JOINT STOCK COMPANY SEVKAZENERGO

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

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JOINT STOCK COMPANY SEVKAZENERGO

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

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

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

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

Management of the Group is also responsible for:

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

The consolidated financial statements of the Group for the year ended December 31, 2015 were approved and authorized for issue by the Management of the Group on April 28, 2016.

On behalf of the Management of the Group:

Larichev L.V.	**Alexeevene T.V.**
General Director	**Chief Accountant**
April 28, 2016	April 28, 2016

СЕВКАЗЭНЕРГО
АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Joint Stock Company SEVKAZENERGO:

We have audited the accompanying consolidated financial statements of Joint Stock Company SEVKAZENERGO (hereinafter - "the Company") and its subsidiaries (jointly – "the Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and 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.

Auditor's responsibility

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

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Opinion

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

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

Deloitte, LLP

Deloitte, LLP
State license for audit activity in the Republic of Kazakhstan
No.0000015, type MFU-2, given by
the Ministry of Finance of the Republic of Kazakhstan
dated September 13, 2006.

Nurlan Bekenov
General Director
Deloitte, LLP

April 28, 2016
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	December 31, 2015	December 31, 2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	91,887,276	85,242,272
Intangible assets		138,199	55,050
Advances paid	10	614,328	832,261
Other financial assets	12	10,000	5,000
Total non-current assets		92,649,803	86,134,583
CURRENT ASSETS:			
Inventories	8	2,320,134	3,219,115
Trade accounts receivable	9	2,852,890	1,397,037
Advances paid	10	502,830	400,492
Income tax prepaid		80,304	91,269
Other current assets	11	242,491	991,532
Other financial assets	12	145,019	166,285
Cash	13	467,229	548,100
Total current assets		6,610,897	6,813,830
TOTAL ASSETS		99,260,700	92,948,413
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	14	16,291,512	16,291,512
Additional paid-in capital	15	277,168	277,168
Property, plant and equipment revaluation reserve		23,007,667	24,599,582
Retained earnings		11,541,439	11,096,051
Total equity		51,117,786	52,264,313
NON-CURRENT LIABILITIES:			
Bonds issued	16	8,396,699	5,731,854
Loans	17	15,028,831	9,395,678
Deferred tax liabilities	18	13,380,146	13,269,664
Deferred revenue		166,982	178,028
Long-term accounts payable		-	73,173
Ash dump restoration liability		259,189	326,349
Employee benefit obligations		53,374	49,434
Total non-current liabilities		37,285,221	29,024,180

JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	December 31, 2015	December 31, 2014
CURRENT LIABILITIES:			
Current-portion of the bonds issued	16	472,015	324,339
Trade accounts payable	19	5,344,850	2,873,319
Short-term loans and current portion of long-term loans	17	3,500,093	6,715,160
Advances received	20	418,302	541,124
Current portion of ash dump restoration liability		53,587	-
Current portion of employee benefit obligations		4,859	5,003
Other liabilities and accrued expenses	21	1,063,987	1,200,975
Total current liabilities		10,857,693	11,659,920
TOTAL EQUITY AND LIABILITIES		99,260,700	92,948,413

On behalf of the Management of the Group:

Larichev L.V.
General Director

April 28, 2016

Alexeevene T.V.
Chief Accountant

April 28, 2016

СЕВКАЗЭНЕРГО
АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО
ҚАЗАҚСТАН РЕСПУБЛИКАСЫ СҚО ПЕТРОПАВЛ Қ.
РЕСПУБЛИКА КАЗАХСТАН СКО Г.ПЕТРОПАВЛОВСК

The notes on pages 10-47 form an integral of these consolidated financial statements. Independent Auditor's Report is on pages 2-3.

JOINT STOCK COMPANY SEVKAZENERGO

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

(in thousands of tenge)

	Notes	2015	2014
REVENUE	22	26,608,473	24,079,186
COST OF SALES	23	(18,260,240)	(15,530,326)
GROSS PROFIT		8,348,233	8,548,860
Selling expenses	24	(305,170)	(270,590)
General and administrative expenses	25	(1,897,284)	(2,515,269)
Loss from property, plant and equipment impairment	7	-	(71,574)
Finance costs	26	(1,514,938)	(1,645,386)
Finance income		201,249	181,588
Foreign exchange loss, net	27	(5,183,006)	(96,580)
Other income, net	28	158,124	243,504
(LOSS)/PROFIT BEFORE INCOME TAX		(192,792)	4,374,553
INCOME TAX EXPENSE	18	(110,482)	(1,193,715)
NET (LOSS)/PROFIT FOR THE YEAR		(303,274)	3,180,838
Other comprehensive, income net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	7	-	20,178,932
Other comprehensive income, net of tax		-	20,178,932
Total comprehensive (loss)/income for the year		(303,274)	23,359,770
(Loss)/earnings per share	30		
Basic (tenge per share)		(2.11)	22.11
Diluted (tenge per share)		(2.11)	22.11

On behalf of the Management of the Group:

Larichev L.V.
General Director

April 28, 2016

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Alexeevene T.V.
Chief Accountant

April 28, 2016

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JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	Share capital	Additional paid-in capital	Property, plant and equipment revaluation reserve	Retained earnings	Total equity
As at January 1, 2014		16,291,512	277,168	4,885,166	8,259,120	29,712,966
Profit for the year		-	-	-	3,180,838	3,180,838
Other comprehensive income, net of income tax		-	-	20,178,932	-	20,178,932
Total comprehensive income for the year		-	-	20,178,932	3,180,838	23,359,770
Dividends	14	-	-	-	(776,319)	(776,319)
Amortization of revaluation reserve		-	-	(464,516)	464,516	-
Adjustment to fair value, net of deferred tax		-	-	-	(32,104)	(32,104)
As at December 31, 2014		16,291,512	277,168	24,599,582	11,096,051	52,264,313
Loss for the year		-	-	-	(303,274)	(303,274)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(303,274)	(303,274)
Dividends	14	-	-	-	(843,253)	(843,253)
Amortization of revaluation reserve		-	-	(1,591,915)	1,591,915	-
As at December 31, 2015		16,291,512	277,168	23,007,667	11,541,439	51,117,786

On behalf of the Management of the Group:

Larichev L.V.
General Director

April 28, 2016

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РЕСПУБЛИКА КАЗАХСТАН СКО Г.ПЕТРОПАВЛОВСК

Alexeevene T.V.
Chief Accountant

April 28, 2016

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JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before income tax		(192,792)	4,374,553
Adjustments for:			
Depreciation and amortization		3,981,665	2,837,541
Finance costs	26	1,514,938	1,645,386
Recovery of allowance for doubtful debts		(8,049)	(52,051)
(Recovery)/accrual of provision for obsolete inventories	8	(25,745)	26,505
Loss from disposal of property, plant and equipment and intangible assets	28	7,802	13,603
Employee benefit expense		13,351	17,195
(Recovery)/accrual of unused vacation reserve	25	(8,124)	12,157
Loss from property, plant and equipment impairment		-	71,574
Foreign exchange loss	27	5,183,006	96,580
Finance income		(201,249)	(181,588)
Cash flow before working capital changes		10,264,803	8,861,455
Change in inventories		1,032,890	(672,811)
Change in trade accounts receivable		(1,444,005)	(210,992)
Change in advances paid for acquisition of current assets		(104,247)	421,490
Change in other current assets		(99,557)	366,049
Change in trade accounts payable		788,663	897,529
Change in advances received		(122,822)	(70,896)
Change in other liabilities and accrued expenses		53,418	46,329
Change in ash dump restoration liability		(12,710)	-
Change in employee benefit obligations		(9,555)	(7,024)
Cash generated by operating activities		10,346,878	9,631,129
Income tax paid		(10,969)	(28,553)
Interest paid		(1,925,528)	(2,015,997)
Net cash generated by operating activities		8,410,381	7,586,579

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

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant, and equipment		(8,430,755)	(10,755,443)
Change in advances paid for acquisition of property, plant, and equipment		217,933	1,886,286
Purchase of intangible assets		(85,692)	(40,731)
Placement of deposits		(3,103,664)	(1,545,819)
Proceeds from interest accrued on the deposits placed		94,969	471
Withdrawal of deposits		3,119,930	1,857,547
Proceeds from disposal of property, plant and equipment		111,111	75,400
Net cash used in investing activities		(8,076,168)	(8,522,289)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans		5,531,600	8,309,948
Repayment of loans		(8,430,937)	(7,530,517)
Repurchase of bonds		-	(564,839)
Placement of bonds		2,726,336	-
Dividends paid	14	(1,144,790)	-
Proceeds from related party		844,790	550,300
Net cash (used)/generated by financing activities		(473,001)	764,892
NET DECREASE IN CASH		(138,788)	(170,818)
CASH at the beginning of the year	13	548,100	659,289
Effect of changes in foreign exchange rates on cash balances in a foreign currency		57,917	59,629
CASH at the end of the year	13	467,229	548,100

On behalf of the Management of the Group:

Larichev L.V.
General Director

April 28, 2016

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РЕСПУБЛИКА КАЗАХСТАН СКО Г.ПЕТРОПАВЛОВСК

Alexeyevene T.V.
Chief Accountant

April 28, 2016

The notes on pages 10-47 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-3.

(in thousands of tenge)

1. NATURE OF THE BUSINESS

Joint Stock Company SEVKAZENERGO (earlier SevKazEnergo Petropavlovsk LLP) ("the Company") was established on January 19, 1999 and reformed into joint stock company on July 13, 2009 on the basis of the minutes of participants' meeting of SevKazEnergo Petropavlovsk LLP dated June 19, 2009. The Company is located at the following address: 215 Zhambyl Street, Petropavlovsk, 150009, the Republic of Kazakhstan.

As at December 31, 2015, the sole owner of the Company was JSC Central Asian Electric Power Corporation (hereinafter - JSC CAEPCO), holding 100% of share capital. The ultimate owners of the Company are JSC Central Asian Power Energy Company (hereinafter - JSC CAPEC) holding 57.37%, European Bank for Reconstruction and Development (hereinafter - EBRD) holding 24.16% and KAZ HOLDINGS COOPERATIEF U.A. holding 11.22% and other shareholders holding 7.25% (December 31, 2014: JSC CAPEC - 64.62%, EBRD - 24.16%, KAZ HOLDINGS COOPERATIEF U.A. – 11.22%). Ultimate shareholders of JSC CAPEC as at December 31, 2015 and 2014 are Mr. Amirkhanov E., Mr. Klebanov A., Mr. Kan S., and Mrs. Artambayeva G., residents of Republic of Kazakhstan.

The Company is a founder/shareholder company of the following enterprises (hereinafter jointly "the Group"):

Subsidiary	Principal activity	Location	Ownership interest 2015	2014
JSC North-Kazakhstan Electricity Distribution Company	Transmission and distribution of power	Petropavlovsk, Kazakhstan	100%	100%
Petropavlovsk Heat Network LLP	Transmission and distribution of heat	Petropavlovsk, Kazakhstan	100%	100%
Sevkazenergosbyt LLP	Sale of power and heat	Petropavlovsk, Kazakhstan	100%	100%

The Group's primary activity is production, transmission and distribution of power and heating.

The Group has all required licenses for production, transmission and allocation of power and heat, and supply of power.

The Group is included into the local section of State register of subjects of natural monopolies in North Kazakhstan region by types of regulated services: production and supply of heat, transmission and distribution of heat, and also it is included into the State register of subjects of the market having a dominating (monopoly) position at the relevant commodity market in North Kazakhstan region on the wholesale supply of power.

The total number of employees of the Group as at December 31, 2015 was 2,505 employees (2014: 2,501 employees).

2. CURRENT ECONOMIC SITUATION

Operating environment

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

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

There is no significant effect of these amendments on the consolidated financial statements of the Group.

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

(in thousands of tenge)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
IFRS 16 Leases	January 1, 2019
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized losses	January 1, 2017
Amendments to IAS 7: Statements of Cash Flows	January 1, 2017
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016
Annual improvements 2012-2014 Cycle	January 1, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	January 1, 2016
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016

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

IFRS 9 Financial Instruments

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

Functional currency and presentation currency

These consolidated financial statements of the Group have been presented in thousands of Kazakhstan tenge ("tenge"), which is the functional currency and presentation currency of these consolidated financial statements.

During preparation of the consolidated financial statements, transactions in currencies, other than the Group's functional currency, are initially recorded at exchange rates prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies are converted at rates prevailing on the reporting date. Non-monetary items stated at fair value denominated in foreign currencies are converted at rates prevailing on dates, when fair value was determined. Non-monetary assets denominated in foreign currencies are not revaluated.

The exchange rates of tenge for the following dates are presented in the table below:

	December 31, 2015	December 31, 2014
US Dollar	339.47	182.35
Russian Ruble	4.65	3.17

The average exchange rates of tenge for the years ended December 31 amounted to:

	2015	2014
US Dollar	222.25	179.12
Russian Ruble	3.62	4.75

Going concern

The consolidated financial statements have been prepared based on the assumption that the Group will continue its operations in the foreseeable future. However, as at December 31, 2015 Group's current liabilities exceeded its current assets by 4,246,796 thousand tenge and net loss for the year ended December 31, 2015 is 303,274 thousand tenge. The loss of the Group occurred because of losses from foreign exchange loss of 5,183,006 thousand tenge. The Group expects to receive net profit in the coming years, and does not expect a significant devaluation of tenge in the near future. Also as at December 31, 2015 the Group failed to comply with loan covenants as disclosed in Note 32.

Management believes that the Group will realize its assets and discharge its liabilities in the normal course of business, because the Management developed measures to improve profitability, including:
- steady increase in tariffs;
- increase in output;
- reduction of electricity and heat losses through the introduction of ASCAPC ("Automatic system for commercial accounting of power consumption"), installation of meter readings of electric and heat energy for household consumers, reconstruction, rehabilitation and modernization of transmission lines and district heating networks; and
- improving the environmental performance of production.

Management also believes that JSC CAEPCO, the Parent company, will continue to provide financial support to the Group in the near future, based on the written confirmation from the JSC CAEPCO.

The Group received waiver letters from bank on noncompliance with certain financial ratios.

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

Segment reporting

Based on information contained in the reports, which are reviewed by the chief operating decision maker for the purpose of allocation of resources and assessment of performance, as well as having analyzed aggregation criteria, the Group identifies the following operating segments, which are: production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power and other.

Use of judgment, estimates and assumption

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Due to uncertainty of such estimations actual results might differ from initial estimations made.

Estimates and underlying assumptions are reviewed on an ongoing basis as to necessity for change. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is presented below:

Ash dump restoration liability

The Group uses in production purposes three ash dumps. At the end of their useful life those ash dumps should be restored. In order to determine the amount of the ash dumps restoration liability management of the Group is required to evaluate the future cost of restoration of ash dumps. For valuation of amortized cost of this liability the Group used effective interest rate of 8.07% which is the market borrowing rate for the Group. The Group calculates liability on the basis of projected costs of restoration, and based on the planned schedule of works. The Group reviews the amount of liabilities in the case of significant changes to the schedule and/or the amount of planned expenditures.

Revaluation of property, plant and equipment

The Group carries property, plant and equipment at the revalued amount. The frequency of revaluations depends on changes in the fair value of property, plant and equipment. Estimates of the fair value of property, plant and equipment suggest the use of assumptions and are based on a large number of factors such as changes of market expectations, changes of access to financing in the future and other changes of conditions. These estimates, including methodology, may significantly affect the revalued amount and, ultimately, the value of any revaluation of property, plant and equipment.

The Group's property, plant and equipment was revalued as at December 31, 2014 on the following principles:

- the fair value of the Group's vehicles was estimated using the market value based on an analysis of market sales;
- the remaining items of property, plant and equipment were estimated using the cost approach.

The validity of the measurement at fair value, as described above, was determined by the appraiser analysis of discounted future cash flows, which was prepared on the following basis:

- the forecast period – until 2025;
- cash flow projections were made in tenge with the translation into US dollars according to the forecast rate;
- the discount rate used was 12.95%.

As a result of the analysis, we did not discover any economic impairment in relation to the Group's specialised assets.

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

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

Impairment of property, plant and equipment

As the use of each item of Group property, plant and equipment does not guarantee the receipt of cash independent of each other, but rather represents operations in a single indivisible technical process, then Group assess possible impairment loses based on identification of the generating unit. All Group's assets represent one generating unit. At each reporting date, the Group assesses whether there are any signs of possible asset impairment. If any such indication exists, or if annual testing for impairment is required, then the Group estimates the recoverable amount.

At each reporting date, Group management analyses changes in the fair value of property, plant and equipment. If there is event of significant changes in the fair value of property, plant and equipment, the Group adjusts fair value based on the results of an independent valuation. As at December 31, 2015, Group management had carried out its own analysis and concluded that the carrying amount of property, plant and equipment did not significantly differ from the fair value.

Allowances

The Group accrues allowance for doubtful debts. Significant judgments are used to identify doubtful debt. Debt aging as well as historical and expected customer behavior is considered when identifying doubtful debts. Changes in customer economic or financial conditions may require changes to allowance for doubtful debts in the consolidated financial statements.

Annually the Group considers the need to create allowance for obsolete inventories based on annual stock counts and estimation on future use of obsolete stock.

The actual amount of losses from write-off of inventories and accounts receivable may differ from estimated amounts that may have a significant effect on future operating results.

Useful economic lives of property, plant and equipment

The Group considers useful economic lives of property, plant and equipment at the end of each annual period. The evaluation of the useful economic life of an asset depends on such factors as economic use, maintenance programs, technological improvements and other business conditions. The evaluation by management of useful economic lives of property, plant and equipment reflects relevant information available at the date of these consolidated financial statements. As the result of changes in these estimates, the amount of depreciation may differ materially from amounts recorded in past years. Any adjustments accounted for prospectively as a change in estimates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and other enterprises under Group's direct and indirect control. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries have brought the accounting policies used into line with those used by the Group.

All significant intercompany transactions, balances and unrealized gains and losses on transactions are eliminated on consolidation.

Foreign currency transactions

Transactions in currencies other than the functional currency of the Group are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at historical cost denominated in foreign currency are not retranslated. Gains and losses arising on exchange are included in the consolidated statement of profit or loss and other comprehensive income, except for exchange differences on borrowings in foreign currencies related to the acquisition, construction or production of qualified assets.

Property, plant and equipment

Property, plant and equipment initially are carried at the acquisition cost. All property, plant and equipment purchased before January 1, 2006 the IFRS transition date, are recorded at the revalued cost, which is the deemed cost. The cost of purchased property, plant and equipment is the value of contributions paid to purchase the related assets, and also other directly attributable costs incurred when supplying assets and preparing them for their intended use.

Construction in progress includes costs directly related to the construction of property, plant and equipment, as well as the corresponding allocation of directly related variable costs incurred during construction. Depreciation for these assets is calculated as for remaining property, plant and equipment from the moment they are put into operations. The carrying value of construction in progress is reviewed regularly so that it is recorded fairly and whether impairment losses need to be recognized.

After initial recognition, property, plant and equipment is recorded at its revalued amount which is the fair value of property, plant and equipment at the revaluation date, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are revalued regularly to avoid significant differences between the carrying value and its fair value at the reporting date. Accumulated depreciation at the revaluation date is eliminated against the total value of the asset, after which the carrying value is recalculated to its revalued value.

If the carrying amount of asset increases as a result of revaluation, the amount of such increase shall be recognized in other comprehensive income and accumulated in equity under the note line "capital gains from the revaluation". However, such increase shall be recognized in profit or loss in the extent to which it recovers the decrease in value of that asset after revaluation previously recognized in profit or loss.

If the carrying amount of asset decreases as a result of revaluation, the amount of such reduction is included in profit or loss. However, this decrease recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in the note line "capital gains from the revaluation" belonging to the same asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the note line "capital gains from the revaluation".

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

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over the estimated useful lives of the assets, using the straight-line method, close to the following terms:

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

Depreciation on property, plant and equipment is recorded in profit or loss. Depreciation of assets under construction commences when the assets are ready for their intended use.

Gains and losses on property, plant and equipment disposals are calculated as the difference between selling price and carrying amount of an asset, and included in profit or loss.

Impairment of long-term assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

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

Financial instruments

Financial assets and liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are fixed at the reporting date of calculation.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (the "FVTPL"); held-to-maturity investments; available-for-sale (the "AFS") financial assets; and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as FVTPL.

Financial instruments comprise cash, trade and other receivables, loans and borrowings, and accounts payable and other liabilities.

Cash

Cash include cash on hand and cash with bank accounts.

Other financial assets

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

Trade and other accounts receivable

Trade and other receivables are recognized and stated at the amounts of issued invoices less allowance for doubtful debts. The allowance for doubtful debts is determined in cases when it is probable that the debts will not be repaid in full. The allowance for doubtful debts is accrued by the Group when accounts receivable are not repaid within contractual terms. The allowance for doubtful debts is regularly reviewed and if there is a need for adjustments the relevant amounts are reflected in profit or loss of the reporting period in which such a need was revealed. Bad debts identified are written off against previously created allowance.

Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for trade accounts receivable where the carrying amount is reduced through the use of provision on doubtful debts. When trade accounts receivable are not collectible, they are written off against the provision on doubtful debts. Subsequent recoveries of amounts previously written off are credited against the provision on doubtful debts. Changes in the carrying amount of the provision account are recognized in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the nature of signed contractual agreements and definitions of the financial liability and equity instrument. Equity instrument is any contract which confirms the residual share in the assets of the Group after deduction of all its liabilities. The accounting policy accepted for specific financial liabilities and equity instruments is stated below.

Loans

Loans initially recorded at the fair value plus expenses on related transactions and subsequently measured at amortized cost using effective interest method. Any difference between gains (less transaction costs) and estimate or repayment of loans is recognized during the borrowing terms according to the accounting policy of the Group on borrowing costs.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially stated at their fair value and subsequently at amortized cost using effective interest method.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legally enforceable right to offset the recognized amounts and the Group intends either to settle on a net basis or sell the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

Financial asset (or, if applicable, portion of a financial asset or portion of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains rights to receive cash flows from asset, but assumed an obligation to pay them fully without significant delay to a third party in accordance with transfer agreement, and transferred, all risks and rewards of the asset; 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of compensation that the Group could be required to repay.

Financial liabilities

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

Revenue recognition

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

Power and heat sale revenue included in profit or loss as delivered to customers. Basis for accrual of heat sale revenue and transmission of power is tariffs approved by Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Revenue from sales of goods recognized in profit or loss when goods are delivered and title has passed to customer.

Taxation

Income tax expense represents the sum of the taxes currently payable and deferred tax.

Taxes currently payable based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss, since it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is recognized in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also recognized in other comprehensive income or equity.

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

Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs.

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

Retirement benefit costs

Current pension obligations

In accordance with the requirements of legislation of the Republic of Kazakhstan legislation, the Group pays 10% of salaries, but not more than 160,230 tenge and 149,745 tenge per month in 2015 and 2014, respectively, as contribution to pension funds. Pension fund contributions are withheld from salaries and are recorded in payroll expenses and other expenses associated with employee benefits in profit or loss when incurred.

Other employee benefits

In accordance with the Collective Agreement the Group pays one time compensation to its employees relating to payment of medical and funeral services (social benefits, guarantees and compensations). In accordance with this agreement the Group pays the following main fees and benefits:

- incentive payments in honor of the Day of power engineers and Day of senior citizens to retirement pensioners, invalids in groups I, II and III, who do not work currently;
- lump sum benefit payment for the Victory Day to participants of the Great Patriotic War, to the widows of soldiers deceased during the war, rear area workers and the persons equivalent to participants of the Great Patriotic War;
- lump sum payment in the amount of a monthly salary upon retirement due to pension.

The obligation and cost of benefits under the Defined Benefit Scheme 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 the statement of comprehensive income, so as to allocate the total benefit cost over the service lives of employees in accordance with the benefit formula of the Defined Benefit Scheme. 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 obligation.

The Group recognizes actuarial gains and losses arising from the reassessment of the employee benefit obligation in the period they are identified and recognizes employee benefit costs.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions reviewed at each date of the consolidated statement of financial position and corrected for presenting the best current valuation.

Where influence of temporary value of money is material, amount of reserve is calculated as current amount of expenses that will be needed for paying-off obligations. When discounting is used, increase in provision that reflects prior period is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Related party transactions

The following parties are deemed related parties in preparation of these consolidated financial statements:

A party is related to the Group if:

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

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

6. SEGMENT REPORTING

In the reporting period, the Group revised its segment allocation methodology adopted by the change, according to the Group, disclose reportable segments more detailed. The Group determined reporting segments on the basis of services provided and, accordingly, the Group highlights five major segments: production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power and others, which include the sale of chemical water, power control and sale of chemical products. Other services do not exceed the quantitative thresholds, therefore, do not require separate disclosure.

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

(in thousands of tenge)

The Group operates in the North Kazakhstan region, Petropavlovsk city in Kazakhstan. Main consumer of the Group are residents of North Kazakhstan region and Petropavlovsk city, as well as large industrial enterprises of Petropavlovsk city: South Ural Railway, JSC Petropavlovsk heavy machinery plant and JSC Plant named after S.M. Kirov.

	For the year ended December 31, 2015					
Key operational activities	**Production of heat and power**	**Transmission and distribution of power**	**Transmission and distribution of heat**	**Sale of heat and power**	**Other**	**Total**
Total revenue	22,743,758	4,225,444	1,811,599	13,314,458	159,904	42,255,163
Intrasegment revenue	(2,077,808)	(118,539)	(18,338)	(13,282,647)	(149,358)	(15,646,690)
Revenue from sales to external customers	20,665,950	4,106,905	1,793,261	31,811	10,546	26,608,473
Cost of sales	(12,271,608)	(3,534,136)	(1,958,513)	(284,743)	(211,240)	(18,260,240)
Selling expenses	(4,456)	-	-	(300,714)	-	(305,170)
General and administrative expenses	(763,102)	(509,852)	(519,452)	(104,878)	-	(1,897,284)
Finance cost	(1,432,635)	(18,676)	(63,627)	-	-	(1,514,938)
Finance income	190,203	-	11,046	-	-	201,249
Foreign exchange loss	(3,367,013)	(1,304,453)	(511,540)	-	-	(5,183,006)
Other income	94,615	40,845	20,065	2,599	-	158,124
Income tax expense	(644,387)	218,219	184,026	131,660	-	(110,482)
Profit/(loss) for the year	2,467,567	(1,001,148)	(1,044,734)	(524,265)	(200,694)	(303,274)
Other key segment information						
Capital expenditure on property, plant and equipment	8,819,226	1,657,154	256,186	6,198	-	10,738,764
Depreciation	3,081,926	548,907	333,123	15,166	-	3,979,122

(in thousands of tenge)

	For the year ended December 31, 2014					
Key operational activities	**Production of heat and power**	**Transmission and distribution of power**	**Transmission and distribution of heat**	**Sale of heat and power**	**Other**	**Total**
Total revenue	20,006,065	4,183,680	1,816,984	12,863,588	161,344	39,031,661
Intrasegment revenue	(2,112,120)	(116,411)	(19,177)	(12,559,346)	(145,421)	(14,952,475)
Revenue from sales to external customers	17,893,945	4,067,269	1,797,807	304,242	15,923	24,079,186
Cost of sales	(10,280,742)	(2,991,329)	(1,813,275)	(239,381)	(205,599)	(15,530,326)
Selling expenses	(6,402)	-	-	(264,188)	-	(270,590)
General and administrative expenses	(926,101)	(754,584)	(690,333)	(144,251)	-	(2,515,269)
Finance cost	(1,632,630)	(10,527)	(2,229)	-	-	(1,645,386)
Finance income	157,233	-	24,355	-	-	181,588
Loss from property, plant and equipment impairment	(18,045)	(42,498)	(11,031)	-	-	(71,574)
Foreign exchange (loss)/gain	(88,606)	1,892	(9,866)	-	-	(96,580)
Other income	140,175	54,516	25,859	22,954	-	243,504
Income tax expense	(1,152,904)	(86,165)	(17,294)	62,648	-	(1,193,715)
Profit/(loss) for the year	4,085,923	238,574	(696,007)	(257,976)	(189,676)	3,180,838
Other key segment information						
Capital expenditure on property, plant and equipment	8,640,392	1,782,730	879,284	24,944	-	11,327,350
Depreciation	2,104,251	446,242	270,070	14,696	-	2,835,259

(in thousands of tenge)

7. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Cost and revalued cost						
At January 1, 2014	10,032,821	38,875,979	129,442	82,221	6,882,826	56,003,289
Additions	6,868	268,327	39,266	14,907	10,997,982	11,327,350
Revaluation	662,375	24,461,121	39,253	(10,641)	-	25,152,108
Elimination of accumulated depreciation	(1,410,566)	(5,342,679)	(64,746)	(21,771)	-	(6,839,762)
Internal transfers	671,147	10,398,520	21,027	2,083	(11,092,777)	-
Change in estimation on liquidation fund	(82,144)	-	-	-	-	(82,144)
Disposals	(2,846)	(98,756)	(5)	(6,039)	(8,616)	(116,262)
At December 31, 2014	9,877,655	68,562,512	164,237	60,760	6,779,415	85,444,579
Additions	1,914	180,819	138,393	10,784	10,406,854	10,738,764
Internal transfers	585,932	8,228,527	-	412	(8,814,871)	-
Change in estimation on liquidation fund	4,275	-	-	-	-	4,275
Disposals	(4,280)	(47,633)	-	(2,898)	(69,475)	(124,286)
At December 31, 2015	10,465,496	76,924,225	302,630	69,058	8,301,923	96,063,332
Accumulated depreciation and impairment						
At January 1, 2014	(1,005,787)	(3,173,025)	(36,900)	(18,327)	-	(4,234,039)
Charge for the year	(579,207)	(2,216,523)	(27,851)	(11,678)	-	(2,835,259)
Disposals	(148)	24,014	5	3,358	-	27,229
Elimination of accumulated depreciation	1,410,566	5,342,679	64,746	21,771	-	6,839,762
At December 31, 2014	(174,576)	(22,855)	-	(4,876)	-	(202,307)
Charge for the year	(749,447)	(3,182,444)	(35,284)	(11,947)	-	(3,979,122)
Disposals	175	4,810	-	388	-	5,373
At December 31, 2015	(923,848)	(3,200,489)	(35,284)	(16,435)	-	(4,176,056)
Net book value						
At December 31, 2015	9,541,648	73,723,736	267,346	52,623	8,301,923	91,887,276
At December 31, 2014	9,703,079	68,539,657	164,237	55,884	6,779,415	85,242,272

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

(in thousands of tenge)

As a result of revaluation as at December 31, 2014, the Group recognized increase in the value of property, plant and equipment in the amount of 25,223,682 thousand tenge net of income tax of 5,044,750 thousand tenge in other comprehensive income and also loss from impairment of property, plant and equipment of 71,574 thousand tenge in profit or loss.

During 2015 the Group capitalized to the cost of property, plant and equipment interest expenses and foreign exchange loss on revaluation of loans in foreign currency, in the amount of 777,967 thousand tenge (2014: 571,908 thousand tenge).

The carrying value of each class of property, plant and equipment that would have been recognized in the consolidated financial statements if property, plant and equipment had been recorded at initial cost less accumulated depreciation and an impairment provision was as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construc-tion in progress	Total
As at December 31, 2015	8,453,573	47,688,817	216,029	41,508	8,301,923	64,701,850
As at December 31, 2014	8,585,822	43,493,146	120,749	42,369	6,779,415	59,021,501

As at December 31, 2015, property, plant and equipment of 66,917,653 thousand tenge were pledged as a collateral of loans (December 31, 2014: 57,286,421 thousand tenge) (Note 17).

As at December 31, 2015, the value of fully depreciated property, plant and equipment at revalued cost amounted to 56,744 thousand tenge (2014: nil).

8. INVENTORIES

	December 31, 2015	December 31, 2014
Spare parts and materials for maintenance	1,333,577	2,398,203
Coal, fuel oil	425,474	519,544
Other	613,539	379,569
	2,372,590	3,297,316
Allowance for obsolete inventory	(52,456)	(78,201)
Total	2,320,134	3,219,115

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

	2015	2014
At January 1	78,201	51,696
(Recovered)/accrued (Note 25)	(25,745)	26,505
At December 31	52,456	78,201

(in thousands of tenge)

9. TRADE ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
Sales and transmission of power and heat	2,783,383	1,342,694
Sales of inventories and providing for other services	147,724	144,417
	2,931,107	1,487,111
Allowance for doubtful debts	(78,217)	(90,074)
Total	2,852,890	1,397,037

For the years ended December 31, 2015 and 2014 movement of allowance for doubtful debts is presented as follows:

	2015	2014
At January 1	90,074	124,648
Recovered during the year	(11,857)	(34,574)
At December 31	78,217	90,074

Major part of trade accounts receivable as at December 31, 2015 and 2014 includes receivable from customers for sale of electric and heat energy. The Group's customer database is diverse and includes households and industrial consumers. As at December 31, 2015 and 2014 average period of trade receivables origination is 60 days.

Age of impaired trade receivables as at December 31, presented as follows:

	2015	2014
90-180 days	-	12,380
181-270 days	-	9,460
271-365 days	-	8,546
Over 365 days	78,217	59,688
	78,217	90,074

(in thousands of tenge)

10. ADVANCES PAID

	December 31, 2015	December 31, 2014
For purchase of property, plant and equipment	614,328	832,261
For goods	328,758	172,107
For services	174,072	217,676
Other	-	10,709
	1,117,158	1,232,753
Long-term	614,328	832,261
Short-term	502,830	400,492
Total	1,117,158	1,232,753

11. OTHER CURRENT ASSETS

	December 31, 2015	December 31, 2014
Taxes recoverable and prepaid	212,648	218,283
Prepaid expenses	8,337	8,093
Receivables from employees	916	755
Receivable from related party	-	744,675
Other	39,030	34,358
	260,931	1,006,164
Allowance for doubtful debts	(18,440)	(14,632)
Total	242,491	991,532

For the years ended December 31, 2015 and 2014 movement of allowance for doubtful debts is presented as follows:

	2015	2014
At January 1	14,632	12,587
Recovered during the year	3,808	2,045
At December 31	18,440	14,632

(in thousands of tenge)

12. OTHER FINANCIAL ASSETS

	December 31, 2015	December 31, 2014
Deposits	155,019	171,285
	155,019	171,285
Current	145,019	166,285
Non-current	10,000	5,000
	155,019	171,285
Included:		
Cash restricted in use:		
Cash on debt service reserve account	145,019	147,236
Minimal amount on deposits	10,000	24,049
	155,019	171,285

Cash restricted in use represents the cash placed to debt service account under the requirements of the loan agreement between the Company and EBRD and used for payments of interest and principal loan amounts, and accumulated during half-year period prior to payment date. These cash balances can be used exclusively for the purposes determined by the loan agreement with EBRD.

The Group places cash on deposits with flexible terms, partial replenishment and withdrawal. Interest rates on deposits are from 5.3% to 7.3% per annum (2014: 5.3% to 7.5%).

13. CASH

	December 31, 2015	December 31, 2014
Cash in banks current accounts	455,393	535,837
Petty cash	11,836	12,263
Total	467,229	548,100

As at December 31, cash is denominated in following currencies:

	December 31, 2015	December 31, 2014
Tenge	466,980	548,069
US dollars	249	-
Russian rouble	-	31
Total	467,229	548,100

(in thousands of tenge)

14. SHARE CAPITAL

	December 31, 2015			December 31, 2014		
Shareholder	Number of shares	%	Amount	Number of shares	%	Amount
JSC CAEPCO	143,863,799	100%	16,291,512	143,863,799	100%	16,291,512

Company does not have preferred shares as at December 31, 2015 and 2014.

As a result of the Company's operation for 2014 have been declared dividends during 2015 of 843,253 thousand tenge (2014: 776,319 thousand tenge for the results of 2013). In 2015 Company paid dividends in the amount of 1,144,790 thousand tenge for 2014 and 2013 (2014: nil).

15. ADDITIONAL PAID-IN CAPITAL

As at December 31, 2015 and 2014 additional paid-in capital amounted to 277,168 thousand tenge.

Additional paid-in capital includes the following:

- difference between the carrying amount of property, plant and equipment received by the Group under the finance lease agreements and present value of minimum lease payments under the finance lease agreements. During the period of finance lease the owner transferred part of property, plant and equipment under the agreement to share capital of the Group with a respective adjustment of additional paid-in capital;
- fair value adjustment of an interest free long-term loan from the shareholder.

16. BONDS ISSUED

In December 2009, the Company declared issuance of 80,000,000 coupon bonds of 8,000,000 thousand tenge with nominal value of 100 tenge, with fixed interest rate of 12.5%, with semiannual coupon payments, and maturity of 10 years.

As at December 31, bonds issued were represented as follows:

Number	Maturity date	Interest rate	December 31, 2015	December 31, 2014
KZ2C0Y10D695	January 10, 2020	12.5%	8,000,000	6,067,590
Accrued interest on bonds issued			472,015	324,339
Premium			400,555	237,588
Discount			(339)	(424)
Redemption of bonds			(3,517)	(572,900)
Total			8,868,714	6,056,193
Bonds are paid off as follows:				
Within one year			472,015	324,339
After the second and fifth years inclusive			8,396,699	5,731,854
			8,868,714	6,056,193

(in thousands of tenge)

17. LOANS

	December 31, 2015	December 31, 2014
Principal amount of bank loans	18,594,808	16,160,642
Interest payable - long-term loans	167,063	146,650
Interest payable - short-term loans	21,263	62,412
Less:		
Fair value adjustment of loan	(166,174)	(177,220)
Unamortized part of one-time commission	(88,036)	(81,646)
	18,528,924	16,110,838
Less:		
Short-term loans	(2,593,763)	(4,556,812)
Current portion of long-term loans	(906,330)	(2,158,348)
Long-term loans	15,028,831	9,395,678
Maturity:		
Within second year	1,334,156	513,300
Within two and five years inclusive	4,471,908	3,073,900
After five years	9,222,767	5,808,478
	15,028,831	9,395,678
Currencies:		
Tenge	7,646,900	10,660,498
US Dollar	10,947,908	5,500,144
	18,594,808	16,160,642

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

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

CAEPCO JSC acts as a guarantor for loans from EBRD.

Short-term loans include loans from SB JSC Sberbank of Russia obtained on the replenishment of working capital.

Effective interest rate on long-term loans in tenge and US dollars is 10.01% and 3.08%, respectively.

Effective interest rate on short-term loans in tenge and US dollars is 10.17% and 6.5%, respectively.

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

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

(in thousands of tenge)

18. INCOME TAX

	2015	2014
Deferred income tax expense	110,482	1,193,715
Income tax expense	110,482	1,193,715

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

	December 31, 2015	December 31, 2014
Deferred tax assets arising from:		
Loss carried forward	1,569,658	636,712
Other temporary differences	172,635	195,217
Total deferred tax assets	1,742,293	831,929
Deferred tax liabilities arising from:		
Carrying value of property, plant and equipment and intangible assets	(15,086,822)	(14,063,693)
Other temporary differences	(35,617)	(37,900)
Total deferred tax liabilities	(15,122,439)	(14,101,593)
Deferred tax liabilities, net	(13,380,146)	(13,269,664)

Movement in deferred taxes during the years ended December 31, was as follows:

	2015	2014
At January 1	(13,269,664)	(7,039,225)
Increase in deferred tax liabilities recorded:		
In profit or loss	(110,482)	(1,193,715)
In other comprehensive income	-	(5,044,750)
In consolidated statement of changes in equity	-	8,026
At December 31	(13,380,146)	(13,269,664)

Income tax expense for the years ended December 31, and profit before income tax were reconciled in profit or loss as follows:

	2015	2014
(Loss)/profit before income tax	(192,792)	4,374,553
Tax at statutory rate	(38,558)	874,911
Tax effect of other permanent differences	79,342	113,709
Over normative losses	56,070	88,251
Finance costs on long-term loans	12,722	50,219
Current income tax adjustments related to prior year profits	906	4,565
Unused tax losses not recognized as deferred tax assets	-	62,060
Income tax expense	110,482	1,193,715

(in thousands of tenge)

19. TRADE ACCOUNTS PAYABLE

	December 31, 2015	December 31, 2014
For property, plant and equipment	2,921,572	1,391,530
For services rendered	1,601,536	701,746
For purchased goods	820,925	779,627
Other	817	416
Total	5,344,850	2,873,319

As at December 31, trade accounts payable denominated in the following currencies:

	December 31, 2015	December 31, 2014
Tenge	4,790,222	2,316,872
Russian rouble	554,628	556,447
Total	5,344,850	2,873,319

20. ADVANCES RECEIVED

As at December 31, 2015 and 2014, advances received of 418,302 thousand tenge and 541,124 thousand tenge, respectively, consisted mainly of advances received for power and heat, and other services.

21. OTHER LIABILITIES AND ACCRUED EXPENSES

	December 31, 2015	December 31, 2014
Dividends payable	474,782	776,319
Due to employees	223,110	203,230
Taxes payable	212,187	136,368
Financial aid	70,000	-
Pension fund	36,602	34,603
Provision for unused vacation	35,954	45,133
Other	11,352	5,322
Total	1,063,987	1,200,975

(in thousands of tenge)

22. REVENUE

	2015	2014
Sale of power	18,577,788	16,072,107
Transmission of power	4,106,905	4,067,269
Sale of heat	2,119,973	2,126,080
Transmission of heat	1,793,261	1,797,807
Sale of chemical products	10,546	15,923
Total	26,608,473	24,079,186

23. COST OF SALES

	2015	2014
Fuel	7,358,146	7,057,503
Depreciation and amortization	3,848,906	2,716,005
Services purchased	2,583,872	2,089,960
Payroll expenses and related taxes	2,531,420	1,882,912
Inventories	950,324	1,006,721
Power transmission	209,894	194,966
Electric energy purchased for sale	179,259	6,348
Other	598,419	575,911
Total	18,260,240	15,530,326

24. SELLING EXPENSES

	2015	2014
Payroll expenses and related taxes	181,317	148,320
Services purchased	52,609	56,399
Depreciation and amortization	8,310	4,501
Inventories	6,278	5,427
Other	56,656	55,943
Total	305,170	270,590

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Payroll expenses and related taxes	612,047	1,057,883
Taxes other than income tax	473,282	488,914
Services purchased	218,030	339,505
Depreciation and amortization	69,806	88,115
Inventories	39,448	29,697
Recovery of allowance for doubtful debts	(8,049)	(52,051)
(Recovery)/accrual of provision for unused vacation	(8,124)	12,157
(Recovery)/accrual of provision for obsolete inventories (Note 8)	(25,745)	26,505
Other	526,589	524,544
Total	1,897,284	2,515,269

(in thousands of tenge)

26. FINANCE COSTS

	2015	2014
Interest expenses on issued bonds	746,063	705,750
Interest expenses on bank loans	703,778	838,277
Other	65,097	101,359
Total	1,514,938	1,645,386

27. FOREIGN EXCHANGE LOSS, NET

	2015	2014
Foreign exchanges loss from revaluation of loans	(5,086,179)	(667,059)
Foreign exchanges gain from revaluation of cash	57,917	59,629
Foreign exchanges gain from revaluation of other financial assets	-	224,319
Other foreign exchange (loss)/gain	(154,744)	286,531
Total	(5,183,006)	(96,580)

28. OTHER INCOME, NET

	2015	2014
Income from inventory from dismantling of property, plant and equipment	83,917	57,600
Income from writte-off of accounts payable	459	3,427
Loss from disposal of property, plant and equipment and intangible assets	(7,802)	(13,603)
Depreciation expenses on property, plant and equipment, transferred into operating lease	(54,643)	(28,920)
Other income	136,193	225,000
Total	158,124	243,504

29. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include the Group's owners, their subsidiaries and associates or companies over which the Group or its owners have significant control and key management personnel.

The transactions with related parties are conducted on terms that might not necessarily be available to third parties.

Transactions among the Company and its subsidiaries and jointly controlled companies are eliminated upon consolidation and are not presented in this note.

(in thousands of tenge)

During the year the entities of the Group had the following transactions on main and other activities with related parties not within the Group:

Company	Services provided 2015	Services provided 2014	Services acquired 2015	Services acquired 2014
Subsidiaries of JSC CAEPCO	7,237,461	2,681,620	-	-
CAEPCO JSC	-	-	2,729	7,704
Associated companies of JSC CAPEC	-	-	12,612	21,088
	7,237,461	2,681,620	15,341	28,792

Balances between the Group and related parties as at reporting date are as follows:

Company	Payables of related party December 31, 2015	Payables of related party December 31, 2014	Payables to related party December 31, 2015	Payables to related party December 31, 2014
Subsidiaries of JSC CAEPCO	1,065,091	26,514	-	35,525
CAEPCO JSC	-	-	547,693	849,492
CAPEC JSC	-	744,675	-	487
Associated companies of JSC CAPEC	-	12	38	35
EBRD	-	-	-	466
	1,065,091	771,201	547,731	886,005

The Group carried out financial transactions with related parties, such as bank loans and the allocation of funds on deposit. As a result of financial transactions with related parties, the Group has the following balances:

Company	Loans, including accrued interest from related parties December 31, 2015	Loans, including accrued interest from related parties December 31, 2014	Cash on deposits in banks, including restricted cash December 31, 2015	Cash on deposits in banks, including restricted cash December 31, 2014	Cash in banks December 31, 2015	Cash in banks December 31, 2014
EBRD	15,084,438	9,329,398	-	-	-	-
Associated companies of JSC CAPEC	-	-	155,019	157,235	361,055	492,515
	15,084,438	9,329,398	155,019	157,235	361,055	492,515

For the years ended December 31, 2015 and 2014, the Group has the following financial transactions with related parties:

Company	Interest expenses accrued on loans from related parties 2015	Interest expenses accrued on loans from related parties 2014	Interest income accrued on cash deposits in a bank 2015	Interest income accrued on cash deposits in a bank 2014
EBRD	555,432	555,406	2	68
CAEPCO JSC	-	8,708	-	-
Associated companies of JSC CAPEC	-	-	27,526	529
JSC CAPEC	-	-	82,296	105,623
	555,432	564,114	109,824	106,220

(in thousands of tenge)

Key personnel of the Group

During 2015 the compensation to the key management and members of the Board of Directors of the Group amounted to 118,824 thousand tenge (2014: 103,860 thousand tenge).

30. (LOSS)/EARNINGS PER SHARE

The earning per share in calculation of profit on the shares calculates on the basis of the weighted average quantity of the issued shares for the years ended December 31, 2015 and 2014. Sum of ordinary shares and sum of diluted shares are equal because dilution was not made.

	2015	2014
(Loss)/profit for the year	(303,274)	3,180,838
Weighted average quantity of shares	143,863,799	143,863,799
(Loss)/earnings per share in tenge	(2.11)	22.11

Carrying value of one ordinary share as at December 31 is presented below.

Type of shares	Quantity of issued shares	Net adjusted assets	Carrying value in tenge
December 31, 2015	143,863,799	50,979,587	354.36
December 31, 2014	143,863,799	52,209,262	362.91

Balance cost of one ordinary share is calculated as net assets divided by quantity of ordinary shares issued as at December 31, 2015 and 2014.

Net assets comprise all assets except for intangible assets and liabilities in the consolidated statement of financial position as at December 31, 2015 and 2014.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK POLICY AND OBJECTIVES

The Group's financial instruments include cash, and accounts receivable and accounts payable. The main financial instruments risks are the risks related to liquidity and credit risks. The Group also controls the market risk and interest rate risk that arises on all financial instruments.

(in thousands of tenge)

Category of financial instruments

As at December 31, financial instruments are presented as follows:

	2015	2014
Financial assets		
Other financial assets (Note 12)	155,019	171,285
Trade accounts receivable (Note 9)	2,852,890	1,397,037
Other current assets, less prepaid taxes, prepaid expenses and receivables from employees (Note 11)	29,483	773,249
Cash (Note 13)	467,229	548,100
Financial liabilities		
Bonds issued (Note 16)	(8,868,714)	(6,056,193)
Loans (Note 17)	(18,528,924)	(16,110,838)
Trade accounts payable (Note 19)	(5,344,850)	(2,873,319)
Other liabilities and accrued expenses, less provision for unused vacation, pension fund and taxes and non-budget payable (Note 21)	(779,244)	(984,871)

Risk of capital insufficiency management

The Group manages the risk of capital insufficiency to ensure that it will be able to continue as a going concern while increasing tariffs and optimizing the balance, debt and equity.

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

Financial risk management objectives

Risk management is an important part of the Group's activities. The Group monitors and manages the financial risks relating to the operations of the Group by analyzing exposures by degree and magnitude of risks. These risks include market risk, liquidity risk and cash flow interest rate risk. The Group's risk management policies are listed below.

Interest rate risk

The interest rate risk for the Group is the risk of a change in market interest rates that could lead to increase of cash outflows on the Group's loans. The Group limits the interest rate risk by attracting loans with fixed interest rate, except EBRD loan.

Interest rate sensitivity analysis

The information below presents sensitivity analysis in terms of fluctuation of interest rates on non-derivative instruments as at the reporting date. As for the liabilities with floating interest rates, the analysis was prepared based on the assumption that the amount of outstanding liabilities remained outstanding for the whole year. In preparation of management reports on interest rate risks for the key management of the Group, an assumption is made that the interest rate will be changed by 1% which is in compliance with the management's expectations regarding reasonably possible fluctuations of interest rates.

(in thousands of tenge)

If interest rates on liabilities were 1% more/less and all other variables remained unchanged, the Group's profit for the year ended December 31, 2015, would decrease/increase by 167,241 thousand tenge (2014: 93,767 thousand tenge), but the Group would compensate these changes by changes in tariffs for the Group's services. This relates to the Group's exposure to interest rate risk on its loan with floating interest rate.

Credit risk

Credit risk arising as a result of contracting parties failing to meet the conditions of agreements with the Group's financial instruments is usually limited to amounts, if any, that the contracting parties liabilities exceed the Group's liabilities to these contracting parties. The Group's policy talks of concluding transactions with financial instruments with a series of solvent contracting parties. The Group's maximum credit risk equals the carrying value of each financial asset. The Group considers that its maximum risk equals its trade accounts receivable (Note 9) and other accounts receivable (Note 11) less allowance for doubtful debts recorded as at the reporting date. Trade accounts receivable consist of large number of buyers. The Group regularly assesses the creditworthiness of buyers. The Group has a policy to ensure that transaction clients have a suitable credit history and do not exceed established credit limits.

The Group does not have significant credit risk concentration on one counterparty. Credit risk concentration on each counterparty has never exceeded 5% of the total amount of trade accounts receivables within the year.

The Group does not act as the guarantor for third parties' liabilities.

Market risk

Market risk involves a possible fluctuation in the value of a financial instrument as a result of a change in market prices. As the Group holds a dominant position on the market, the risk of a possible fluctuation in the value of a financial instrument due to change in market prices is unlikely.

Currency risk

The Group performs certain transactions denominated in foreign currency and thus risk of changes in foreign exchange rates may arise.

The carrying amount of foreign-currency denominated monetary assets and liabilities of the Group on the reporting date was as follows:

	Assets		Liabilities	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
US dollars	249	-	(10,947,908)	(5,500,144)
Russian ruble	-	31	-	-

(in thousands of tenge)

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 20% increase or decrease in tenge against US dollar. 20% is the sensitivity rate used in internal foreign currency risk reports to the key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes loans and the Group's cash denominated in the currency other that the currency of the borrower or a lender. A positive number below indicates an increase in the profit and other items of equity upon 20% strengthening tenge against the relevant currency. For a 20% weakening of tenge against the relevant currency there would be an equal and opposite impact on profit and equity and the numbers below will be negative.

	US dollar impact	
	2015	**2014**
Financial assets	50	-
Financial liabilities	(2,189,582)	(1,100,029)

In 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. As a result, tenge exchange rate to US Dollars fluctuated from 187 to 350 tenge per US Dollar during August-December 2015. In 2015 the Group incurred foreign exchange losses of 5,183,006 thousand tenge (2014: 96,580 thousand tenge), mainly related to loans denominated in US dollars (Note 17 and 27).

Liquidity risk

The Group's owners are ultimately responsible for liquidity risk management due to having created an appropriate system of controls for Group Management in accordance with requirements of liquidity management and short-, middle-, and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, bank borrowings and available credit lines by means of constant monitoring of budgeted and cash flow and comparing of maturity dates of its financial assets and liabilities.

The following tables show the Group's contract dates for its non-derivative financial assets and liabilities. The table was compiled based on the non-discounted movement of cash flows on financial liabilities using the earliest date that the Group could be made to make a payment. The table includes cash flows, as well as interest and the debt principal.

(in thousands of tenge)

Liquidity and interest rate risk tables were as follows as at December 31, 2015:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		2,852,890	-	-	78,217	2,931,107
Other current assets, less prepaid taxes, prepaid expenses and receivables from employees		29,843	-	-	18,440	48,283
Cash		467,229	-	-	-	467,229
Trade accounts payable		(5,344,850)	-	-		(5,344,850)
Interest bearing:						
Restricted cash	5.3% - 7.3%	145,019	10,000	-	-	155,019
Short-term loans	10% -18.8%	(2,921,615)	-	-	-	(2,921,615)
Long-term loans	0.75% -10%	(1,654,696)	(9,437,590)	(9,727,149)	-	(20,819,435)
Bonds issued	12.5%	(999,560)	(11,494,943)	-	-	(12,494,503)
		(7,425,740)	(20,922,533)	(9,727,149)	96,657	(37,978,765)

Liquidity and interest rate risk tables were as follows as at December 31, 2014:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		1,397,037	-	-	90,074	1,487,111
Other current assets, less prepaid taxes, prepaid expenses and receivables from employees		773,249	-	-	14,632	787,881
Cash		548,100	-	-	-	548,100
Long-term payables		(78,000)	-	-	-	(78,000)
Trade accounts payable		(2,873,319)	-	-	-	(2,873,319)
Interest bearing:						
Restricted cash	3.2% - 9.00%	152,236	19,049	-	-	171,285
Short-term loans	10.00%	(5,072,882)	-	-	-	(5,072,882)
Long-term loans	0.75%- 10.00%	(2,674,418)	(6,664,698)	(7,346,486)	-	(16,685,602)
Bonds issued	12.50%	(686,836)	(8,822,616)	-	-	(9,509,452)
		(8,514,833)	(15,468,265)	(7,346,486)	104,706	(31,224,878)

Fair value

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

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

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

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

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

Level 3 fair value of land, buildings and constructions as well as machinery and equipment have been generally derived engaging an independent appraiser to determine the fair value of property, plant and equipment. The fair value of property, plant and equipment was determined by applying, in the aggregate, the following generally accepted valuation techniques: cost approach. Management believes that the results of the assessment appropriately reflect the economic conditions of the Company's property, plant and equipment as at December 31, 2014. Management believes that as at December 31, 2015 there were no significant changes in the fair value of property, plant and equipment.

32. COMMITMENTS AND CONTINGENCIES

Taxation

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

In particular, taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Environment, health and labor protection matters

The Group believes it is currently in compliance with all existing environmental laws and regulations on health and workplace safety of the Republic of Kazakhstan. However, environmental laws and regulations may change in the future. The Group is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernize technology to meet more stringent standards.

Insurance

As at December 31, 2015 and 2014 the Group did not insure its assets, except for Heat Power Plant-2 production facility. Since absence of insurance does not mean decrease in cost of assets or appearance of liabilities no provision was created in the consolidated financial statements for unforeseen expenses related to spoilage and loss of such assets.

Loan covenant

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

Capital investments

On November 10, 2014, Agreement on investment obligations of the Group for 2015 was signed between the Ministry of industry and new technologies of the Republic of Kazakhstan and the Group. According to this agreement the Group invested in construction, modernization and acquisition of property, plant and equipment of 7,181,350 thousand tenge, not including VAT. As at December 31, 2015, the Group complied with all investment obligations.

In 2015 the Group developed and approved the plan of capital investments for 2016-2020 with the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of North Kazakhstan region ("the Committee"). According to the plan, during 2016-2020, the Group is subject to invest in production assets 20,619,030 thousand tenge, not including VAT, including 4,260,503 thousand tenge, not including VAT, during 2016.

Tariffs formation

The Group agrees with the Department of the Agency of the Republic of Kazakhstan on regulation of natural monopolies in the Northern Kazakhstan region the tariffs on power and heat. Management of the Group believes that all the rebates were provided in accordance with the legislation of the Republic of Kazakhstan.

33. EVENTS AFTER THE REPORTING PERIOD

Tariffs

Effective from January 1, 2016, the following changes in tariffs were approved in accordance with the order of the Agency of the Republic of Kazakhstan for regulation of natural monopolies:

- For heat production increase by 9.8%;
- For power transmission and distribution services increase by 6.2%;
- For heat transmission and distribution services increase by 22.3%;
- For sale of heat increase by 15.3%, for individuals and legal entities 9.0% and 25.5%, respectively;
- For power sale increase by 5.6%, for individuals and legal entities 5.4% and 5.6%, respectively.

Loans

In 2016 the Group received short-term loans under the credit line with SB JSC Sberbank of Russia of 800,000 thousand tenge at an interest rates from 14.75% to 18.8% per annum.

Loan covenant

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

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the management of the Group and authorized for issue on April 28, 2016.