisition of interest in “Ekibastuzskaya GRES-1 named after Bulat Nurzhanov” (continued)

As a result of annual impairment test, the Group recognized loss on impairment of EGRES-1’s goodwill in the amount of 75,875 million tenge (Note 4).

Acquisition of interest in KazakTurkMunay LLP

On June 30, 2014 the Group concluded a contract for acquisition of 49% of ownership in KazakTurkMunay LLP (“KTM”), the existing 51% joint venture, from Türkiye Petrolleri Anonim Ortaklığı (further “TPAO”) for 204,500,000 US dollars (37,169 million tenge at the acquisition date), with withholding tax in the amount of 5,545 million tenge, and increased its ownership in KTM to 100%. The acquisition was completed in October 2014. The fair value of acquisition cost was determined using discounted cash flow method at 6.98% market interest rate at the date of acquisition.

The purchase consideration is payable in two tranches, the first tranche was made on September 25, 2014 with cash paid of 28,508 million tenge, including the withholding tax of 3,712 million tenge.

The second tranche will be made on May 5, 2015 with the nominal amount of 14,206 million tenge, including the withholding tax of 1,833 million tenge. The discounted amount of the second tranche is 13,700 million tenge, including the withholding tax of 1,768 million tenge.

The excess of fair value of consideration over fair value of net assets of KTM as of acquisition date and gain on reassessment of existing 51% share were recognized as distribution to the Shareholder due to the fact that the acquisition was made at the Shareholder instructions (Note 17.5).

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

In millions of tenge

Assets	
Property, plant and equipment	39,667
Other non-current assets	605
Trade receivables	2,282
Inventories	1,077
Other current assets	1,044
Cash and cash equivalents	8,236
	52,911
Liabilities	
Trade payables	(1,710)
Payables to TPAO	(8,605)
Provisions	(1,267)
Deferred tax liability	(3,491)
Other current liability	(1,584)
	(16,567)
Total identifiable net assets	36,344
Existing interest at book value	21,052
Existing interest measured at fair value	43,931
Fair value of purchase consideration	42,208
Total consideration	86,139
The excess of total consideration over fair value of net assets and reassessment of existing shares	26,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. ACQUISITIONS (continued)

Acquisitions in 2014 (continued)

Acquisition of interest in KazakTurkMunay LLP (continued)

In millions of tenge

Fair value of purchase consideration	
Cash paid	28,508
Deferred payments, at fair value	13,700
Total fair value of purchase consideration	42,208
Net cash acquired with the subsidiary	8,236
Cash paid	(28,508)
Net cash outflow on acquisition	(20,272)

Acquisition in 2013

Acquisition of Kazzinc LLP

On February 1, 2013 the Fund acquired 29.8221% of the charter capital of Kazzinc LLP through acquisition of 100% of ownership interest in the charter capital of Logic Business LLP, Logic Invest Capital LLP and Investment House “Dana” LLP, each holding 9.9407% ownership interest in Kazzinc LLP for the total amount of 248,838 million tenge (value of each company is 82,946 million tenge). The consideration for the acquisition was paid using proceeds received from the placement of the Fund’s bonds in the amount of 255,000 million tenge purchased by the National Bank (*Note 19*). The maturity of the bonds is 50 years; the coupon interest is 0.01% per annum.

The interest in Kazzinc LLP is accounted for using the equity method in the Group’s consolidated financial statements. Acquisition of Kazzinc LLP was recorded in the consolidated financial statements using the purchase method.

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

In millions of tenge

Non-current assets	206,890
Current assets	44,237
Total assets	251,127
Non-current liabilities	(27,307)
Current liabilities	(23,360)
Total liabilities	(50,667)
Net assets	200,460
Fair value of the consideration	248,838
Goodwill	48,378

The consolidated net profit of the Group during the year ended December 31, 2013 includes a share in profits attributable to 29.8221% interest in Kazzinc LLP from acquisition date till December 31, 2013 in the amount of 6.364 million tenge (*Note 33*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations in 2014

Temirbank JSC, BTA Bank JSC and Alliance Bank JSC

Temirbank JSC

In December 2013 the Fund and Mr. Bulat Utemuratov concluded agreement for sale-purchase of 79.88% of common shares of Temirbank JSC ("Temirbank"). The transaction was completed on May 15, 2014.

Results of operations of Temirbank are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013
Revenue	10,244	30,936
Cost of sales	(3,356)	(9,280)
Gross profit	6,888	21,656
General and administrative expenses	(3,046)	(11,455)
Reversal of impairment/(Impairment loss)	250	(7,839)
Other operating income, net	440	552
Profit from operations	4,532	2,914
Foreign exchange gain, net	1,234	169
Profit before tax from discontinued operations	5,766	3,083
Income tax benefit/(expense)	283	(2,077)
Net profit from discontinued operations	6,049	1,006

Net cash flows of Temirbank JSC are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013
Operating	26,612	(9,828)
Investing	(141)	622
Financing	-	-
Net cash inflow/(outflow)	26,471	(9,206)

Gain on disposal of assets related to discontinued operations is presented as follows:

<i>In millions of tenge</i>	At disposal date
Consideration received	29,752
Disposed net assets	(31,389)
Disposed non-controlling interest	8,107
Gain on disposal of assets related to discontinued operations	6,470

Consideration received for 79.88% of Temirbank's common shares is presented as follows:

<i>In millions of tenge</i>	At disposal date
Cash and cash equivalents	22,000
Deferred consideration: non-current (Note 13)	7,752
Total consideration received	29,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2014 (continued)

Tenirbank JSC, BTA Bank JSC and Alliance Bank JSC (continued)

BTA Bank JSC

On January 31, 2014 the Fund, Kazkommertsbank JSC (“KKB”) and Mr. Kenes Rakishev concluded agreement on sale-purchase of 93% of common shares of BTA Bank JSC (“BTA Bank”). The transaction was completed in 2014.

KKB and Mr. Rakishev acquired 46.5% shares of BTA Bank each with the ultimate aim to merge of BTA Bank and KKB in a single bank. The remaining share of the Fund in BTA Bank of 4.26% was transferred under trust management of KKB until January 31, 2017 or until the date of the merger whatever comes earlier. Fair value of the remaining share at the date of disposal was equal to 4,923 million tenge.

Results of operations of BTA Bank are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013
Revenue	68,818	139,576
Cost of sales	(41,629)	(81,668)
Gross profit	27,189	57,908
General and administrative expenses	(21,018)	(44,699)
Loss from impairment	(46,699)	(32,315)
Other operating income/(loss), net	1,449	(5,700)
Loss from operations	(39,079)	(24,806)
Foreign exchange gain, net	11,965	4,434
Loss before tax from discontinued operations	(27,114)	(20,372)
Income tax (expense)/benefit	(9,227)	7,971
Net loss from discontinued operations	(36,341)	(12,401)

Net cash flows of BTA Bank are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013
Operating	(15,608)	(9,554)
Investing	5,542	(954)
Financing	(2,584)	-
Net cash outflows	(12,650)	(10,508)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2014 (continued)

Temirbank JSC, BTA Bank JSC and Alliance Bank JSC (continued)

BTA Bank JSC (continued)

Gain on disposal of assets related to discontinued operations is presented as follows:

<i>In millions of tenge</i>	At disposal date
Consideration received	122,690
Disposed net assets	(114,534)
Fair value of the remaining share	4,923
Disposed non-controlling interest	4,073
Gain on disposal of assets related to discontinued operations	17,152

Consideration received for 93% of BTA Bank’s common shares is presented as follows:

<i>In millions of tenge</i>	At disposal date
Cash and cash equivalents	38,750
Deferred consideration: non-current (Note 13)	52,940
100% shares of Shalkiya Zinc JSC	31,000
Total consideration received	122,690

Shalkiya Zinc JSC

The amount of assets acquired and liabilities assumed as at the date of acquisition are represented by:

<i>In millions of tenge</i>	At acquisition date
Assets	
Property, plant and equipment	2,978
Intangible assets	34,838
Other assets	566
Total assets	38,382
Liabilities	
Other liabilities	(7,382)
Total liabilities	(7,382)
Net assets	31,000

Revenue and net income of Shalkiya Zinc JSC from the date of acquisition included in the consolidated financial statements are not significant. If the acquisition had been made at the beginning of the year, the Group’s profit would not have changed significantly.

Alliance Bank JSC

On December 11, 2014 as a result of reorganization and merger of Temirbank JSC and ForteBank JSC with Alliance Bank JSC (“Alliance Bank”), the Fund lost control over Alliance Bank.

In addition, in accordance with the framework agreement on sale of shares (dated December 30, 2014) the Fund placed a deposit in ForteBank JSC (former Alliance Bank JSC) in the amount of 220,000 million tenge with annual rate of return 4% with the placement period of 10 years. Discount at a rate of 8.67% on this deposit was equal to 64,101 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2014 (continued)

Temirbank JSC, BTA Bank JSC and Alliance Bank JSC (continued)

Alliance Bank JSC (continued)

Results of operations of Alliance Bank are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013*
Revenue	54,442	69,405
Cost of sales	(33,390)	(44,627)
Gross profit	21,052	24,778
General and administrative expenses	(24,050)	(16,774)
Impairment loss, net	(23,399)	(79,835)
Other operating income, net	5,240	8,113
Loss from operations	(21,157)	(63,718)
Foreign exchange loss, net	(12,862)	(1,182)
Loss before tax from discontinued operations	(34,019)	(64,900)
Income tax expense	-	(18,190)
Net loss from discontinued operations	(34,019)	(83,090)

Net cash flows of Alliance Bank are presented as follows:

<i>In millions of tenge</i>	From January 1, 2014 till the date of disposal	For the year ended December 31, 2013*
Operating	3,321	(7,389)
Investing	(15,450)	856
Financing	-	-
Net cash outflow	(12,129)	(6,533)

* As at December 31, 2014 the Group restated its consolidated statements of comprehensive income and cash flows for the year ended December 31, 2013 due to recognition of Alliance Bank as discontinued operations.

Gain on disposal of assets related to discontinued operations is presented as follows:

<i>In millions of tenge</i>	At disposal date
Fair value of bank deposit	155,899
Placement of deposit (cash)	(220,000)
Fair value of remaining interest	3,624
Disposed net assets	119,814
Disposed non-controlling interest	(56,965)
Gain on disposal of assets related to discontinued operations	2,372

Assets classified as held for sale in 2014

Kamkor LLP Repair Corporation

As part of the Complex Privatization Plan for 2014-2016 approved by the Government of the Republic of Kazakhstan, in July 2014 the Shareholder approved a list of subsidiaries and associates of the Group to be transferred to the competitive environment; method of their sale, persons responsible for sale and disposal duration.

In accordance with the Privatization Plan the Group plans to dispose of Kamkor Repair Corporation LLP (“Kamkor”). As at December 31, 2014 this subsidiary has been classified as a disposal group in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Assets classified as held for sale in 2014 (continued)

Kamkor LLP Repair Corporation (continued)

The main classes of assets and liabilities of Kamkor are presented below:

<i>In millions of tenge</i>	At December 31, 2014
Assets	
Property, plant and equipment	29,864
Inventories	9,133
Cash and cash equivalents	2,767
Other assets	3,895
Total assets	45,659
Liabilities	
Accounts payable	13,333
Loans	2,746
Deferred tax liabilities	2,345
Other liabilities	6,840
Total liabilities	25,264
Net assets	20,395

For the year ended December 31, 2014 net loss from operations of Kamkor was equal to 5,108 million tenge (for the year ended December 31, 2013: 5,802 million tenge).

Net cash flows of Kamkor are presented as follows:

<i>In millions of tenge</i>	For the year ended December 31, 2014
Operating	307
Investing	(2,056)
Financing	(3,907)
Net cash outflows	(5,656)

EuroasiaAir JSC

In accordance with the Privatization Plan the Group plans to dispose of EuroasiaAir JSC during 12 (twelve) months following the reporting date. This subsidiary has been classified as a disposal group in the consolidated balance sheet.

The main classes of assets and liabilities of EuroasiaAir are presented below:

<i>In millions of tenge</i>	At December 31, 2014
Assets	
Property, plant and equipment	18,447
Inventories	256
Cash and cash equivalents	2,241
Other assets	2,680
Total assets	23,624
Liabilities	
Accounts payable	1,976
Loans	5,259
Deferred tax liabilities	1,361
Other liabilities	465
Total liabilities	9,061
Net assets	14,563

For the year ended December 31, 2014 net loss from operations of Euroasiaair was equal to 3,575 million tenge (for the year ended December 31, 2013: 2,076 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Assets classified as held for sale in 2014 (continued)

EuroasiaAir JSC (continued)

Net cash flows of EuroasiaAir are presented as follows:

<i>In millions of tenge</i>	For the year ended December 31, 2014
Operating	1,728
Investing	(1,637)
Financing	138
Net cash inflows	229

Mangistau Electricity Distribution Company JSC

In accordance with the Privatization Plan the Group plans to dispose Mangistau Electricity Distribution Company JSC (“MEDC”) during 12 (twelve) months following the reporting date. This subsidiary has been classified as a disposal group in the consolidated balance sheet.

The main classes of assets and liabilities of MEDC are presented below:

<i>In millions of tenge</i>	At December 31, 2014
Assets	
Property, plant and equipment	16,531
Inventories	222
Cash and cash equivalents	686
Other assets	1,094
Total assets	18,533
Liabilities	
Accounts payable	1,871
Loans	3,591
Deferred tax liabilities	1,192
Other liabilities	2,723
Total liabilities	9,377
Net assets	9,156

For the year ended December 31, 2014 net profit from operations of MEDC was equal to 1.435 million tenge (for the year ended December 31, 2013: 2.050 million tenge).

Net cash flows of MEDC are presented as follows:

<i>In millions of tenge</i>	For the year ended December 31, 2014
Operating	1,651
Investing	(3,123)
Financing	1,289
Net cash outflows	(183)

Summary information

As at December 31 assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	2014	2013
Kamkor	45,659	-
Euroasiaair	23,624	-
MEDC	18,533	-
“BTA Bank” JSC	-	789,973
“Temirbank” JSC	-	280,666
Other	60,670	16,204
	148,486	1,086,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Summary information (continued)

As at December 31 liabilities associated with assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	2014	2013
Kamkor	25,264	-
Euroasiaair	9,061	-
MEDC	9,377	-
“BTA Bank” JSC	-	1,069,482
“Temirbank” JSC	-	143,375
Other	17,213	7,093
	60,915	1,219,950

Results from discontinued operations, net of tax, for the years ended December 31 comprised the following:

<i>In millions of tenge</i>	2014	2013
“BTA Bank” JSC, net loss and gain on disposal	(19,189)	(12,401)
“BTA Bank” JSC, impairment loss	-	(144,165)
“Temirbank” JSC, net profit and gain on disposal	12,519	1,006
“Temirbank” JSC, impairment loss	-	(14,564)
“Alliance Bank” JSC, net loss and gain on disposal	(31,647)	(83,090)
“Locomotive Kurastyru Zayuty” JSC	-	(2,815)
Development and financial institutions	-	(2,237)
Other	-	2,204
	(38,317)	(256,062)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

<i>In millions of tenge</i>	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, 2013	1,935,855	126,406	753,804	540,833	575,173	1,621,974	36,962	57,953	444,042	6,093,002
Foreign currency translation	25,494	1,580	5,586	(812)	(45)	654	-	222	(561)	32,118
Additions	114,972	33,887	14,996	34,914	1,785	262,112	14,430	11,567	818,752	1,307,415
Acquisition through business combinations	-	-	-	12,490	-	4,997	-	2,037	128	19,652
Disposals	(13,096)	(3,932)	(1,977)	(17,298)	(118)	(30,334)	(6,587)	(5,402)	(6,885)	(85,629)
Depreciation charge	(57,601)	-	(50,885)	(32,208)	(20,634)	(164,554)	(9,839)	(14,047)	-	(349,768)
Depreciation and impairment on disposals	8,515	3,200	1,309	10,994	65	26,878	6,587	4,720	1,167	63,435
Impairment provision, net of reversal	(49,288)	-	942	(3,239)	(414)	(4,365)	-	(487)	(10,328)	(67,179)
Loss of control over subsidiaries	-	-	-	(7,256)	-	(4,163)	(7,845)	(99)	(641)	(20,004)
Discontinued operations/transfer to assets classified as held for sale	(22)	-	(28)	(12,917)	-	(1,869)	-	(2,944)	(5,627)	(23,407)
Transfers from/(to) inventories, net	-	-	-	(211)	(5,176)	10,295	-	1,276	2,740	8,924
Transfer from/(to) intangible assets, net	(81)	44,053	-	-	-	232	-	1	(4,530)	39,675
Other transfers and reclassifications	102,960	(42)	44,255	76,209	48,901	206,257	11	7,408	(485,959)	-
Net book value at December 31, 2013	2,067,708	205,152	768,002	601,499	599,537	1,928,114	33,719	62,205	752,298	7,018,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In millions of tenge</i>	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, 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)	-	(411,446)
Depreciation and impairment on disposals	9,867	-	21,395	9,534	18	53,711	2,269	6,726	974	104,494
Impairment provision, net of reversal	(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
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
Historical cost	2,497,106	211,019	1,052,770	783,606	705,249	2,848,013	68,694	125,876	770,062	9,062,395
Accumulated depreciation and impairment	(429,398)	(5,867)	(284,768)	(182,107)	(105,712)	(919,899)	(34,975)	(63,671)	(17,764)	(2,044,161)
Net book value at December 31, 2013	2,067,708	205,152	768,002	601,499	599,537	1,928,114	33,719	62,205	752,298	7,018,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in exploration and evaluation assets are presented as follows:

<i>In millions of tenge</i>	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2013	123,939	2,467	126,406
Foreign currency translation	1,580	-	1,580
Additions	31,546	2,341	33,887
Disposals	(3,932)	-	(3,932)
Depreciation and impairment on disposals	3,200	-	3,200
Other transfers and reclassifications	44,011	-	44,011
Net book value at December 31, 2013	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
At cost	206,211	4,808	211,019
Accumulated impairment	(5,867)	-	(5,867)
Net book value at December 31, 2013	200,344	4,808	205,152
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

As at December 31, 2014 property, plant and equipment with net book value of 1,740.038 million tenge was pledged as collateral for some of the Group’s borrowings (2013: 1,395,600 million tenge).

As at December 31, 2014 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 130,575 million tenge (2013: 118,348 million tenge).

As at December 31, 2014 the cost of fully amortised property, plant and equipment of the Group was equal to 543.765 million tenge (2013: 494.378 million tenge).

In 2014, the Group capitalized borrowing costs at an average capitalization rate of 9% in the amount of 24.027 million tenge (2013: at the rate of 9.1% in the amount 19.038 million tenge).

Impairment of property, plant and equipment

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*).

In 2013, the Group recorded net impairment loss in the amount of 67.179 million tenge, which is mainly attributable to impairment of property, plant and equipment of KMG EP in the amount of 60.044 million tenge (*Note 4*), National Atomic Company “KazAtomProm” JSC (“NAC KAP”) – in the amount of 3.434 million tenge and National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) in the amount of 1.523 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

<i>In millions of tenge</i>	Licenses	Software	Goodwill	Marke- ting related intangible assets	Sub- surface use rights	Other	Total
Net book value at January 1, 2013	38,130	39,982	146,778	27,435	79,386	26,565	358,276
Foreign currency translation	32	17	54	522	81	360	1,066
Additions	3,569	7,925	-	-	6,903	5,976	24,373
Acquisitions through business combinations	968	90	2,851	-	-	2,205	6,114
Disposals	(162)	(1,246)	(465)	-	(708)	(905)	(3,486)
Discontinued operations	(23,544)	(198)	-	-	-	(3)	(23,745)
Loss of control over subsidiaries	-	(25)	-	-	(554)	-	(579)
Amortization charge	(3,038)	(10,561)	-	-	(113)	(3,264)	(16,976)
Transfer to assets classified as held for sale	(991)	(702)	(998)	-	-	(7,016)	(9,707)
Accumulated amortization on disposals	155	1,015	-	-	114	603	1,887
Impairment provision	-	(26)	(4,945)	-	(5,841)	(2,407)	(13,219)
Transfers from/(to) inventories, net	5	(89)	-	-	-	80	(4)
Transfers to property, plant and equipment	(19)	(1,518)	-	-	(44,053)	-	(45,590)
Transfers from property, plant and equipment	637	4,921	-	-	-	357	5,915
Other transfers	460	57	-	-	-	(517)	-
Net book value at December 31, 2013	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)
Loss of control over subsidiaries	(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 from/(to) inventories, net	103	130	-	-	-	(40)	193
Transfers from/(to) property, plant and equipment	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
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
Historical cost	36,377	90,796	178,941	28,589	53,932	36,984	425,619
Accumulated amortization and impairment	(20,175)	(51,154)	(35,666)	(632)	(18,717)	(14,950)	(141,294)
Net book value at December 31, 2013	16,202	39,642	143,275	27,957	35,215	22,034	284,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS (continued)

As at December 31, 2014, the subsurface use rights included the net book value of oil and gas and mining exploration and evaluation assets in the amount of 54,767 million tenge and 46,691 million tenge, respectively (2013: 30,594 million tenge and 4,621 million tenge, respectively).

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	2014	2013
Cash generating units of KMGI		
• Refining	–	11,045
• Dyneff	–	5,223
• Downstream Romania	6,774	6,689
• Other	2,826	8,575
	9,600	31,532
Cash-generating units of PNHZ	88,554	88,554
Other	13,373	14,994
Total oil and gas	111,527	135,080
Total mining (Uranium production)	5,166	5,166
Total telecommunication (IP-TV)	2,706	2,706
Total other	–	323
Total goodwill	119,399	143,275

Based on the impairment test, the impairment losses recognised in respect of KMGI CGUs’ goodwill are as follows:

Cash-generating unit	2014	2013
Refining	21,466	–
Dyneff	5,468	–
Other	2,188	–
Total goodwill	29,122	–

Impairment loss on goodwill recognized in the 2014 consolidated statement of comprehensive income was attributable 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 Samruk-Energy JSC in the amount of 30,745 million tenge and 75,875 million tenge, respectively (2013: 4.945 million tenge).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. 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	2014		2013	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	501,119	20.00%	311,881	20.00%
Mangystau Investments B.V.	Oil and gas exploration and production	Kazakhstan	196,194	50.00%	185,003	50.00%
KazakhOil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	85,878	50.00%	83,800	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	67,662	50.00%	69,047	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the Beineu-Shymkent gas pipeline	Kazakhstan	66,885	50.00%	70,269	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	62,334	50.00%	46,082	50.00%
Ekibastuzkaya GRES-2 JSC ("GRES-2")	Electricity production	Kazakhstan	42,291	50.00%	38,662	50.00%
Kazakhstan Petrochemical Industries Inc. LLP	Construction of first integrated chemical complex	Kazakhstan	27,868	51.00%	28,057	51.00%
Ural Group Limited BV/	Oil and gas exploration and production	Kazakhstan	26,125	50.00%	22,627	50.00%
Forum Muider B. V.	Electricity production	Kazakhstan	26,050	50.09%	28,344	50.00%
Ekibastuzkaya GRES-1 LLP ("GRES-1")	Electricity production	Kazakhstan	-	-	153,122	50.00%
Other			127,673		174,234	
Total joint ventures			1,230,079		1,211,128	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	234,166	29.82%	199,877	29.82%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	117,103	33.00%	86,391	33.00%
Sekerbank T.A.S.	Banking	Turkey	52,414	20.17%	88,498	33.69%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	43,737	49.00%	42,757	49.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	24,687	50.00%	11,949	25.00%
Other			111,648		76,649	
Total associates			583,755		506,121	
			1,813,834		1,717,249	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

<i>In millions of tenge</i>	Tengizchevroil LLP	Mangistau Investments B.V.	KazakhOil-Aktobe LLP	Beineu-Shymkent Pipeline LLP	JV KazGerMunay LLP	KazRosGas LLP
Joint ventures						
Non-current assets	2,800,072	424,102	134,267	331,260	160,689	26,399
Current assets, including <i>Cash and cash equivalents</i>	643,151	86,745	51,669	31,178	53,055	107,475
Non-current liabilities, including <i>Non-current financial liabilities</i>	222,715	6,582	35,088	125	37,630	83,764
Current liabilities, including <i>Current financial liabilities</i>	652,276	43,108	6,674	200,149	50,724	291
	285,351	75,350	7,506	46,215	27,695	8,915
Equity	2,505,596	392,389	171,756	116,074	135,325	124,668
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Group's share of the cost of guarantee given	-	-	-	9,342	-	-
Accumulated unrecognized share of losses	-	-	-	-	-	-
Other	-	-	-	(494)	-	-
Carrying amount of investment as at December 31, 2014	501,119	196,194	85,878	66,885	67,662	62,334
Revenue	4,085,568	658,832	78,216	16,254	238,222	174,448
Depreciation, depletion and amortization	(180,588)	(27,097)	(27,324)	(9,173)	(13,713)	(447)
Finance income	1,839	200	144	-	1,053	2,202
Finance costs	(22,661)	(2,548)	(847)	(6,797)	(663)	-
Income tax expenses	(676,776)	(35,113)	(7,311)	-	(51,840)	(20,396)
Profit/(loss) for the year from continuing operations	1,579,142	113,878	4,156	(27,722)	70,873	58,967
Profit after income tax for the year from discontinued operations	-	-	-	-	-	-
Other comprehensive income	303,460	-	-	-	17,285	18,209
Total comprehensive income/(loss)	1,882,602	113,878	4,156	(27,722)	88,158	77,176
Unrecognized share of losses	-	-	-	-	-	-
Dividends received	187,282	45,748	-	-	45,464	22,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

<i>In millions of tenge</i>	Ekibastuzskaya GRES-2 JSC (“GRES-2”)	Petrochemical Industries Inc. LLP	Kazakhstan Ural Group Limited BVI	Forum Muider B. V.
Non-current assets	145,571	47,478	105,156	66,536
Current assets, including <i>Cash and cash equivalents</i>	10,633	22,022	231	16,328
Non-current liabilities, including <i>Non-current financial liabilities</i>	671	20,049	214	2,517
Current liabilities, including <i>Current financial liabilities</i>	60,856	13,426	52,621	10,809
Equity	54,910	2,738	49,942	5,551
	10,767	1,431	515	19,956
	8,747	111	-	5,551
	84,581	54,643	52,251	52,099
Share of ownership	50.00%	51.00%	50.00%	50.00%
Accumulated unrecognized share of losses	-	-	-	-
Carrying amount of investment as at December 31, 2014	42,291	27,868	26,125	26,050
Revenue	35,733	-	88	91,960
Depreciation, depletion and amortization	(2,851)	(18)	-	(2,340)
Finance income	14	415	8	128
Finance costs	(540)	(251)	(613)	(1,405)
Income tax expenses	(3,709)	-	17	(3,879)
Profit/(loss) for the year from continuing operations	10,258	(371)	(2,454)	7,878
Profit after income tax for the year from discontinued operations	-	-	-	-
Other comprehensive income	-	-	8,441	-
Total comprehensive income/(loss)	10,258	(371)	5,987	7,878
Unrecognized share of losses	-	-	-	-
Dividends received	-	-	-	5,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on financial statements of these entities for 2013:

<i>In millions of tenge</i>	Tengizchevroil LLP	Mangistau Investments B.V.	Ekibastuzskaya GRES-1 LLP ("GRES-1")	KazakhOil-Aktobe LLP	Beineu-Shymkent Pipeline LLP	JV KazGerMunay LLP
Joint ventures						
Non-current assets	2,046,774	402,934	323,752	150,324	297,419	175,436
Current assets, including	541,783	80,288	17,488	43,072	11,625	84,923
Cash and cash equivalents	69,983	11,034	4,288	2,479	10,422	27,801
Non-current liabilities, including	582,356	50,569	22,556	7,609	139,882	45,421
Non-current financial liabilities	-	-	9,987	392	138,737	-
Current liabilities, including	446,796	62,647	12,440	18,187	28,624	76,844
Current financial liabilities	97,841	-	600	1,529	-	-
Equity	1,559,405	370,006	306,244	167,600	140,538	138,094
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Accumulated unrecognized share of losses	-	-	-	-	-	-
Carrying amount of investment as at December 31, 2013	311,881	185,003	153,122	83,800	70,269	69,047
Revenue	3,839,623	643,603	82,338	127,263	-	372,392
Depreciation, depletion and amortization	(161,496)	(21,179)	(2,577)	(18,939)	(38)	(10,146)
Finance income	1,287	154	13	524	-	589
Finance costs	(26,776)	(4,763)	(1,200)	(841)	(333)	(604)
Income tax expenses	(633,970)	(36,029)	(8,227)	(3,218)	-	(75,103)
Profit/(loss) for the year from continuing operations	1,479,538	113,038	32,554	23,429	(3,381)	86,432
Profit after income tax for the year from discontinued operations	-	-	-	-	-	-
Other comprehensive income	27,499	250	-	-	-	2,172
Total comprehensive income/(loss)	1,507,037	113,288	32,554	23,429	(3,381)	88,604
Unrecognized share of losses	-	-	-	-	-	-
Dividends received	254,226	48,590	-	-	-	30,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

<i>In millions of tenge</i>	KazRosGas LLP	Ekibastuzskaya GRES-2 JSC (“GRES-2”)	Kazakhstan Petrochemical Industries Inc. LLP	Ural Group Limited BVI	Forum Muider B. V.
Non-current assets	3,853	132,584	37,398	91,632	42,152
Current assets, including	96,391	11,063	33,301	2,552	39,702
<i>Cash and cash equivalents</i>	68,529	1,424	22,903	2,539	537
Non-current liabilities, including	190	9,421	14,495	47,068	13,185
<i>Non-current financial liabilities</i>	--	3,704	--	35,652	7,873
Current liabilities, including	7,890	56,902	1,189	1,862	11,981
<i>Current financial liabilities</i>	--	54,277	--	--	4,827
Equity	92,164	77,324	55,015	45,254	56,688
Share of ownership	50.00%	50.00%	51.00%	50.00%	50.00%
Accumulated unrecognized share of losses	--	--	--	--	--
Carrying amount of investment as at					
December 31, 2013	46,082	38,662	28,057	22,627	28,344
Revenue	140,829	43,379	--	5	96,331
Depreciation, depletion and amortization	(369)	(2,175)	(17)	--	(9,483)
Finance income	2,895	2	--	37	1,698
Finance costs	--	(395)	(45)	(589)	(1,781)
Income tax expenses	(14,919)	(4,882)	--	(14)	(3,522)
Profit/(loss) for the year from continuing operations	44,670	18,031	(273)	(2,974)	9,670
Profit after income tax for the year from discontinued operations	--	--	--	--	--
Other comprehensive income	2,427	--	--	--	--
Total comprehensive income/(loss)	47,097	18,031	(273)	(2,974)	9,670
Unrecognized share of losses	--	--	--	--	--
Dividends received	40,891	--	--	--	6,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on financial statements of these entities for 2014:

<i>In millions of tenge</i>	Kazzinc LLP	Sekerbank T.A.S.	PetroKazakhstan Inc. ("PKI")	JV KATCO LLP	KLPE LLP
Associates					
Non-current assets	901,800	1,073,529	450,552	67,927	24,979
Current assets	202,033	812,607	97,201	44,832	26,710
Non-current liabilities	128,281	331,732	106,144	8,118	-
Current liabilities	146,140	1,209,595	86,752	13,271	2,314
Equity	829,412	344,809	354,857	91,370	49,375
Share of ownership	29.82%	20.17%	33.00%	49.00%	50%
Unrecognized gain on transactions with associates	-	-	-	(1,102)	-
Goodwill	58,498	-	-	68	-
Impairment	(71,664)	(17,134)	-	-	-
Carrying amount of investment as at December 31, 2014	234,166	52,414	117,103	43,737	24,687
Revenue	448,255	210,829	306,365	62,634	-
Profit for the year from continuing operations	6,662	24,612	69,721	16,057	(1,324)
Profit for the year from discontinued operations after income tax	-	-	-	-	-
Other comprehensive income	124,505	911	55,823	-	-
Total comprehensive income	131,167	25,523	125,544	16,057	(1,324)
Unrecognized share of losses	-	-	-	-	-
Dividends received	1,861	-	29,981	5,786	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on financial statements of these entities for 2013:

<i>in millions of tenge</i>	Kazzinc LLP	Sekerbank T.A.S.	PetroKazakhstan inc. ("PKI")	JV KATCO LLP	KLPE LLP
Associates					
Non-current assets	713,496	864,412	418,059	70,990	6,837
Current assets	166,036	684,917	48,107	34,582	41,401
Non-current liabilities	110,555	287,726	117,548	8,168	-
Current liabilities	61,553	966,432	86,826	10,284	440
Equity	707,424	295,171	281,792	87,120	47,798
Share of ownership	29.82%	33.69%	33.00%	49.00%	25.00%
Unrecognized gain on transactions with associates	-	-	-	-	-
Goodwill	49,292	-	-	68	-
Impairment	(60,369)	(10,945)	-	-	-
Carrying amount of investment as at December 31, 2013	199,877	88,498	86,391	42,757	11,949
Revenue	356,465	103,828	295,928	71,469	-
Profit for the year from continuing operations	21,341	18,694	71,959	21,100	434
Profit for the year from discontinued operations	-	-	-	-	-
after income tax	-	-	-	-	-
Other comprehensive income	6,553	151	4,581	409	-
Total comprehensive income	27,894	18,845	76,540	21,509	434
Unrecognized share of losses	-	-	-	-	-
Dividends received	-	-	35,334	6,044	-

All of the above joint ventures and associates, except for Sekerbank T.A.S., are strategic for the Group's business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

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

<i>In millions of tenge</i>	2014	2013
Carrying amount of investments as at December 31	127,673	174,234
Net (loss)/profit for the year from continuing operations	(18,986)	38,396
Profit after income tax for the year from discontinued operations	–	–
Other comprehensive income	2,855	941
Total comprehensive (loss)/income	(16,131)	39,337

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

<i>In millions of tenge</i>	2014	2013
Carrying amount of investments as at December 31	111,648	76,649
Net profit for the year from continuing operations	5,469	680
Profit after income tax for the year from discontinued operations	–	–
Other comprehensive income	7,702	890
Total comprehensive income	13,171	1,570

In 2014 dividends received from individually insignificant joint ventures and associates were equal to 16,782 million tenge (2013: 16,776 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2014 and 2013:

<i>In millions of tenge</i>	2014	2013
Balance as at January 1	1,717,249	1,351,044
Share in profit of joint ventures and associates, net (Note 33)	457,095	542,434
Dividends received	(361,001)	(438,759)
Change in dividends receivable	19,990	14,116
Acquisitions	59,113	315,931
Disposals (Note 5)	(209,945)	(2,274)
Transfers to assets classified as held for sale	(6,029)	(16,061)
Foreign currency translation	116,241	8,966
Other comprehensive income, other than foreign currency translation	32,636	6,582
Transfer from financial assets	122	855
Impairment	(11,760)	(70,712)
Other changes in equity of joint ventures and associates	123	5,127
Balance as at December 31	1,813,834	1,717,249

During 2013, the Group recognized an impairment loss of the investment in its associate, Kazzinc LLP, in the amount of 60,369 million tenge. The recoverable amount of this investment was determined based on the value in use by discounting the future net cash flows.

As at December 31, 2014, the Group's share in unrecognized losses of joint ventures and associates was equal to 39,062 million tenge (2013: 24,823 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. LOANS TO CUSTOMERS

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

<i>In millions of tenge</i>	2014	2013
Loans to large entities	725,598	719,762
Loans to individuals	–	331,358
Loans to small and medium business	–	40,165
Net investments in finance lease	16,103	9,041
Other loans	483	4,117
Total loans	742,184	1,104,443
Less: impairment allowance	(11,722)	(207,560)
Loans to customers, net	730,462	896,883
Less: current portion	(458,473)	(249,800)
Non-current portion	271,989	647,083

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

<i>In millions of tenge</i>	2014	2013
Allowance at January 1	207,560	1,071,993
Charged, net	21,007	118,864
(Written-off)/reinstated/, net	(210,037)	231,220
Transfers to assets classified as held for sale	(5,794)	(1,114,411)
Foreign exchange difference	39,436	35,200
Discontinued operations	(40,450)	(135,306)
Allowance at December 31	11,722	207,560

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

<i>In millions of tenge</i>	2014	2013
Within one year	2,658	1,653
Later than one year, but not later than five years	10,590	6,611
After five years	22,844	11,291
Minimum lease payments	36,092	19,555
Less: unearned finance income	(19,989)	(10,514)
Net investment in finance leases	16,103	9,041

11. AMOUNTS DUE FROM CREDIT INSTITUTIONS

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

<i>In millions of tenge</i>	2014	2013
Bank deposits	1,478,695	1,356,231
Loans to credit institutions	359,909	218,333
Amounts due from credit institutions, net	1,838,604	1,574,564
Less: current portion	(1,146,227)	(1,291,888)
Non-current portion	692,377	282,676
<i>In millions of tenge</i>	2014	2013
10 largest local banks	1,139,729	997,137
Other local credit institutions	285,215	189,063
International credit institutions	413,660	388,364
	1,838,604	1,574,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

<i>In millions of tenge</i>	2014	2013
Ratings from AAA (Aaa) to AA-(Aa3)	33,167	–
Rating from A+(A1) to A-(A3)	329,269	258,099
Rating from BBB+(Baa1) to BBB(Baa2)	47,343	125,132
Rating from BBB-(Baa3) to BB-(Ba3)	176,117	210,795
Rating from B+(B1) to B-(B3)	1,034,699	973,206
Rating from CCC+(Caa1) to D(D)	3,105	2,384
Rating is not defined	214,904	4,948
	1,838,604	1,574,564

<i>In millions of tenge</i>	2014	2013
Amounts due from credit institutions, denominated in tenge	973,040	884,287
Amounts due from credit institutions, denominated in US dollars	862,119	689,287
Amounts due from credit institutions, denominated in other currencies	3,445	990
	1,838,604	1,574,564

As at December 31, 2014 the weighted average interest rate on amounts due from credit institutions was 5.15% (2013: 4.68%).

As at December 31, 2014 amounts due from credit institutions include cash in the amount of 47,082 million tenge pledged as collateral for certain Group’s borrowings (2013: 38,217 million tenge).

12. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

<i>In millions of tenge</i>	2014	2013
Note receivable from shareholder of joint venture	18,466	17,192
Note receivable from associate	28,238	22,412
Available for sale financial assets, including	138,078	132,058
Equity securities	111,297	92,054
Bonds of Kazakhstan financial agencies	15,265	16,177
Treasury bills of the Ministry of finance of the Republic of Kazakhstan	10,519	22,911
Corporate bonds	1,009	925
Less: impairment allowance	(12)	(9)
<i>Including financial assets subject to repurchase agreements</i>	–	9,932
Held to maturity financial assets, including	1,966	1,995
Corporate bonds	–	312
Bonds of Kazakhstan financial agencies	1,966	1,683
Financial assets at fair value through profit and loss, including	7,447	6,431
Treasury bills of the Ministry of finance of the Republic of Kazakhstan	–	4,497
Bonds of Kazakhstan financial agencies	–	169
Corporate bonds	–	1
Other equity securities	7,447	1,764
Derivative financial instruments, including	12,480	46,427
Options	1,375	46,427
Currency swaps	4,678	–
Other	6,427	–
Total financial assets	206,675	226,515
Less: current portion	(26,358)	(81,951)
Non-current portion	180,317	144,564

As at December 31, 2014 the interest rates for available-for-sale financial assets were in the range from 4% to 13% (December 31, 2013: from 2.3% to 17.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. OTHER FINANCIAL ASSETS (continued)**

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

<i>In millions of tenge</i>	2014	2013
Financial assets denominated in tenge	146,410	139,562
Financial assets denominated in US dollars	47,785	40,526
	194,195	180,088

Equity securities (available for sale financial assets) – shares of "Toshiba Nuclear Energy Holdings (US) Inc." and "Toshiba Nuclear Energy Holdings UK Ltd"

In 2007, NAC KAP acquired 400 Class A common shares of Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") for 400,000 thousand US dollars from Toshiba Nuclear Energy Investments US Inc. In addition, NAC KAP acquired 140 Class A common shares of Toshiba Nuclear Energy Holdings UK Ltd ("TNEH-UK") for 140,000 thousand US dollars from Toshiba Nuclear Energy Investments UK Ltd. Through the acquisition of 400 Class A common shares of TNEH-US and 140 Class A common shares of TNEH-UK NAC KAP acquired a 10% interest in these entities. TNEH-US and TNEH-UK, own 100% interest in Westinghouse Group ("Westinghouse").

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into a put option agreement (the "Put Option"). The Put Option provides NAC KAP with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of 540,000 thousand US dollars for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of 522,180 thousand US dollars, if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant JSC (a subsidiary of NAC KAP). In addition to the Put Option agreement at the end of 2012 NAC KAP and Toshiba Corporation signed an agreement under which NAC KAP can use the Put Option until February 28, 2018. The Put Option was not exercised by NAC KAP at December 31, 2014.

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into a call option agreement (the "Call Option"). 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 fair value of NAC KAP's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at December 31, 2014.

The Group has classified this investment as available for sale as this best reflects the intention of the Group and ability to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in a private company for which fair value cannot be reliably measured.

At each reporting date management assesses whether there are impairment indicators of investments at cost. Management determined that no impairment indicators exist as at December 31, 2014 (2013: no impairment indicators).

As at December 31, 2014 carrying amount of these investments was equal to 66,005 million tenge (2013: 66,005 million of tenge).

Equity securities (available for sale financial assets) – shares of Kazkommertsbank JSC

On August 12, 2014 and August 29, 2014 Kazkommertsbank JSC partially realized its right for execution of the option and acquired back 51,000,000 and 29,000,000 its common shares for 475.3667 tenge per share. The total amount of buyback was equal to 38,029 million tenge.

As at December 31, 2014 the remaining amount of the Fund stake in KKB common shares was equal to 85,517,241 shares. As at December 31, 2014 the fair value of shares of Kazkommertsbank was equal to 35.062 million tenge (2013: 23.237 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER NON-CURRENT ASSETS

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

<i>In millions of tenge</i>	2014	2013
Advances paid for non-current assets	286,358	302,517
Long-term VAT receivable	126,583	62,997
Long-term receivables (Note 6)	75,660	8,595
Prepaid expenses	20,856	23,548
Restricted cash	17,885	12,544
Assets for sale to the Shareholder	12,908	14,148
Long-term inventories	8,717	8,886
Other	83,985	56,311
Less: impairment allowance	(27,879)	(27,650)
	605,071	461,896

As at December 31, 2014, advances paid for non-current assets are mainly represented by advances paid for construction and purchase of property, plant and equipment.

14. INVENTORIES

As at December 31 inventories comprised the following:

<i>In millions of tenge</i>	2014	2013
Oil refined products for sale	75,458	66,162
Uranium products	37,314	27,575
Production materials and supplies	33,014	34,627
Work in process	31,437	37,832
Crude oil	29,445	49,514
Goods for resale	25,039	18,859
Oil and gas industry materials and supplies	23,176	15,884
Fuel	22,203	15,992
Gas processed products	13,853	8,213
Railway materials and supplies	12,631	14,457
Aircraft spare parts	5,687	5,364
Uranium industry materials and supplies	3,649	2,049
Telecommunication equipment spare parts	3,573	2,636
Electric transmission equipment spare parts	2,595	1,693
Owned bid security	-	9,351
Other materials and supplies	55,396	56,522
Less: write-down to net realizable value	(18,955)	(20,430)
	355,515	346,300

15. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

<i>In millions of tenge</i>	2014	2013
Trade accounts receivable	354,948	397,699
Less: allowance for doubtful debts	(40,199)	(36,630)
	314,749	361,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

As at December 31 other current assets comprised the following:

<i>In millions of tenge</i>	2014	2013
Assets for distribution to the Shareholder	77,811	70,627
Advances paid and deferred expenses	75,836	54,901
Other accounts receivable	45,491	39,328
Other prepaid taxes	37,401	22,348
Restricted cash	7,597	11,991
Amounts due from employees	4,875	5,107
Dividends receivable	3,702	21,319
Other	25,808	17,515
Less: impairment allowance	(33,759)	(32,116)
	244,762	211,020

At December 31, 2014 the Group's receivables amounting to 32.333 million tenge were pledged under loan agreements (2013: 91,914 million tenge).

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

<i>In millions of tenge</i>	2014	2013
Reserve at January 1	68,746	64,416
Change in estimate	282	(212)
Charged, net	9,047	8,362
Foreign currency translation	4,159	1,455
Reinstatement/(write-off), net	(28,921)	14,917
Transfers to assets classified as held for sale	(34)	(18,822)
Acquisition through business combinations	3,491	46
Loss of control over subsidiary	17,188	(1,416)
Allowance at December 31	73,958	68,746

At December 31, 2014 the Group's receivables in the amount of 7,003 million tenge were interest bearing (2013: 7,683 million tenge).

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

<i>In millions of tenge</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2014	314,749	239,790	17,152	15,425	8,293	7,170	26,919
2013	361,069	308,406	22,816	15,282	3,915	1,974	8,676

16. CASH AND CASH EQUIVALENTS

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

<i>In millions of tenge</i>	2014	2013
Bank deposits – US dollars	559,049	171,099
Bank deposits – tenge	229,167	230,131
Bank deposits – other currency	5,285	15,610
Current accounts with banks – tenge	267,300	196,814
Current accounts with banks – US dollars	148,609	92,564
Current accounts with banks – other currency	16,031	17,364
Cash on hand	3,308	13,900
Cash in transit	3,000	359
Reverse repurchase agreements with other banks with contractual maturity of three months or less	2,556	3,153
	1,234,305	740,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS (continued)

Short-term 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, 2014 the weighted average interest rates for bank term deposits and current accounts were 3.42% and 0.66%, respectively (2013: 3.73% and 1.18%).

17. EQUITY

17.1 Share capital

During 2014 and 2013 the Fund issued common shares, which were contributed 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 December 31, 2012	3,481,526,139		4,409,314
Cash contributions		901,000;	
	39,320	1,000,000	39,320
Contributions of state-owned shares		1,000;	
	27,073	1,000,000	26,234
Contributions of property		422,451;	
		615,921;	
	9,809	1,000,000	9,808
As at December 31, 2013	3,481,602,341		4,484,676
Cash contributions		18,306,039;	
	10,000	7,000,000	103,918
Contributions of state-owned shares		1,506,930;	
	1,400	10,573,010	13,895
Contributions of property		1,200,359;	
		2,772,663;	
	9,993	2,522,901	18,073
As at December 31, 2014	3,481,623,734		4,620,562

As at December 31, 2014 3,481,623,734 shares were fully paid (2013: 3,481,602,341 shares).

2014

Cash contributions

During 2014 in accordance with the Law of the Republic of Kazakhstan on the Republican budget for 2014-2016 dated December 3, 2013 and in accordance with amendments in the Law of the Republic of Kazakhstan on the Republican budget for 2014-2016 dated November 7, 2014 the Shareholder made a cash contribution of 103,918 million tenge to the Fund's share capital. This amount was intended to finance projects of the Fund's subsidiaries.

Contributions of state-owned shares

During 2014 the Shareholder acquired 9,375,000 additionally issued common shares of National Company “Kazakhstan Engineering” JSC (“Kazengineering”) in the amount of 9,375 million tenge. As a result of the transaction, the stake of the Government in this company increased from 0% to 43.65%. On December 15, 2014, in accordance with the Resolution of the Government dated September 26, 2014, 43.65% of state-owned shares of Kazengineering were transferred to the Fund as contribution to its share capital, at fair value at the acquisition date in the amount of 13.745 million tenge. Since the transfer of shares of Kazengineering represents business combination of entities under common control, the excess of fair value of shares over issued share capital of Kazengineering in the amount of 4,370 million tenge was recorded as a decrease in retained earnings of the Fund.

On November 28, 2014, in accordance with the Resolution of the Government dated June 5, 2014, the Shareholder contributed 49% of “Management Company of Special Economic Zone” National Industrial Petrochemical Technopark” JSC to the share capital of the Fund at fair value at the acquisition date in the amount of 150 million tenge.

Contributions of property

During 2014 in accordance with the Resolutions of the Government dated September 14, 2010 and September 6, 2013, the Shareholder contributed high, medium and low pressure gas pipelines and accompanying constructions, located in Kostanay and West-Kazakhstan oblasts for the total amount of 10.615 million tenge. The excess of issued shares over fair value of gas pipelines in the amount of 28 million tenge was recorded as a decrease in retained earnings of the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)**17.1 Share capital (continued)****2014 (continued)***Contributions of property (continued)*

In 2014, in accordance with the Resolution of the Government dated September 14, 2010, the Shareholder contributed technical property complex and land in Aktobe, and a substation Akzhar-2 with the fair value of 7,116 million tenge. The excess of fair value of issued shares over property in the amount of 342 million tenge was recorded as a decrease in retained earnings.

2013*Cash contributions*

During 2013 in accordance with the Law of the Republic of Kazakhstan on the Republican budget for 2013-2015 dated November 23, 2012 the Shareholder made a cash contribution of 39,320 million tenge to the Fund's share capital. This amount was intended to finance projects of the Fund's subsidiaries.

Contributions of state-owned shares

In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1538 dated December 4, 2012, on July 26, 2013 state-owned shares of "National Company "Aktau International Commercial Seaport" JSC were transferred to the Fund. Since the transfer of shares of "National Company "Aktau International Commercial Seaport" JSC represents business combination of entities under common control, these consolidated financial statements were prepared using accounting method of predecessor company. Accordingly, these consolidated financial statements were presented as if the shares of "National Company "Aktau International Commercial Seaport" JSC were transferred at the beginning of the earliest presented period and, as a result, relevant comparative information was restated. The carrying amount of contributed net assets in these consolidated financial statements was recorded as adjustment of retained earnings, which subsequently, during issue of the Fund's shares, were transferred to the share capital in the amount of 26,234 million tenge.

Contributions of property

During 2013 in accordance with the Resolution of the Government of the Republic of Kazakhstan No. 939 dated September 14, 2010, the Shareholder contributed property for the total amount of 9,808 million tenge.

17.2 Discount on loans from the Government**2014**

In June 2014 the Fund received below-market loans from the Ministry of finance of the Republic of Kazakhstan. Discount at initial recognition of these borrowings in the amount of 12,363 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

2013

In January 2013 the Fund placed coupon bonds at market interest rates, which were purchased by the National Bank of the Republic of Kazakhstan and received a loan from the Government at below-market rate. Discount at initial recognition of these borrowings in the amount of 249,828 million tenge was recognized as gain on initial recognition in the consolidated statement of changes in equity (*Note 19*).

17.3 Dividends*Dividends attributable to equity holder of the Parent*

On October 24, 2014 the Fund paid dividends to the Shareholder in the amount of 9,077 million tenge based on financial results for 2013 according to the Resolution of the Government dated October 20, 2014 (2013: 9,077 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. EQUITY (continued)****17.3 Dividends (continued)***Dividends attributable to non-controlling interest*

In 2014 the Group declared dividends in the amount of 49,543 million tenge and 4,193 million tenge to the holders of non-controlling interest in KMG EP and KTO, respectively (2013: 40,591 million tenge, 14,919 million tenge and 2,885 million tenge to the holders of non-controlling interest of KMG EP, Kazakhtelecom JSC and KTO, respectively).

In 2014 total dividends paid to other non-controlling interest were equal to 4,660 million tenge (2013: 2,326 million tenge).

17.4 Other transactions with the Shareholder**2014**

In 2014 the Concession Agreement of ICA (the subsidiary of NC KMG) with the Government was terminated, and the total amount of capitalised improvements made by the Group to the gas pipelines managed under the Concession Agreement were transferred to the Government with the net book value of 83,177 million tenge (*Note 37*).

In 2014, in accordance with the exchange agreement concluded in 2013, the Shareholder transferred gas pipelines previously used by ICA under the Concession agreement to the Fund at their fair value of 207,115 million tenge (*Note 37*).

In 2014 the Group recognized provision on onerous obligation, related to unprofitability of construction of special economic zone Chemical Park Taraz, in the amount of 16,881 million tenge, as a decrease in retained earnings. The amount of provision was determined as excess of cumulative planned investments in the project over its recoverable amount (*Note 22*).

In 2014 the Group recognised difference between issued share capital and fair value of pipelines received from the Shareholder, in the amount of 1,838 million tenge as a decrease in retained earnings.

Also, during 2014, the Group received other property from the Shareholder in the amount of 721 million tenge.

2013

In accordance with the trust management agreements with the right of full control over the development institutions and financial organizations (Entrepreneurship Development Fund "Damu" JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation "KazExportGarant" JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC), SK-Pharmacy LLP and Doszhan Temir Zholy JSC concluded in April 2013 the Fund lost control over these entities. The Fund recognized disposal of these subsidiaries and recorded as Other transactions with the Shareholder in the amount of 471,711 million tenge in the consolidated statement of changes in equity.

In July 2013, for the purposes of execution of the Resolution of the Government of the Republic of Kazakhstan dated May 25, 2013 No 516 "On measures of implementation of the Decree of the President of the Republic of Kazakhstan dated May 22, 2013 No 571 "On certain measures to optimize the management system of development institutes and develop the national economy", the Fund and the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan signed the exchange agreement whereby the title on shares and interest in the above entities were transferred to the state ownership in exchange for the state property in accordance with the list attached to the Government Resolution.

Also, in accordance with the above exchange agreement, the title on shares in "National Geological Company "Kazgeology" JSC was transferred to the state ownership in exchange for the state property in accordance with the list attached to the Government Resolution. The Fund recognized disposal of National Geological Company "Kazgeology" JSC and recorded as Other transactions with the Shareholder in the amount of 8,966 million tenge in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)**17.5 Other distributions to the Shareholder****2014***Acquisition of interest in KTM*

During 2014 the Group made a step acquisition of 49% of interest in KTM (*Note 5*), the existing 51% joint venture, from TPAO and increased its participation interest in KTM to 100%. The excess of fair value of consideration over fair value of net assets of KTM and loss on remeasurement of existing share in the amount of 26,916 million tenge as at acquisition date was recognized as other distributions to the Shareholder due to the fact that the acquisition was made in accordance with the instructions of the Shareholder.

Construction and transfer of fixed assets

In 2014 the Group entered into an additional irrevocable commitment with the Shareholder for the construction of the multifunctional Ice Palace and, as a result, recognized other distributions to the Shareholder in the amount of 23,596 million tenge, which is equal to the amount of the additional construction costs.

In 2014 the Group entered into an additional irrevocable commitment with the Shareholder for financing of the construction of the Concert Hall (Choreography Theatre) and recognized other distributions to the Shareholder in the amount of 10,760 million tenge.

In 2014, the Group reduced a provision for reconstruction of the trade and exhibition center in Moscow city by 2,979 million tenge and provision for construction of the History Museum of Kazakhstan in Astana by 2,088 million tenge. Also, the Group increased provision for construction of kindergartens and Youth Palace "Zhastar" in Astana for the amount of 2,487 million tenge and 1,145 million tenge, respectively.

In 2014, in accordance with the Agreement between the Government of the Republic of Kazakhstan and the Government of the Kyrgyz Republic, the Group provided funds for the construction of schools in Kyrgyz Republic in the amount of 1,201 million tenge.

In 2014 the Group recognized a provision to donate to Mangistau local authorities social facilities in the amount of 314 million tenge.

Sponsorship under the Shareholder's request

During the year ended December 31, 2014 in accordance with the resolutions of the Shareholder, the Group provided sponsorship in the total amount of 33,315 million tenge for financing social, cultural and sporting activities that were recognized as Other distributions to the Shareholder. In 2014, the Group reversed other distributions to the Shareholder in the amount of 638 million tenge.

2013*Transfer of shares of Kazakhmys Plc*

On June 6, 2013 the Fund transferred common shares of Kazakhmys Plc (58,876,793 shares) to the state ownership, by their transfer to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan. The Fund derecognized its investments in Kazakhmys Plc that were previously classified as available for sale financial assets in the amount of 44,069 million tenge and reclassified accumulated revaluation reserve for available for sale financial assets in the amount of 67,856 million tenge. The transaction was recognized as Other distributions to the Shareholder in the amount of 111,925 million tenge in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)**17.5 Other distributions to the Shareholder (continued)****2013 (continued)***Construction and transfer of fixed assets*

In 2013, the Group increased a provision for reconstruction of the trade and exhibition center in Moscow city by 3,433 million tenge and provision for costs to be incurred on construction of the History Museum of Kazakhstan in Astana by 23,551 million tenge, respectively.

On June 27, 2013 the Interdepartmental Commission for the development of oil, gas and energy industries decided to retain the North-Caspian environmental oil spill response base with the Group. Based on this decision, in 2013 the Group reversed other distributions to the Shareholder in the amount of 13,537 million tenge recognized in 2012.

In accordance with the development plan for Schuchensko – Borovskoi resort area approved by the Government, the Group is obliged to build a golf club in this resort area. The cost of construction and the recoverable amount of this project were estimated in the amount of 19,573 million tenge and 6,252 million tenge, respectively. The difference of 13,321 million tenge between the estimated cost of construction and the recoverable amount was recognized as Other distributions to the Shareholder in the consolidated statement of changes in equity for the year ended December 31, 2013.

Sponsorship under the Shareholder's request

During the year ended December 31, 2013 in accordance with the Resolution of the Government, the Group provided sponsorship in the total amount of 8,841 million tenge for financing social, cultural and sporting activities that were recognized as Other distributions to the Shareholder.

17.6 Change in ownership interests of subsidiaries – acquisition by non-controlling interest*Alliance Bank JSC*

In May 2014 the Fund completed transaction on sale of 16% of common and preferred shares of Alliance Bank to Mr. Bulat Utemuratov. As a result of the transaction, the Group received cash in the amount of 1,491 million tenge, non-controlling interest decreased by 9,370 million tenge, and the difference in the amount of 10,861 million tenge was recognized in equity attributable to equity holder of the Parent of the Fund.

National Company “Kazakhstan Engineering” JSC

In 2014 the Government made a contribution to the share capital of Kazengineering, which resulted in a decrease of the Fund's stake from 100% to 56.35% (Note 17.1). As a result of the transaction, the Group received 9,375 million tenge, non-controlling interest increased by 12,853 million tenge, and the difference in the amount of 3,478 million tenge was recognized as a decrease in retained earnings. Later in 2014, 43.65% of state-owned shares of Kazengineering were transferred to the Fund as contribution to its share capital (Notes 17.1, 17.7).

“Kazakhstan Electricity Grid Operating Company” JSC

On December 19, 2014 the Group placed 25,999,999 common shares of “Kazakhstan Electricity Grid Operating Company” JSC (“KEGOC”) at a price of 505 tenge per share at the Kazakhstan Stock Exchange under the “People's IPO” program. As a result of share issue, the Group received proceeds of 12,438 million tenge, net of transaction costs of 692 million tenge, non-controlling interest increased by 15,182 million tenge, and the difference in the amount of 2,744 million tenge was recognized as a decrease in retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

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

Acquisition of non-controlling interest in Moinak HPS

On June 16, 2014 the Group acquired non-controlling interest in Moinak HPS from Birlik JSC, a minority shareholder. As a result of the transaction, the Group paid an amount of 18,350 million tenge, non-controlling interest increased by 1,813 million tenge, and the difference in the amount of 20,163 million tenge was recognized as a decrease in retained earnings.

Transfer of state-owned shares of National Company “Kazakhstan Engineering” JSC

In 2014 the Shareholder transferred 43.65% of state-owned shares of Kazengineering to the Fund (Note 17.1), and the Group reversed the acquisition by non-controlling interest in the amount of 9,375 million tenge (Note 17.6). As a result of the transaction, non-controlling interest decreased by 14,176 million tenge, and the adjustment in the amount of 4,801 million tenge was recognized as an increase in retained earnings.

Acquisition of additional share of interest in “Masalskiy Gorno-Obogatitelniy Combinat” LLP (MGOC)

On July 2014 the Group acquired 30% interest in MGOC from National Company “SPK Essyl”, for the consideration of 220 million tenge, and increased its participation interest in MGOC to 93%. As a result, non-controlling interest decreased by 1,803 million tenge, and the difference between consideration paid and non-controlling interest in the amount of 1,583 million tenge, was recorded as increase in retained earnings in the consolidated statement of changes in equity.

Other changes in ownership of subsidiaries

During 2014 other changes in ownership interests of subsidiaries resulted due to acquisition of non-controlling interest and resulted in decrease of non-controlling interest by 1,124 million tenge and decrease of equity attributable to equity holder of the Parent by 285 million tenge.

17.8 Non-controlling interest

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

	Country of incorporation and operation	Non-controlling interest			
		2014		2013	
		Share	Carrying amount	Share	Carrying amount
KazMunayGas Exploration Production JSC	Kazakhstan	36.79%	492,634	36.78%	504,355
Kazakhtelecom JSC	Kazakhstan	49.00%	137,606	49.00%	135,445
KazTransOil JSC	Kazakhstan	10.00%	36,195	10.00%	34,452
Romp petrol Downstream S.R.L.	Romania	45.37%	24,793	45.37%	20,437
Air Astana JSC	Kazakhstan	49.00%	24,065	49.00%	23,123
Romp petrol Rafinare S.A.	Romania	45.37%	140	45.37%	24,470
			715,433		742,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

17.8 Non-controlling interest (continued)

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

<i>In millions of tenge</i>	KazMunayGas Exploration Production JSC	Kazakhtelecom JSC	KazTransOil JSC	Rompetrol Refinare S.A.	Air Astana JSC	Rompetrol Downstream S.R.L.
Summarised balance sheet						
Non-current assets	578,602	351,691	372,337	166,969	102,783	65,459
Current assets	905,192	66,002	99,649	79,455	59,421	52,631
Non-current liabilities	(39,797)	(97,104)	(59,654)	(38,649)	(83,050)	(7,826)
Current liabilities	(104,880)	(50,280)	(50,383)	(207,466)	(29,993)	(55,619)
Total equity	1,339,117	270,309	361,949	309	49,161	54,645
Attributable to:						
Equity holder of the Parent	846,483	132,703	325,754	169	25,096	29,852
Non-controlling interest	492,634	137,606	36,195	140	24,065	24,793
Summarised statement of comprehensive income Profit/(loss) for the year from continuing operations	49,720	6,724	55,348	(62,597)	3,486	1,084
Total comprehensive income/(loss) for the year, net of tax	102,798	5,631	59,352	(53,614)	3,486	9,600
Attributable to:						
Equity holder of the Parent	64,984	3,386	53,417	(29,285)	1,778	5,244
Non-controlling interest	37,814	2,245	5,935	(24,329)	1,708	4,356
Dividends paid to non-controlling interest	(43,855)	(13,724)	(4,193)	-	(766)	-
Summarised cash flow information						
Operating activity	196,403	28,702	93,908	9,790	23,720	6,232
Investing activity	(20,662)	(63,168)	(35,343)	(6,160)	(3,049)	(3,810)
Financing activity	(130,088)	580	(42,036)	(15,409)	(9,897)	(8,519)
Net (decrease)/increase in cash and cash equivalents	45,653	(33,866)	16,529	(11,779)	10,774	(6,097)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

17.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which the Group has significant non-controlling interests as at December 31, 2013 and for the year then ended:

<i>In millions of tenge</i>	KazMunayGas Exploration Production JSC	Kazakhtelecom JSC	KazTransOil JSC	Rafinare S.A.	Air Astana JSC	Rompetro Downstream S.R.L.
Summarised balance sheet						
Non-current assets	666,034	331,753	319,084	182,211	93,247	55,642
Current assets	928,791	84,383	123,617	106,061	43,628	55,337
Non-current liabilities	(39,376)	(69,959)	(48,560)	(35,250)	(62,689)	(7,486)
Current liabilities	(184,356)	(80,674)	(49,619)	(199,098)	(26,948)	(58,449)
Total equity	1,371,093	265,503	344,522	53,924	47,238	45,044
Attributable to:						
Equity holder of the Parent	866,738	130,058	310,070	28,454	24,115	24,607
Non-controlling interest	504,355	135,445	34,452	24,470	23,123	20,437
Summarised statement of comprehensive income						
Profit/(loss) for the year from continuing operations	139,147	19,561	83,490	(24,669)	7,814	(2,342)
Total comprehensive income/(loss) for the year, net of tax	143,647	19,473	83,075	(24,669)	7,814	(2,342)
Attributable to:						
Equity holder of the Parent	89,984	9,968	74,916	(13,474)	3,985	(1,279)
Non-controlling interest	53,663	9,505	8,159	(11,195)	3,829	(1,063)
Dividends paid to non-controlling interest	(40,221)	(1,031)	(2,885)	-	(1,562)	-
Summarised cash flow information						
Operating activity	98,432	62,468	95,859	16,900	8,214	8,369
Investing activity	(22,887)	(34,416)	(60,320)	(17,212)	(4,503)	(547)
Financing activity	(111,058)	(39,187)	(28,848)	(8,914)	(8,062)	(4,485)
Net (decrease)/increase in cash and cash equivalents	(35,513)	(11,135)	6,691	(9,226)	(4,351)	3,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

17.9 Currency translation reserves

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.

17.10 Other capital reserves

Other capital reserves include the effect of cash flow hedge accounting to record any fair value gains or losses on the designated derivative financial instruments in a hedging reserve within equity. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

Other capital reserves also include 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.

17.11 Book value of shares

In accordance with the decision of the Exchange Board of the 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.

<i>In millions of tenge</i>	2014	2013
Total assets	16,637,674	15,294,489
Intangible assets	(334,289)	(284,325)
Total liabilities	(8,505,596)	(7,787,897)
Net assets for common shares	7,797,789	7,222,267
Number of common shares as at December 31	3,481,623,734	3,481,602,341
Book value per common share, tenge	2,240	2,074

18. BORROWINGS

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

<i>In millions of tenge</i>	2014	2013
Fixed interest rate borrowings	4,575,675	2,551,882
Weighted average interest rate	6.51%	6.98%
Variable interest rate borrowings	1,066,587	1,422,484
Weighted average interest rate	3.56%	4.38%
	5,642,262	3,974,366
Less: amounts due for settlement within 12 months	(1,313,236)	(607,839)
Amounts due for settlement after 12 months	4,329,026	3,366,527

<i>In millions of tenge</i>	2014	2013
US dollar-denominated borrowings	4,029,894	3,327,141
Tenge-denominated borrowings	1,413,127	539,555
Other currency-denominated borrowings	199,241	107,670
	5,642,262	3,974,366

Under the terms and conditions of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. At December 31, 2014 and 2013, Group management believes that the Group’s subsidiaries complied with all such covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

Effect of disposal of subsidiaries

As at reporting date the Group had bonds acquired by BTA Bank and Alliance Bank in the amount of 656,323 million tenge and 106,820 million tenge, respectively. Before the disposal these bonds were eliminated as intergroup balances. After the disposal the Group’s balance of bonds payable increased.

Currency correction effect

Carrying amount of borrowings increased by 558,847 million tenge due to correction of tenge to US dollar in February 2014.

Credit facility of State China Development Bank

In January 2014, the Fund made a partial early repayment of loans to the State China Development Bank in the amount of 400 million US dollars (equivalent to 61,904 million tenge at the exchange rate as at the date of payment).

Issuance of bonds

In June 2014 National Company NC KTZh issued 2 tranches of Eurobonds on Swiss Stock Exchange: 100,000 thousand Swiss francs (equivalent to 20,439 million tenge at the exchange rate as at the date of issue) with an interest rate of 2.590% per annum and maturity on June 20, 2019 and 185,000 thousand Swiss francs (equivalent to 37,814 million tenge at the exchange rate as at the date of issue) with an interest rates of 3.638% per annum and maturity on June 20, 2022.

In November 2014 NC KMG issued additional bonds on London Stock Exchange: 1 billion US dollars (equivalent of 180,870 million tenge at the exchange rate as at the date of issue) with the interest rate of 6.10% per annum maturing in 2044 and an offering price of 98.631% of the nominal amount; 0,5 billion US dollars (equivalent to 90,435 million tenge at the exchange rate as at the date of issue) with the interest rate of 4.95% per annum maturing in 2025 and an offering price of 99.392% of the nominal amount.

Other borrowings

In 2014 NC KMG received a loan in the amount of 400,000 thousand US dollars (equivalent to 72,348 thousand tenge at the exchange rate at the date of receipt) from OJSC “Sberbank Russia” to finance reconstruction of the oil refinery in Shymkent city.

During the year ended December 31, 2014 Atyrau Oil Refinery LLP (“ANPZ”), subsidiary of NC KMG, received a loan in the amount of 233 million US dollars (equivalent to 40,632 million tenge at the exchange rate at the date of receipt) from Development Bank of Kazakhstan JSC under credit facility agreement on provision of 1,316 million US dollars to finance the construction of the aromatic hydrocarbon complex.

In September 2014 NC KTZh and its subsidiaries, Locomotiv and KTZh Express, received 30,000 million tenge under the credit line from EBRD.

In 2014 NC KMG in accordance with several loan agreements with Halyk Bank received an amount of 24,053 million tenge.

As at December 31, 2014 the carrying amount of borrowings by subsidiaries of the Group is presented below:

<i>In millions of tenge</i>	2014	2013
The Fund	1,306,118	552,867
NC KMG and its subsidiaries	3,090,528	2,300,115
NC KTZh and its subsidiaries	689,327	514,371
NAC KAP and its subsidiaries	137,072	120,671
Samruk-Energy and its subsidiaries	188,349	146,424
Other subsidiaries	230,868	339,918
	5,642,262	3,974,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. 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:

<i>In millions of tenge</i>	2014	2013
Bonds purchased by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	60,566	130,878
Bonds purchased by the National Bank of the Republic of Kazakhstan	279,141	71,302
Loans from the Government of the Republic of Kazakhstan	74,037	66,378
	413,744	268,558
Less: amounts due for settlement within 12 months	(1,111)	(71,342)
Amounts due for settlement after 12 months	412,633	197,216

2014

Due to disposal of Alliance Bank the total amount of loans from the Government decreased by the amount of 71,009 million tenge.

In order to acquire 50% equity interest in EGRES-1 (*Note 4*) and 100% interest in Kazgidrotekhenenergo LLP, in January 2014 the Fund placed 300,000,000 coupon bonds with a nominal value of KZT 1,000 each totalling KZT 300,000 million with maturity of 15 years and a coupon rate of 3% per annum, with effective rate of 6.68%. Bonds were acquired by the NBRK using assets of the National Fund of the Republic of Kazakhstan. Discount on placement was equal to 100,000 million tenge. Net cash receipts from the bond placement were equal to 200,000 million tenge that approximates fair value of the bonds as of the date of placement.

2013

In January 2013 the Fund placed 255,000,000 coupon bonds with nominal value of 1,000 tenge each for the total amount of 255,000 million tenge. The maturity of bonds is 50 years, coupon interest at the amount of 0.01%. All bonds were purchased by the National Bank of the Republic of Kazakhstan using the assets of the National Fund of the Republic of Kazakhstan based on the trust management agreement. When initially recognized, these loans were measured at fair value using appropriate market interest rates effective for the Fund as of the date of bonds issue and subsequently are carried at amortized cost. The difference between nominal cost of loans and their fair value in the amount of 249,828 million tenge was recognized in the consolidated statement of changes in equity.

As at December 31, 2014 effective interest rates on loans from the Government range from 6.27% to 6.36% per annum (December 31, 2013: 5.5% to 6.62%).

20. OTHER NON-CURRENT LIABILITIES

As at December 31, 2014 other non-current liabilities included the following:

Payables for acquisition of interest in 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 B.V., 100% subsidiary of NC KMG, agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan B.V. 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. This liability is pledged by the additional 8.48% interest acquired. As at December 31, 2014 the amortized cost of this payable was equal to 396,345 million tenge (December 31, 2013: 322,330 million tenge).

The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts. During the year ended December 31, 2014 the Group re-assessed start date of commercial production at Kashagan field and moved it from September 30, 2014 to second half of 2016. As a result, part of the payable was reclassified back to non-current liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. FINANCE LEASE LIABILITIES

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

During 2012-2014 Air Astana JSC, 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 JSC 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, while 3 (three) Boeing 767 aircrafts, which were delivered in 2013 and 2014, were guaranteed by US Export Import Bank; 2 (two) Embraer aircrafts, which were delivered in 2012 and 2013, were guaranteed by Brazilian Development Bank. Air Astana JSC obligations under finance leases are secured by the lessors' title to the leased assets with carrying amount of 88,501 million tenge (2013: 78,322 million tenge).

As at December 31, 2014 interest calculation was based on effective interest rates ranging from 3.09% to 19.7% (2013: from 3.02% 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:

<i>In millions of tenge</i>	2014	
	Minimum lease payments	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		(15,802)
Amounts due for settlement after 12 months		90,396
	2013	
<i>In millions of tenge</i>	Minimum lease payments	Present value of minimum lease payments
Within one year	17,881	13,698
Two to five years inclusive	45,798	37,027
After five years	43,889	37,955
Less: amounts representing finance costs	(18,888)	-
Present value of minimum lease payments	88,680	88,680
Less: amounts due for settlement within 12 months		(13,696)
Amounts due for settlement after 12 months		74,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. PROVISIONS

As at December 31 provisions comprised the following:

<i>In millions of tenge</i>	Asset retirement obligations	Provision for environmental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at January 1, 2013	69,583	34,808	8,749	127,944	19,430	260,514
Foreign currency translation	485	307	-	-	135	927
Change in estimate	(4,868)	847	-	-	(6,984)	(11,005)
Unwinding of discount	3,517	1,338	-	-	59	4,914
Provision for the year	4,640	3,159	18,082	27,593	32,100	85,574
Discontinued operations	(804)	-	-	-	(1,438)	(2,242)
Use of provision	(1,032)	(1,023)	(6,048)	(22,801)	(2,203)	(33,107)
Reversal of unused amounts	(88)	(243)	(553)	-	(5,467)	(6,351)
Provision at December 31, 2013	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
Discontinued operations	-	(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

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

<i>In millions of tenge</i>	Asset retirement obligations	Provision for environmental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	1,161	6,941	20,230	98,014	35,632	161,978
Long-term portion	70,272	32,252	-	34,722	-	137,246
Provision at December 31, 2013	71,433	39,193	20,230	132,736	35,632	299,224
Current portion	1,047	9,148	5,880	104,314	33,040	153,429
Long-term 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

Other provisions

In 2014 the Group recognized provision on onerous obligation, related to unprofitability of construction of special economic zone Chemical Park Taraz, in the amount of 16.881 million tenge (Note 17.4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. 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.

The Group also withholds and contributes up to 10% limit on 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.

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, 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:

<i>In millions of tenge</i>	2014	2013
Present value of defined benefit obligation	66,851	60,295
Liability falling due within one year	(5,726)	(4,578)
Liability falling due after one year	61,125	55,717

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

<i>In millions of tenge</i>	2014	2013
Total liability at the beginning of the year	60,295	49,979
Current service cost	4,143	5,908
Past service cost	1,396	(2,455)
Interest cost	3,813	3,888
Benefits paid during the year	(5,137)	(4,667)
Unrecorded past service cost	202	6,736
Actuarial loss recognized during the year	4,292	906
Foreign exchange	(1,874)	–
Discontinued operations	(279)	–
Total liability at the end of the year	66,851	60,295

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, in the amount of 13,846 million tenge was recorded in the consolidated statement of comprehensive income within personnel costs in 2014 (2013: 14,983 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:

	2014	2013
Discount rate	7.01%	6.61%
Expected rate of increase of future annual financial assistance	4.73%	5.81%
Expected rate of increase of future annual minimum salary	5.71%	5.31%
Expected rate of increase of future annual railway ticket price	7.5%	7.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. OTHER CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

<i>In millions of tenge</i>	2014	2013
Other taxes payable	100,569	128,470
Advances received and deferred income	100,427	123,260
Due to employees	90,829	81,734
Payable for the acquisition of interest in KazakTurkMunay LLP (Note 5)	13,700	-
Other estimated liabilities	5,033	5,508
Dividends payable	4,037	18,057
Payable for the acquisition of additional interest in the North Caspian Project (Note 20)	-	107,444
Other	59,052	53,042
	373,647	517,515

25. REVENUE

Revenue comprised the following for the years ended December 31:

<i>In millions of tenge</i>	2014	2013
Sales of oil refined products	2,061,842	2,096,932
Railway cargo transportation	736,074	738,985
Sales of crude oil	697,391	735,441
Oil and gas transportation	287,376	261,803
Sales of uranium products	243,495	211,321
Electricity complex	235,509	144,877
Sales of gas products	233,586	204,303
Telecommunication services	198,823	182,555
Air transportation	163,682	143,813
Railway passenger transportation	78,579	74,421
Electricity transmission services	75,821	70,687
Interest revenue	53,441	47,423
Refined gold	42,425	-
Oil processing fees	38,948	-
Postal services	27,942	25,627
Sale of medicine	-	24,548
Other revenue	324,535	312,024
Less: indirect taxes and commercial discounts	(392,971)	(295,988)
	5,106,498	4,978,772

26. 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 contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2014 was equal to 24,638 million tenge (2013: 23,881 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, Kazakhtelecom JSC 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, 2014 was equal to 6,277 million tenge (2013: 5,029 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, 2014 was equal to 242 million tenge (2013: 46 million tenge).

Other government grants and subsidies for the year ended December 31, 2014, were equal to 35 million tenge (2013: 40 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COST OF SALES

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

<i>In millions of tenge</i>	2014	2013
Materials and supplies	2,039,034	2,144,838
Personnel costs	671,909	574,378
Depreciation, depletion and amortization	380,511	317,025
Production services received	139,101	124,830
Mineral extraction tax	103,338	97,698
Repair and maintenance	79,791	84,073
Interest expense	68,879	36,145
Gold raw materials	41,704	-
Rent	38,199	37,742
Cost of oil processing	28,993	-
Other	204,301	185,654
	3,795,760	3,602,383

28. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In millions of tenge</i>	2014	2013
Personnel costs	155,748	144,252
Taxes other than income tax	50,023	46,374
Sponsorship and charitable donations	33,212	35,219
Depreciation and amortization	23,510	24,501
Consulting services	22,888	19,675
Allowance for doubtful debts	10,217	7,232
Business trips	6,245	6,387
Rent	6,233	5,982
Repair and maintenance	5,133	3,783
Fines and penalties	638	9,026
Other	63,027	59,577
	376,874	362,008

29. TRANSPORTATION AND SELLING EXPENSES

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

<i>In millions of tenge</i>	2014	2013
Rent tax	152,623	165,307
Custom duties	87,246	59,499
Transportation	61,364	59,358
Personnel costs	23,686	20,849
Depreciation and amortization	13,264	12,689
Commission fees to agents and advertising	11,814	8,887
Other	24,980	20,868
	374,977	347,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. IMPAIRMENT LOSS**

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

<i>In millions of tenge</i>	2014	2013
Impairment of property, plant and equipment and intangible assets	330,548	73,360
Impairment of goodwill (Note 8)	106,620	4,945
Impairment of investments in joint ventures and associates (Note 9)	11,760	61,427
Reversal of impairment of loans to customers	(905)	(69)
Other	7,762	13,166
	455,785	152,829

31. FINANCE COSTS

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

<i>In millions of tenge</i>	2014	2013
Interest on loans and debt securities issued	244,364	200,473
Unwinding of discount on provisions and other payables	7,336	5,752
Interest on finance lease liabilities	5,766	4,215
Other	30,641	20,306
	288,107	230,746

32. FINANCE INCOME

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

<i>In millions of tenge</i>	2014	2013
Interest income on amounts due from credit institutions and cash and cash equivalents	84,778	61,690
Income from loans and financial assets	15,133	5,186
Unwinding of discount long-term receivables	6,088	2,464
Guarantee income	5,614	3,101
Dividend income	-	2,051
Other	17,756	9,410
	129,369	83,902

33. 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:

<i>In millions of tenge</i>	2014	2013
Tengizchevroil LLP	315,828	295,908
Mangistau Investments B.V.	56,939	56,519
JV KazGerMunay LLP	35,436	43,216
KazRosGas LLP	29,484	22,335
PetroKazakhstan Inc.	23,008	23,747
Vaisera Holdings B.V.	6,971	(3,339)
JV KATCO LLP	6,766	10,339
JV Betpak Dala LLP	6,342	4,378
Ekibastuzskaya GRES-2 JSC (“EGRES-2”)	5,129	9,016
Sekerbank T.A.S	4,964	6,298
Karatau LLP	4,476	6,939
Ekibastuzskaya GRES-1 LLP (“EGRES-1”)	4,033	16,277
Kazakhoil-Aktobe LLP	2,078	11,715
Kazzinc LLP	1,987	6,364
Kazakhstan-China Pipeline LLP	(6,496)	12,049
CJSC “COU”	(9,502)	(662)
Beineu – Shymkent Pipeline LLP	(13,861)	(1,690)
Other	(16,487)	26,933
	457,095	546,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. NET FOREIGN EXCHANGE LOSS

On February 11, 2014 the NBRK ceased control over the exchange rate of tenge to US dollar. As a result, tenge exchange rate was corrected against the US dollar and other major currencies. The exchange rates before and after devaluation were 155.56 tenge to 1 US dollar and 184.5 tenge to 1 US dollar, respectively, which led to significant foreign exchange gains and losses for the year ended December 31, 2014 (see also *Note 37*, point 1).

35. INCOME TAX EXPENSES

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

<i>In millions of tenge</i>	2014	2013
Current income tax expenses		
Corporate income tax	136,838	145,016
Withholding tax on dividends and interest income	44,790	62,579
Excess profit tax	11,534	8,475
Deferred income tax expense/(benefit)		
Corporate income tax	(33,740)	30,781
Withholding tax on dividends and interest income	28,386	7,077
Excess profit tax	(1,784)	5,126
Income tax expenses	186,024	259,054

As at December 31, 2014 and 2013 income tax loss carry forward is allowed for 10 (ten) years from the origin date of the loss in the Republic of Kazakhstan.

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20% in 2014 and 2013) to income tax expenses was as follows for the years ended December 31:

<i>In millions of tenge</i>	2014	2013
Accounting profit before income tax from continuing operations	458,833	954,872
Accounting loss before income tax from discontinued operations	(29,373)	(242,701)
Income tax expenses on accounting profit	85,892	142,434
Tax effect of other items, which are not deductible or assessable for taxation purposes	92,232	55,466
Change in unrecognized deferred tax assets	41,539	74,964
Impairment of disposal group	-	31,746
Excess profit tax	9,750	13,601
Effect of different corporate income tax rates	(9,077)	15,929
Share in nontaxable profit of joint ventures and associates	(43,059)	(63,844)
Other differences	17,691	2,119
Total corporate income tax expenses	194,968	272,415
Less: income tax expense attributable to discontinued operations	(8,944)	(13,361)
Income tax expense from continuing operations	186,024	259,054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. 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:

In millions of tenge	2014			2013			Total
	Corporate income tax	Excess profit tax	Withholding tax	Corporate income tax	Excess profit tax	Withholding tax	
Deferred tax assets							
Property, plant and equipment	72,782	(1,619)	-	7,985	(1,902)	-	6,083
Tax loss carryforward	219,984	-	-	240,080	-	-	240,080
Employee related accruals	10,293	107	-	10,028	96	-	10,124
Impairment of financial assets	5,190	-	-	17,943	-	-	17,943
Provision for environmental remediation	7,180	9	-	3,989	-	-	3,989
Other accruals	7,094	1,774	-	12,063	1,406	-	13,469
Other	33,846	-	-	26,861	-	-	26,861
Less: unrecognized deferred tax assets	(138,815)	-	-	(201,619)	-	-	(201,619)
Less: deferred tax assets offset with deferred tax liabilities	(115,389)	-	-	(74,530)	(316)	-	(74,846)
Deferred tax assets	102,165	271	-	42,800	(716)	-	42,084
Deferred tax liabilities							
Property, plant and equipment	538,579	177	-	401,774	1,090	-	402,864
Undistributed earnings of joint ventures and associates	-	-	75,187	-	-	46,801	46,801
Other	13,699	-	-	3,100	-	-	3,100
Less: deferred tax assets offset with deferred tax liabilities	(115,389)	-	-	(74,530)	(316)	-	(74,846)
Deferred tax liabilities	436,889	177	75,187	330,344	774	46,801	377,919
Net deferred tax liabilities	(334,724)	94	(75,187)	(287,544)	(1,490)	(46,801)	(335,835)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

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

	2014				2013			
	Corporate income tax	Excess profit tax	Withholding tax	Total	Corporate income tax	Excess profit tax	Withholding tax	Total
<i>n millions of tenge</i>								
Balance at January 1	287,544	1,490	46,801	335,835	222,898	(3,636)	39,724	258,986
Foreign currency translation	5,427	200	-	5,627	2,029	-	-	2,029
Charged to other comprehensive income	2,218	-	-	2,218	(1,750)	-	-	(1,750)
Acquisitions of subsidiaries	75,198	-	-	75,198	(128)	-	-	(128)
Discontinued operations (Note 6)	(1,923)	-	-	(1,923)	33,714	-	-	33,714
Credited to profit and loss	(33,740)	(1,784)	28,386	(7,138)	30,781	5,126	7,077	42,984
Balance at December 31	334,724	(94)	75,187	409,817	287,544	1,490	46,801	335,835

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 138,815 million tenge as at December 31, 2014 (2013: 201,619 million tenge).

Tax losses carryforwards as at December 31, 2014 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. CONSOLIDATION

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

	Ownership percentage	
	2014	2013
1 National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	100.00%	100.00%
2 National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100.00%	100.00%
3 National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	100.00%	100.00%
4 Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	100.00%	100.00%
5 Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	90% + 1	100.00%
6 Kazpost JSC and subsidiaries	100.00%	100.00%
7 Kazakhtelecom JSC (“KTC”) and subsidiaries	51.00%	51.00%
8 Air Astana JSC (“Air Astana”)	51.00%	51.00%
9 National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries	100.00%	100.00%
10 Real Estate Fund “Samruk-Kazyna” JSC	100.00%	100.00%
11 National Mining Company “Tau-Ken Samruk” and subsidiaries	100.00%	100.00%
12 United Chemical Company LLP and subsidiaries (“UCC”)	100.00%	100.00%
13 Samruk-Kazyna Invest LLP	100.00%	100.00%
14 Samruk-Kazyna Contract LLP	100.00%	100.00%
15 KOREM JSC	100.00%	100.00%
16 International Airport Atyrau JSC	100.00%	100.00%
17 International Airport Aktobe JSC	100.00%	100.00%
18 Airport Pavlodar JSC	100.00%	100.00%
19 Karagandagiproshakt and K LLP	90.00%	90.00%
20 SK Finance LLP	100.00%	100.00%
21 Kazakh Research Power Engineering Institute named after Chokin JSC	50% + 1	50% + 1
22 KGF IM	100.00%	100.00%
23 BTA Bank JSC (“BTA Bank”) and subsidiaries	-	97.26%
24 Alliance Bank JSC (“Alliance Bank”) and subsidiaries	-	67.00%
25 Temirbank JSC	-	79.88%
26 KGF Management	-	100.00%
27 KGF SLP	-	100.00%
28 “Kazakh nuclear power plants” JSC	100.00%	-
29 “Aviation Company “Air Kazakhstan” JSC	53.65%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions during the year ended December 31, 2014 have been excluded from the consolidated statement of cash flows:

1. Hedge of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollars. Effect of hedging was equal to 311,795 million tenge which was reclassified from profits and losses to other comprehensive income as an exchange difference on translation of foreign operations;
2. Transfer of gas pipelines from the Shareholder to the Fund in the amount of 207,115 million tenge (*Note 17*);
3. Transfer of capitalized leasehold improvements of gas transportation system in the amount of 83,177 million tenge (*Note 17.4*);
4. Purchase of property, plant and equipment, which is not paid by the end of the reporting period in the total amount of 91,966 million tenge;
5. Capitalization of an increase in provision for assets retirement obligations within the carrying amount of property, plant and equipment in the total amount of 49,677 million tenge;
6. Acquisition of a subsidiary, Shalkiya Zinc LTD JSC, in exchange for shares of BTA Bank in the amount of 31,000 million tenge (*Note 6*);
7. For the year ended December 31, 2014, the Group increased a provision related to expenses on construction of a multi-functional ice palace, financing of construction of a Concert Hall (Choreography theatre) and change in estimates on construction of other objects in the amount of 27,871 million tenge. The increase was recorded as Other distributions to the Shareholder (*Note 17*);
8. Capitalization of borrowing costs within the carrying amount of property, plant and equipment in the amount of 24,027 million tenge (*Note 7*);
9. Purchase of property, plant and equipment under finance lease agreements in the total amount of 20,989 million tenge;
10. Contribution of the property to the share capital of the Fund in the amount of 18,073 million tenge (*Note 17.1*);
11. Recognition of discount on loans from the Government received by the Fund in the amount of 12,363 million tenge (*Note 17.2*);
12. Repayment of loans provided by the Fund by investment property in the total amount of 10,453 million tenge.

38. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. RELATED PARTY DISCLOSURES (continued)

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

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities	Other related parties
Due from related parties	2014	34,735	29,722	10,837	136
	2013	45,827	21,039	6,070	339
Due to related parties	2014	36,929	45,164	1,945	–
	2013	9,268	46,231	932	2,436
Sale of goods and services	2014	86,812	271,549	112,771	2,205
	2013	60,666	223,174	73,016	1,992
Purchase of goods and services	2014	147,254	260,940	15,731	396
	2013	40,271	332,602	17,115	2,902
Current accounts and deposits (liabilities)	2014	–	–	–	–
	2013	60	709	28,224	34
Cash and cash equivalents, and amounts due from credit institutions (assets)	2014	–	–	258,142	–
	2013	6,530	–	198,369	–
Loans to customers	2014	49,723	148,513	5,765	7,543
	2013	15,628	59,145	7,193	6,156
Loans received	2014	32,224	6	915,279	–
	2013	67	7	1,112,865	–
Other assets	2014	2,424	50,203	8,822	5
	2013	18,190	48,059	56,732	1,790
Other liabilities	2014	3,686	836	9,437	17
	2013	2,961	830	50,502	39
Interest received	2014	3,515	10,634	7,393	1,474
	2013	1,682	6,914	12,141	4,392
Interest accrued	2014	165	688	80,764	–
	2013	1	4,403	58,973	2

As at December 31, 2014 some of the Group's borrowings in the amount of 55.201 million tenge were guaranteed by the Government of the Republic of Kazakhstan (2013: 71.290 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying consolidated statement of comprehensive income was equal to 13.405 million tenge for the year ended December 31, 2014 (2013: 12.836 million tenge). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

As disclosed earlier in *Note 26*, the Government provides certain subsidies to the Group's subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. 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 financial 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 18*).

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.

<i>In millions of tenge</i>	Increase/ (decrease) in basis points*	Effect on profit and loss	Other effect on equity
2014			
US dollar	2/(2)	(1,072)/1,072	(822)/822
Tenge	2/(2)	(29)/29	(29)/29
2013			
US dollar	3/(3)	(1,034)/1,034	(7)/7
Tenge	3/(3)	(60)/60	(285)/333

* 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.

<i>In millions of tenge</i>	Increase/ (decrease) in exchange rate	Effect on profit and loss
2014		
US dollar	17.37%/17.37%	237,018/(250,234)
Euro	18.36%/18.36%	(906)/895
2013		
US dollar	20%/10%	(317,350)/(156,200)
Euro	20%/10%	(13,426)/(6,713)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 10*), amount due from credit institutions (*Note 11*), trade accounts receivable and other current assets (*Note 15*), other financial assets (*Note 12*), and cash and cash equivalents (*Note 16*), net of allowances for impairment recognized at the reporting date.

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.

<i>In millions of tenge</i>	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, 2014						
Loans from the Government	13	24	12,262	74,490	1,647,892	1,734,681
Borrowings	62,730	771,893	486,470	1,411,537	3,069,972	5,802,602
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
	238,417	929,428	625,140	1,996,623	4,775,294	8,564,902

At December 31, 2013

Loans from the Government	71,170	24	3,403	19,386	1,373,642	1,467,625
Borrowings	245,459	123,789	405,202	2,192,807	2,807,861	5,775,118
Finance lease liabilities	67	4,536	13,044	45,668	43,712	107,027
Due to customers	81,797	46,973	45,847	54,983	81,921	311,521
Trade and other payables	164,644	166,979	111,689	256,505	12	699,829
Derivatives	-	-	41	-	46	87
Other current liabilities	25,011	39,593	131,900	8,911	11,250	216,665
	588,148	381,894	711,126	2,578,260	4,318,444	8,577,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 Taxes, Depreciation and Amortization, and Interest ("D/EBITDA"); 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.

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	2014	2013
D/EBITDA	4.63	3.12
D/E	0.86	0.69

<i>In billions of tenge</i>	2014	2013
Borrowings	5,642	3,974
Loans from the Government	414	269
Payable for the acquisition interest in NCP	396	322
Finance lease liabilities	106	89
Due to customers	21	242
Derivatives	2	1
Guaranteed principal amount of liabilities of entities outside the Group	407	307
Debt	6,988	5,204
Profit before income tax	459	955
Interest on loans and debt securities issued	244	200
Interest on finance lease liabilities	6	4
Depreciation, depletion and amortization	418	356
Impairment loss	456	153
Gain on revaluation of a 50% stake in EGRES-1	(74)	-
EBITDA	1,509	1,668
Total equity	8,132	7,507

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair values of financial instruments (continued)

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund’s financial instruments presented at fair value in the consolidated balance sheet:

<i>In millions of tenge</i>	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

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	December 31, 2013
Financial instruments category				
Assets				
Available-for-sale financial assets	50,639	13,636	726	65,001
Financial assets at fair value through profit and loss	-	6,431	-	6,431
Derivative financial assets	-	46,427	-	46,427
Liabilities				
Derivative financial liabilities	-	527	-	527

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2014 is presented as follows:

<i>In millions of tenge</i>	Available-for-sale financial assets	Financial assets at fair value through profit/loss	Derivative financial assets	Total financial assets
As at January 1, 2013	6,441	14,715	32	21,188
Total profit/(loss) recognized in profit and loss	72	41	-	113
Total profit/(loss) recognized in the other comprehensive income	248	142	-	390
Acquisition	-	2,956	7	2,963
Sale	-	(1,441)	-	(1,441)
Repayment	(211)	(54)	-	(265)
Transfer from Level 1 and Level 2	726	-	-	726
Transfer to assets classified as held for sale	(6,550)	(16,359)	(39)	(22,948)
As at December 31, 2013	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair values of financial instruments (continued)

<i>In millions of tenge</i>	December 31, 2014				
	Carrying amount	Fair value	Fair value by level of assessment		
			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	-

<i>In millions of tenge</i>	December 31, 2013				
	Carrying amount	Fair value	Fair value by level of assessment		
			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	1,574,564	1,541,964	933,766	549,624	58,574
Financial liabilities					
Borrowings	3,974,366	4,019,557	2,945,574	742,846	331,137
Loans from the Government of the Republic of Kazakhstan	268,558	228,369	-	228,369	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES

Taxation

Provisions against amounts due from BTA Bank JSC

In September 2010, the Astana city tax committee of the Ministry of finance of the Republic of Kazakhstan initiated comprehensive tax audit of the Fund's activities for 2009. Based on the results of the tax audit, tax authorities raised a question on deductibility of provisions for corporate income tax purposes in 2009. The Fund has not agreed with the results of the tax audit and at the date of issue of these consolidated financial statements submitted an appeal to the Tax Committee.

The Resolution of the Government No. 2275 dated December 30, 2009 approved the "Rules of allocation of assets and contingent liabilities to the category of doubtful and bad by the national management holding, and by legal entities that are mainly engaged in borrowing transactions and repurchase of rights of demand and 100% of voting shares (share of participation) of such entities belong to the national management holding, and they have the right to deduct provision (reserve) expenses against doubtful and bad assets, contingent liabilities, apart from assets and contingent liabilities provided in favour of related parties, or third parties on obligations of related parties (apart from assets and contingent liabilities of credit cooperatives)" ("Rules").

In accordance with the Rules the Group recognised and deducted for corporate income tax purposes provisions related to the amounts due from BTA in the amount of 177.352 million tenge ("provisions").

The Group's management believes that as at December 31, 2014 its interpretation of applicable legislation (including Rules) is appropriate and the Group's position on deductibility of these provisions will be sustained. Accordingly, the Group did not recognize any provisions associated with possible assessments due to the results of the tax audit in the financial statements.

Comprehensive tax audits of the NC KTZh Group entities

During a special tax audit related to VAT return of NC KTZh for the period from January 2009 to December 2009 tax authorities identified VAT in the amount of 14,162 million tenge previously claimed for refund but not properly supported based on a counter audit of suppliers and also due to the absence of custom's marks on the additional copy of a road certificate, where they also assessed a penalty of 11,145 million tenge. As at December 31, 2014 NC KTZh has not accrued an allowance for these amounts as NC KTZh believes the requirement for provision of custom's marks on the additional copies of road certificate contradicts applicable tax legislation and the NC KTZh is appealing the tax claim in the court and state bodies.

During 2014, the NC KTZh accrued provisions for corporate income tax and fines in the amount of 8.808 million tenge based on results of tax audits performed for the period of 2007-2010, in addition to the provisions accrued as at December 31, 2013. The NC KTZh paid the amounts and is appealing the results of the tax audit in the court.

Mineral extraction tax (NC KMG)

On July 2, 2013 the Tax Committee of Yessil district of Astana provided a notification to NC KMG subsidiary – KMG EP in the amount of 8.785 million tenge for alleged discrepancies between data reported in KMG EP's mineral extraction tax ("MET") returns and data supplied by the Ministry of Oil and Gas of the Republic of Kazakhstan for the period from 2009 to 2012. These alleged discrepancies were caused by the fact that the sliding rates of tax in 2012 MET tax returns were determined based on volumes of production for the period when subsoil use contracts belonged to KMG EP, whereas the information provided by the Ministry of Oil and Gas of the Republic of Kazakhstan included production volumes of KMG EP and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined.

According to the tax authorities, for the purposes of determination of the MET rate for the year 2012 KMG EP should have included production volumes of JSC "Ozenmunaigas" and JSC "Embamunaigas" as well, even though transfer of subsoil use contracts took place during 2012. However, based on norms stipulated in the Kazakh tax legislation KMG EP believes that the MET rate should be determined based upon production for the period when it directly owned the subsoil use contracts.

KMG EP disagrees with the above notification and has provided the written explanations of its position. The tax authorities have not yet audited KMG EP on this matter and hence no tax assessment was done yet. Should the tax authorities audit KMG EP and assess additional MET liabilities, KMG EP will appeal such assessment. As management believes that it is more likely that KMG EP will succeed in its appeal, no accruals of provisions in relation to this matter have been made in the consolidated financial statements as at December 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. COMMITMENTS AND CONTINGENCIES (continued)****Taxation (continued)***Comprehensive tax audits of NAC KAP Group entities*

In accordance with the order of Astana City tax department dated February 13, 2014, NAC KAP was subject to comprehensive tax audit covering tax liabilities for all taxes and other mandatory payments for 2009-2012. Based on the results of tax audit (Act No. 186 of December 30, 2014), NAC KAP was issued a notice of additional assessments for total amount of 1,735 million tenge (including corporate income tax for 980 million tenge, excess profit tax for 155 million tenge, property tax for 77 million tenge, mineral extraction tax for 234 million tenge, commercial discovery bonus for 288 million tenge, and other taxes for 1 million tenge), fine for 339 million tenge, and requirement to pay administrative fine for 961 million tenge.

On June 30, 2014, tax authorities completed comprehensive tax audit for 2009-2012 of JV KATKO LLP, NAC KAP associate company engaged in extraction and sale of uranium products. Based on the results of audit, JV KATKO LLP was issued with assessments for total amount of approximately 12 billion tenge (NAC KAP share is approximately 6 billion tenge). Other issues raised by the tax authorities have been appealed by management of JV KATKO LLP and are currently under evaluation.

Management expects that issues raised by tax authorities during audit of NAC KAP and JV KATKO LLP would be included in tax audit of NAC KAP other entities which are subsurface users and subject to comprehensive tax audits.

Management of NAC KAP assessed that in respect of property tax the probability of payment of the assessed amounts is high. Accordingly NAC KAP recognised provision on the assessed property tax. Nevertheless, in respect of other issues NAC KAP management believes that their interpretations of tax legislation are appropriate and tax position of NAC KAP will be sustained.

Due to the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, may exceed the amount expensed to date and accrued as at December 31, 2014. It is not practicable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Tax assessments received by Rompetrol Rafinare S.A. (NC KMG)

Rompertol Rafinare S.A. received the results of the tax audit covering the period 2007-2010 with the total amount of additional tax claims and late payment interest of 15 million US dollars (2.735 million tenge).

Both Rompetrol Rafinare S.A. and the Romanian tax authorities filed appeals to the Romanian Supreme court of justice. These final appeals are still with the Romanian Supreme court of justice. NC KMG considers the risk of losses as possible and no provisions relating to this tax assessment were accrued as at December 31, 2014.

Environment liabilities*ANPZ environmental audit (NC KMG)*

In 2014 the Department of ecology of Atyrau oblast ("DEAR") issued an order to subsidiary of KazMunayGas Refinery and Marketing JSC (100% subsidiary of NC KMG) ANPZ for compensation of the environmental damage caused by burning acid gas in the amount of 23.776 million tenge. The results of the first and second court instances were in favour of the Group.

The court resolution appeal term in cassational order was past due for DEAR in March 2015. However, the appeal of effective court decision by DEAR in supervisory order within one year, ending in September 2015 is possible.

In accordance with applicable legislation the management of NC KMG believes that there are no obligations, which can have adverse impact on consolidated financial position and performance of the Group.

Legal proceedings*Convertible debt instrument and related litigations (KMG International N.V.)*

As at December 31, 2009 NC KMG had an outstanding balance of 3.353 million tenge of a convertible debt instrument issued by a significant subsidiary of KMG I -- Rompetrol Rafinare S.A. to the Romanian State. The nominal value of liabilities equaled to 570.3 million Euros. The instrument had seven years maturity and expired on September 30, 2010. Fair value of the debt component at the initial recognition was determined as the discounted future contractual cash payments under the instrument. Under the share ownership as at December 31, 2009 the NC KMG would have lost control over Rompetrol Rafinare S.A., if the entire debt instrument was settled at September 30, 2010 by issuance of new shares to the Romanian State, without any further action by KMG I and/or Rompetrol Rafinare S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. COMMITMENTS AND CONTINGENCIES (continued)****Legal proceedings (continued)***Convertible debt instrument and related litigations (NC KMG) (continued)*

During the first half of 2010 in order to increase its interest in Rompetrol Rafinare S.A. NC KMG was required to make a public offer to all shareholders. In August 2010 Rompetrol Rafinare S.A. increased its share capital by issuance of new shares amounting to RON 329.4 million (78 million Euros at the date of subscription), all of which were subscribed and fully paid for by KMG, further increasing NC KMG's interest in Rompetrol Rafinare S.A. of these proceeds from the share issuance, during the same month, Rompetrol Rafinare S.A. repaid 54 million Euros (10,464 million tenge) out of the total debt of 570.3 million Euros in relation to the convertible debt instrument to the Romanian State. In September 2010, Rompetrol Rafinare S.A. paid the last coupon, amounting to 17 million Euros (3,314 million tenge), leading to a nil balance of the liability component of the convertible debt instrument.

On September 30, 2010 the Extraordinary General Meeting (GMS) of the shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed convertible debt instrument into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian State for the convertible debt it held, calculated based on the exchange rate in force on such date, together with a share premium calculated as a difference of the exchange rate valid on September 30, 2010 and issuance date on September 30, 2003. This resulted in a non-controlling position of the Romanian State in Rompetrol Rafinare S.A. of 44.6959%.

These transactions resulted in a decrease of retained earnings by 113.467 million tenge and increase of non-controlling interest by 103.003 million tenge in 2010.

In 2010, the Romanian State, represented by the Ministry of public finance of the Romanian State (MFP), initiated a legal action against the decision of Rompetrol Rafinare S.A. to increase the share capital and convert the convertible debt instrument partially in cash and partially by issuance of shares.

Constanta Tribunal dismissed the Romanian State request: (a) for some of the annulment reasons considering that the Romanian State lacks the capacity to stand trial, arguing that it did not have the capacity of shareholder when such acts were adopted, (b) for some of the annulment reasons considering that they were not grounded.

Furthermore, on November 17, 2010 the Ministry of public finance of the Romanian State issued a Summons and Forced Execution Title for the amount of RON 2,206 (for presentation purposes 516.3 million Euros and, at the exchange rate as at December 31, 2010 is 100,797 million tenge) as a result of the Romanian Authorities disagreement with the decision of NC KMG to partially settle the instrument by issuance of shares. Rompetrol Rafinare S.A. filed a claim against a forced execution requesting cancelation of the Summons and Forced Execution Title. In June, 2012 the hearing of the case was suspended and can be resumed within one year till June 6, 2013.

In addition, on September 10, 2010 the Romanian authorities, represented by the National Agency for Fiscal Administration (ANAF), issued a decision for a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except for inventories. This measure is still in force and being challenged by NC KMG. As of the reporting date this seizure has not been enforced as the Romanian authorities did not initiate forced execution procedures. Management believes that the enforcement of the seizure by the authorities would not be practicable.

On February 15, 2013, Rompetrol Rafinare S.A. and the Office of State Ownership and Privatisation in Industry (OPSPI), representing the Romanian State, signed a memorandum of understanding whereby they agreed the amiable settlement of the dispute over the conversion of the convertible debt instrument.

On January 22, 2014, the Memorandum of Understanding was approved by the Romanian Government's Decision No 35/2014 pursuant to which the Ministry of public finance of Romania was authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all litigations. The Memorandum of Understanding includes the following key aspects:

- OPSPI will sell and NC KMG will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of 200 million US dollars;
- NC KMG will consider investment in energy projects related to its core activities in the amount estimated at 1 billion US dollars over 7 (seven) years;
- The Ministry of public finance will drop all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. COMMITMENTS AND CONTINGENCIES (continued)****Legal proceedings (continued)***Convertible debt instrument and related litigations (NC KMG) (continued)*

This court case was closed following the last hearing in March 2014 and the renouncement by the Ministry of finance of Romania. KMG submitted to the Romanian authorities a request for the annulment of the seizure. As such NC KMG's management believes that the seizure of the assets will be cancelled.

Legal proceeding regarding carbon dioxide emission (KMG International N.V.)

On February 28, 2011 Rompetrol Rafinare S.A. won the judicial proceedings, which were initiated by Romanian authorities. Accordingly, the Ministry of environmental protection of Romania ordered to the Romanian authorized bodies to provide 2,577,938 additional certificates on carbon dioxide emissions to Rompetrol Rafinare S.A. for the period starting from 2008 till 2012. The initial decision passed by Appellate court of Constanta was challenged by the Ministry of environmental protection and Romanian authorities, nevertheless, appeals were rejected by the Supreme Court on October 30, 2012 and the decision of the first instance court became final.

Taking into account that the Ministry of environmental protection of Romania and the Government of Romania did not execute the court decision within established period, Rompetrol Rafinare S.A. initiated proceedings on indemnification of losses in the amount of 36 million euros (6,565 million tenge at the rate as at December 31, 2014) against the Ministry of environmental protection of Romania and the Romanian authorities.

On April 24, 2014 the court rejected the claim of Rompetrol Rafinare S.A. On August 6, 2014 Rompetrol Rafinare S.A. received decision of the court. Accordingly, Rompetrol Rafinare S.A. filed an appeal to the Supreme Court, however hearings were not appointed yet.

In addition Rompetrol Rafinare S.A. filed a claim to Appellate court of Constanta with the requirement of reconsideration of the case. The first hearing of this claim took place on March 2, 2015. The following hearings are appointed to April 20, 2015.

KazMunayGas Trading AG (NC KMG)

As at December 31, 2014 and 2013, KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. The total amount of claims amounted to 19,100 billion tenge as of December 31, 2014 (December 31, 2013: 5,100 billion tenge).

Liabilities on reimbursement of PetroChina expenses (NC KMG)

Under the agreement on gas borrowing KTG-Almaty (subsidiary of NC KMG) has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return. During 2014, PetroChina claimed reimbursement on 2, 3, and 4th tranches of gas borrowing totaling 164,226 thousand US dollars (29,947 million tenge). NC KMG analysed reimbursable expenses claimed by PetroChina, and recorded a provision in the amount of 73,094 thousand US dollars (13,329 million tenge) as at December 31, 2014 (December 31, 2013: 17,401 million tenge). Currently, the management of NC KMG is in the process of negotiations with PetroChina in order to agree on reimbursable amounts.

Civil litigation (NC KMG)

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 (10,668 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 S.A. 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.

NC KMG already submitted the two extraordinary appeals against the decision of the Romanian court of appeal.

NC KMG management considers that the important legal steps have been initiated to challenge the decision of the Romanian court of appeal. Management assessed the risk of losses as possible and no provisions relating to this court decision has been accrued as at December 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES (continued)**Legal proceedings (continued)***Litigation with the Romanian Competition Council (NC KMG)*

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

As at December 31, 2014 an amount of 22.3 million US dollars (4,066 million tenge) was paid by Rompetrol Downstream. The payment of the remaining part is rescheduled by the Romanian tax authorities for 60 months.

NC KMG management considers risk of losses as possible and no provisions relating to the remaining part of this litigation has been accrued as at December 31, 2014.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicalities 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, 2014 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As at December 31, 2014 NC KMG’s share in the total disputed amounts of the non-recoverable costs is equal to 64,286 million tenge (December 31, 2013: 53,708 million tenge). NC KMG and its partners under the production sharing agreements are negotiating 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.

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 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 NC KMG’s business, prospects, consolidated financial position and results of operations. In 2014, in accordance with its obligations, NC KMG delivered 4,137,532 tons of crude oil (December 31, 2013: 2,898,025 tons), including joint ventures, to the Kazakhstan market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES (continued)

Russian Federation market obligation

The inter-governmental agreement between Kazakhstan and the Russian Federation on delivery of oil and oil products to the Republic of Kazakhstan dated December 9, 2009 defines the mechanism of compensation of losses of the Russian federal budget in relation to oil products imported from the Russian Federation to the Republic of Kazakhstan without the customs duties. According to this agreement, Kazakhstan has an obligation to reimburse losses of the Russian federal budget by custom-free counter supply of crude oil from the Republic of Kazakhstan to the Russian Federation.

In 2014 the Government of the Republic of Kazakhstan defined seventy-seven local subsurface users responsible for provision of necessary crude oil volumes, and also defined KazMunayGas – Refinery and Marketing JSC (100% subsidiary of NC KMG) as the company – operator in Kazakhstan. The company – operator is responsible for the arrangement and accounting of counter supply to the Russian Federation.

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2014 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
2015	132,062	48,947
2016	83,973	45,743
2017	75,784	44,125
2018	15,084	43,437
2019-2025	125,835	317,918
Total	432,738	500,170

Capital commitments

NC KMG

As at December 31, 2014, NC KMG had other capital commitments of approximately 832,000 million tenge related to acquisition and construction of property, plant and equipment, including joint ventures (December 31, 2013: 641,000 million tenge).

NC KTZh

As at December 31, 2014, KTZh had committed to contracts for the construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, the construction of a multifunctional ice palace in Astana, the primary backbone transport communication net, and the purchase of cargo and passenger electric locomotives, cargo and passenger carriers and locomotives totaling 555.846 million tenge (December 31, 2013: 567,979 million tenge).

Samruk-Energy JSC

As at December 31, 2014 capital commitments of Samruk-Energy JSC under the contracts on acquisition of plant, property and equipment were equal to 191,853 million tenge (December 31, 2013: 35,661 million tenge).

Kazakhstan Electricity Grid Operating Company JSC

To ensure the stable and reliable performance of the national electricity grid, Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) developed a capital investment plan. As at December 31, 2014, KEGOC’s outstanding contractual commitments within the framework of this plan was equal to 103,344 million tenge (December 31, 2013: 68,612 million tenge).

United Chemical Company LLP

As at December 31, 2014 capital commitments of United Chemical Company LLP under the contracts on acquisition of plant, property and equipment were equal to 31,750 million tenge (December 31, 2013: 3,176 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES (continued)**Capital commitments (continued)***Air Astana JSC*

During 2008 Air Astana JSC signed an agreement with Airbus to purchase six Airbus narrow-body aircraft. Air Astana JSC was committed to pre-delivery payments in accordance with an agreed payment schedule. Payments commenced in 2008 and the last payment was made in 2013. During 2012 and 2013, the Air Astana JSC entered into fixed interest finance lease agreements for these six Airbus aircraft. These leases are denominated in US dollars, with a repayment term of twelve years. Loans provided by financial institutions to the lessor are guaranteed by European Export Credit Agencies.

During 2011 Air Astana JSC signed an agreement with Embraer to purchase two Embraer-190 narrow -body aircraft. Air Astana JSC was committed to pre-delivery payments from 2011 in accordance with an agreed payment schedule, with first aircraft delivered in 2012 and the second in 2013, both on a fixed interest US dollar finance lease, with a repayment term of twelve years.

During 2012, Air Astana JSC finalised an agreement with Boeing to purchase three Boeing 767s and three Boeing 787s aircraft. Air Astana JSC is committed to pre-delivery payments in accordance with the agreed payment schedule. In respect of the Boeing 767s aircraft, 50% of pre-delivery payments were paid from own resources and 50% were financed by the borrowings. The amounts borrowed in respect of the three Boeing 767s were repaid by the Air Astana JSC on delivery date of each aircraft in 2013 and 2014 years. Final pre-delivery payments for the third Boeing 767s aircraft were made in 2013. Two Boeing 767s were delivered in 2013 and the third one was delivered in mid 2014. Delivery of Boeing 787s are now deferred to 2019 with last pre-delivery payments expected in 2018.

In June 2013 Air Astana JSC signed a term agreement with a US financing corporation to finance purchase of up to three Boeing-767 aircraft for the amount guaranteed by US Export-Import Bank. This facility has been used to finance the Boeing 767s delivered in 2013 and 2014.

The terms of Air Astana JSC contracts with the above suppliers precludes it from disclosing information on the purchase cost of the aircraft.

*Samruk-Energy**Capital commitments of joint ventures*

As at December 31, 2014, Samruk Energy group's share in capital expenditure commitments of joint ventures (Forum Muider), and EGRES-2 were equal to 14,931 million tenge (December 31, 2013: 105,830 million tenge, including EGRES-1).

Investment commitments

In accordance with Agreements on Investment Obligations with the Ministry of energy of the Republic of Kazakhstan, Samruk Energy group entities involved in the production of electricity have investment obligations as at December 31, 2014 of 70,919 million tenge (December 31, 2013: 15,257 million tenge). As at December 31, 2014, Samruk Energy group's share in investment commitments of joint ventures (EGRES-2) was equal to 9,450 million tenge (December 31, 2013: 42,377 million tenge, including EGRES-1).

Other contractual commitments

As at December 31, 2014 other capital commitments of the Group under the contracts on acquisition of plant, property and equipment were equal to 63,617 million tenge (December 31, 2013: 67,958 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES (continued)

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:

<i>In millions of tenge</i>	2014	2013
Within one year	13,747	17,505
From one to five years	42,850	53,995
Over five years	13,161	4,406
Total	69,758	75,906

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

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities and are cancellable on certain conditions.

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 five years.

The contractual amounts of commitments are set out in the following table by category. 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 were as follows:

<i>In millions of tenge</i>	2014	2013
Contracted amount		
Loan, credit line and finance lease commitments	-	136,225
Guarantees	471,472	405,920
Letters of credit and other commitments related to settlement operations	-	524
Less: guarantees and deposits with restrictive covenants	-	(7,921)
Less: provision for bank letters of credit and guarantees	-	(806)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. COMMITMENTS AND CONTINGENCIES (continued)**Commitments under Stabilization Plan**

The Fund was assigned as the Government's principal operator in implementation of the Stabilization Plan approved by the Government in 2008 (*Note 1*).

According to the minutes of the State committee on issues related to modernization of the economy of the Republic of Kazakhstan it is planned to reuse the funds provided according to the Stabilization plan.

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 5 April 2012, No. 17-5/11-10 dated 30 January 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 2012-2014, the Fund's commitments for 2015 as at December 31, 2014 were equal to 101,028 million tenge (31 December 2013: 181,874 million tenge), including the Fund's commitments to finance investment projects which were equal to 48,913 million tenge (31 December 2013: 173,774 million tenge).

Implementation of the Fund's investment projects

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/11-10 dated 30 January 2013 the Fund is obliged to finance investment project "Construction of gas pipeline "West-North-Center" (through Kartaly-Tobol-Kokshetau-Astana) for the total amount of 126,940 million tenge using its own funds and/or funds of NC KMG. In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan dated 30 January 2013, the Fund redistributed an amount of 56,615 million tenge from "Available housing" program to the investment project "Construction of gas pipeline "West-North-Center" (through Kartaly-Tobol-Kokshetau-Astana).

On September 5, 2014 a meeting of the Interdepartmental Committee for the development of oil and gas and energy industries was held, where decision on termination of the project "Construction of gas pipeline "West-North-Center" (through Kartaly-Tobol-Kokshetau-Astana) was made. Due to project termination, the Fund transferred previously redistributed funds for financing of a housing construction program. As at December 31, 2014 the Fund's commitments allocated to finance the "Available housing-2020" program were equal to 52,115 million tenge (December 31, 2013: 8,100 million tenge).

Commitments under investment projects out of funds from Republican budget

As at December 31, 2014 Fund's commitments on implementation of investment projects using funds from the Republican budget were equal to 2,030 million tenge (December 31, 2013: 2,030 million tenge).

Commitments for capital projects at the expense of the National Fund

According to the minutes of the meetings of the Board of Management by the National Fund of the Republic of Kazakhstan № 01-7.15 on November 12, 2014, № 01-7.16 on November 14, 2014 the Fund in 2015-2016 is planned allocation of targeted transfers from the National Fund to the Republican Budget for investment projects totaling 127,200 million tenge, including 81,000 million tenge for financing infrastructure in FEZ "National Petrochemical Technopark", SI:Z "Khorgos Eastern Gate" and 46,200 million tenge for the construction of the second railway track on the site Shu-Almaty-1, railway line Borzhakty-Ersai, ferry complex in the port of Kuryk and operation of the universal utility ferries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. 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. Further, this segment includes commercial banks acquired by the Fund during 2009.

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)

41. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining and industrial	Trans- portation	Telecom- munication	Energy	Financial and innovation institutions	Corpo- rate center and projects	Elimination	Total
Revenues from sales to external customers	3,147,865	381,568	1,012,353	226,373	283,841	2,795	51,703	-	5,106,498
Revenues from sales to other segments	48,463	23,433	16,431	5,531	35,802	26,225	164,543	(320,428)	-
Total revenue	3,196,328	405,001	1,028,784	231,904	319,643	29,020	216,246	(320,428)	5,106,498
Gross profit	862,756	74,357	276,664	59,028	97,769	4,428	112,041	(145,113)	1,341,930
General and administrative expenses	(176,899)	(28,998)	(92,454)	(27,336)	(27,222)	(2,703)	(29,537)	8,175	(376,874)
Transportation and selling expenses	(358,876)	(5,526)	(5,946)	(6,522)	(2,682)	-	-	4,575	(374,977)
Finance income	55,505	8,446	11,103	4,264	5,905	4,011	61,218	(21,083)	129,369
Finance costs	(202,632)	(12,324)	(51,852)	(7,696)	(28,149)	(1,602)	(9,549)	25,697	(288,107)
Share in profits of joint ventures and associates	427,857	11,163	45	-	13,064	4,966	-	-	457,095
Foreign exchange gain/(loss), net	66,856	(19,773)	(80,917)	(7,300)	(2,469)	(2,214)	11,009	477	(34,331)
Depreciation, depletion and amortization	(209,740)	(20,553)	(110,046)	(40,262)	(37,326)	(181)	(467)	339	(418,236)
Impairment of PPE	(320,210)	(2,702)	(1,165)	(2,192)	(2,908)	-	-	-	(329,177)
Impairment of goodwill	(30,745)	-	-	-	(75,875)	-	-	-	(106,620)
Impairment of other assets	(2,206)	(3,817)	(1,843)	(1,847)	(1,236)	(10,011)	972	-	(19,988)
Income tax expenses	(117,182)	(5,446)	(24,232)	(6,666)	(13,127)	(420)	(17,143)	(1,808)	(186,024)
Net profit for the period from continuing operations	198,920	14,991	37,464	6,869	40,942	6,509	98,763	(131,649)	272,809
Net profit/(loss) for the period from discontinued operations	295	-	(687)	-	(4,061)	-	(38,317)	4,453	(38,317)
Total net profit for the period	199,215	14,991	36,777	6,869	36,881	6,509	60,446	(127,196)	234,492
<i>Other segment information</i>									
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	2,328	260	3,652	683	2,695	-	589	10	10,217
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. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2013:

<i>In millions of tenge</i>	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	3,214,061	308,820	982,689	208,145	192,245	2,079	70,733	-	4,978,772
Revenues from sales to other segments	38,658	25,157	16,439	5,514	18,224	55,584	128,775	(288,351)	-
Total revenue	3,252,719	333,977	999,128	213,659	210,469	57,663	199,508	(288,351)	4,978,772
Gross profit	898,610	67,032	310,814	59,097	50,246	13,878	86,396	(80,688)	1,405,385
General and administrative expenses	(160,735)	(37,797)	(96,213)	(25,421)	(17,698)	(4,097)	(25,913)	5,866	(362,008)
Transportation and selling expenses	(332,166)	(5,104)	(5,485)	(5,430)	(260)	-	(522)	1,510	(347,457)
Finance income	42,388	5,652	5,967	5,341	5,098	3,845	43,494	(27,883)	83,902
Finance costs	(171,744)	(9,562)	(39,580)	(11,505)	(10,398)	(1,120)	(3,104)	16,267	(230,746)
Share in profits of joint ventures and associates	483,517	30,711	(4,269)	-	30,085	6,298	-	-	546,342
Foreign exchange gain/(loss), net	(22,202)	(1,912)	(8,234)	(528)	(3,650)	104	1,021	394	(35,007)
Depreciation, depletion and amortization	(180,623)	(19,766)	(95,456)	(38,852)	(19,932)	(170)	(406)	167	(355,038)
Impairment of loans issued	8	(4)	-	-	-	13	133	(82)	68
Impairment of other assets	(64,715)	(24,344)	(5,255)	(581)	807	(3,973)	(219,609)	164,353	(153,317)
Income tax expense	(193,396)	(7,612)	(41,207)	(3,893)	(7,954)	(464)	(4,528)	-	(259,054)
Net profit/(loss) for the period from continuing operations	488,311	37,617	123,149	19,725	49,515	17,588	(122,507)	82,420	695,818
Net profit/(loss) for the period from discontinued operations	331	-	(2,812)	-	(92)	(253,216)	(273)	-	(256,062)
Total net profit for the period	488,642	37,617	120,337	19,725	49,423	(235,628)	(122,730)	82,420	439,756
<i>Other segment information</i>									
Total assets of the segment	7,594,320	963,298	2,636,642	465,341	889,587	2,415,389	4,871,175	(4,541,263)	15,294,489
Total liabilities of the segment	3,558,129	258,123	1,250,427	188,331	357,899	2,215,777	1,601,394	(1,642,143)	7,787,897
Allowances for doubtful debts	2,883	1,682	1,622	382	518	(1)	129	17	7,232
Investments in joint ventures and associates	998,490	382,328	26,690	-	257,328	88,918	-	(36,505)	1,717,249
Capital expenditures	610,316	67,631	473,847	67,514	84,614	3,177	722	15,837	1,323,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. SUBSEQUENT EVENTS**Bonds**

On January 21, 2015 NC KMG redeemed bonds issued at London Stock Exchange in the amount of 1,500 million US dollars (equivalent to 273,525 million tenge) plus interest in the amount of 88 million US dollars (equivalent to 16,047 million tenge).

Refinancing of liabilities

On January 19, 2015 NAC KAP signed an agreement on unsecured syndicated loan with five banks for the total amount of 450 million US dollars (equivalent to 82,715 million tenge). The purpose of the syndicated loan is to refinance bonds. The loan is repayable by equal instalments starting from September 2015 till June 2019.

On February 26, 2015 "KasTransGaz" JSC subsidiary of NC KMG signed credit agreement on the total amount of 400 million US Dollars (equivalent to 73,788 million tenge) to finance current liabilities with interest rate of 1.5%+3M LIBOR.

Litigation

On February 26, 2015 NC KMG received a notification from the Tbilisi city court on the seizure of 100% shares of LLC Batumi Oil Terminal ("BOT"), the exclusive management right over 100% shares of LLC Batumi Sea Port and the immovable property of BOT. The notification was based on a court application by certain customers of BOT, who have filed a commercial dispute against BOT related to uncompetitive behaviour. The total amount claimed is 62 million US dollars (equivalent to 11,284 million tenge). Management of the Group believes that at this stage it is not practicable to estimate the amount of the loss; however, it is limited to the total amount of the court action.

Appreciation of Swiss franc

On January 15, 2015, the Swiss National Bank cancelled the ceiling for the national currency, which did not allow Euro to fall below 1.20 francs. As a result, the Swiss franc has appreciated by 26% against the US dollar from 1.02 franc as at December 31, 2014 to 0.75 francs as at January 15, 2015, which also affected the tenge exchange rate relative to the Swiss franc, calculated through an appropriate cross-rate of US dollar to Swiss franc.

Changes in Group structure

On January 15, 2015 the Fund sold shares of "Kazakh Research Institute named after Chokin" JSC in accordance with Purchase-sale contract between the Fund and "Power Build Engineering" LLP, which was signed in December 2014.

On March 3, 2015 the Fund sold common and preferred shares of ForteBank to Mr. Utemuratov Bulat Dzhamitovich.

In April 2015 legal registration of the subsidiary Qazaq Air JSC was carried out.

On March 30, 2015 KGF IM, subsidiary of the Fund, was liquidated.

Loans issued

During the first quarter of 2015, the Fund received an early repayment of loans provided to KazMinerals Plc for the purpose of development of Bozshakol, Abyz and Bozymchak copper fields in the amount of 1,993 million US dollars (equivalent to 368,447 million tenge).

Borrowings

During the first quarter of 2015, the Fund made an early repayment of loans provided by the State China Development Bank for the purpose of development of Bozshakol, Abyz and Bozymchak copper fields in the amount of 1,993 million US dollars (equivalent to 368,621 million tenge).

Contributions to the share capital

On March 31, 2015, the Shareholder made cash contributions to the share capital of the Fund in the amount of 36,191 million tenge.