“Kazakhstan Electricity Grid Operating Company” JSC

Unaudited interim consolidated financial statements

As at and for the nine months ended 30 September 2014

CONTENTS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

In thousands of Tenge	**Notes**	**30 September 2014 (unaudited)**	31 December 2013 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	**469,859,760**	308,819,164
Intangible assets		**1,087,868**	885,708
Advances paid for non-current assets	7	**4,398,364**	8,765,506
Investments in associates	8	**166,602**	220,446
Other financial assets	11	**3,673,399**	868,269
Other non-current assets		**196,320**	56,662
		479,382,313	319,615,755
Current assets			
Inventories	9	**2,373,623**	1,916,887
Trade accounts receivable	10	**10,987,701**	8,501,318
VAT recoverable and other prepaid taxes		**2,111,012**	2,817,752
Income tax prepaid		**1,329,433**	1,141,931
Other financial assets	11	**20,124,986**	18,992,431
Restricted cash	12	**2,424,069**	1,688,834
Other current assets	13	**808,752**	919,263
Cash and cash equivalents	14	**8,409,348**	11,727,555
		48,568,924	47,705,971
Total assets		**527,951,237**	367,321,726
Equity and liabilities			
Equity			
Share capital	15	**114,362,123**	107,245,972
Asset revaluation reserve	15	**221,986,714**	110,878,954
Other reserves	15	**(170,701)**	(170,701)
Retained earnings		**4,352,638**	3,227,238
		340,530,774	221,181,463
Non-current liabilities			
Borrowings	16	**96,975,829**	82,323,069
Deferred tax liability	26	**65,750,682**	36,090,576
		162,726,511	118,413,645
Current liabilities			
Trade and other accounts payable	18	**7,406,218**	14,713,802
Borrowings	16	**12,791,644**	10,218,204
Advances received		**1,662,202**	789,884
Construction obligation	17	**681,463**	–
Taxes payable other than income tax		**474,640**	713,332
Other current liabilities	19	**1,677,785**	1,291,396
		24,693,952	27,726,618
Total liabilities		**187,420,463**	146,140,263
Total equity and liabilities		**527,951,537**	367,321,726
Book value per ordinary share (in Tenge)	15	**1,451**	1,027

Chairman of the Management Board ______________________

Kazhiyev B.T.

Chief Accountant ______________________

Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 46 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

In thousands of Tenge	Notes	For the three months ended 30 September 2014 (unaudited)	For the three months ended 30 September 2013 (unaudited)	For the nine months ended 30 September 2014 (unaudited)	For the nine months ended 30 September 2013 (unaudited)
Revenue	20	**18,448,051**	14,560,457	**61,133,719**	49,537,009
Cost of sales	21	**(17,427,315)**	(12,177,972)	**(52,078,098)**	(38,330,819)
Gross profit		**1,020,736**	2,382,485	**9,055,621**	11,206,190
General and administrative expenses	22	**(4,243,451)**	(1,621,813)	**(10,575,515)**	(4,458,886)
Selling expenses		**(39,981)**	(32,778)	**(114,367)**	(119,909)
Revaluation gain on property, plant and equipment		**–**	–	**14,250,162**	–
Impairment loss		**(82,695)**	–	**(138,845)**	(111,150)
Operating (loss)/profit		**(3,345,391)**	727,894	**12,477,056**	6,516,245
Interest income from deposits, current accounts, and bonds		**328,095**	479,516	**1,150,742**	1,342,487
Finance costs	23	**(757,665)**	(424,745)	**(2,451,546)**	(1,392,576)
Foreign exchange gain/(loss), net	24	**4,238,284**	(2,007,736)	**(9,128,742)**	(2,108,633)
Share of (loss)/income of an associate, net		**(2,811)**	7,305	**(9,134)**	4,260
Other income	25	**1,610,663**	29,107	**1,726,340**	103,624
Other expenses		**(25,345)**	–	**(54,954)**	(6,608)
Profit/(loss) before tax		**2,045,830**	(1,188,659)	**3,709,762**	4,458,799
Income tax (expense)/benefit	26	**(828,958)**	377,025	**(1,904,970)**	(960,278)
Profit/(loss) for the period		**1,216,872**	(811,634)	**1,804,792**	3,498,521
Earnings per share					
Basic and diluted profit/(loss) for the period attributable to ordinary equity holders (in Tenge)	15	**5.67**	(3.78)	**8.41**	16.34

The accounting policies and explanatory notes on pages 7 to 46 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of Tenge	Notes	For the three months ended 30 September **2014 (unaudited)**	For the three months ended 30 September 2013 (unaudited)	For the nine months ended 30 September **2014 (unaudited)**	For the nine months ended 30 September 2013 (unaudited)
Profit/(loss) for the period		**1,216,872**	(811,634)	**1,804,792**	3,498,521
Other comprehensive (loss)/income					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Net loss on available for sale financial assets		**–**	–	**–**	(115,578)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**–**	–	**–**	(115,578)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Gain on revaluation of property, plant and equipment		**–**	–	**138,887,289**	–
Income tax effect		**–**	–	**(27,777,458)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	–	**111,109,831**	–
Other comprehensive income/(loss) for the period, net of tax		**–**	–	**111,109,831**	(115,578)
Total comprehensive income/(loss) for the period, net of tax		**1,216,872**	(811,634)	**112,914,623**	3,382,943

Chairman of the Management Board ______________________

Kazhiyev B.T.

Chief Accountant ______________________

Mukanova D.T.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2014

In thousands of Tenge	**Notes**	**2014 (unaudited)**	2013 (unaudited)
Operating activities			
Profit before tax		**3,709,762**	4,458,799
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**13,472,599**	5,535,022
Finance costs	23	**2,451,546**	1,392,576
Foreign exchange loss		**9,649,373**	2,108,633
Provision for doubtful accounts receivable and impairment of advances	22	**3,702,418**	632,430
Provision / (reversal of provision) for obsolete inventory	22	**113,157**	(236,419)
Revaluation gain of property, plant and equipment		**(14,250,162)**	–
Loss from disposal of property, plant and equipment and intangible assets		**97,759**	82,668
Income from transfer of fixed assets from customer		**(1,536,710)**	–
Interest income		**(1,150,742)**	(1,342,487)
Accrual of reserve on construction in progress		**138,845**	–
Share of loss / (income) of an associate		**9,134**	(4,260)
Working capital adjustments:			
Change in inventories		**(569,893)**	(470,865)
Change in trade accounts receivable		**(6,141,757)**	1,008,278
Change in VAT recoverable and other prepaid taxes		**706,740**	257,626
Change in other current assets		**63,467**	(514,013)
Change in trade and other accounts payable		**389,003**	(305,584)
Change in advances received		**872,318**	302,817
Change in taxes payable other than income tax		**(238,694)**	30,768
Change in other current liabilities		**(217,853)**	64,709
Cash flows from operating activities		**11,270,310**	13,000,698
Interest paid		**(2,273,704)**	(2,246,709)
Income tax paid		**(209,824)**	(5,811)
Interest received		**837,434**	783,975
Net cash flows from operating activities		**9,624,216**	11,532,153
Investing activities			
Withdrawal of bank deposits		**10,850,008**	(1,871,710)
Placement of bank deposits		**(11,154,020)**	–
Change in restricted cash		**(579,821)**	(358,164)
Proceeds from sale of property, plant and equipment and intangible assets		**43,825**	30,264
Purchase of property, plant, equipment		**(15,839,720)**	(12,136,254)
Purchase of intangible assets		**(332,433)**	(44,578)
Payment for construction of kinder garden		**(202,522)**	–
Repayment of loans given to employees		**17,624**	28,202
Investments in an associate		**–**	(100,530)
Distribution from an associate		**44,710**	–
Net cash flows used in investing activities		**17,152,349**	(14,452,770)

The accounting policies and explanatory notes on pages 7 to 46 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	**Notes**	**2014 (unaudited)**	2013 (unaudited)
Financing activities			
Proceeds from shares issuance		**–**	403,000
Payment of dividends		**–**	(2,082,309)
Repayment of borrowings		**(8,298,563)**	(5,725,838)
Proceeds from borrowings		**12,008,586**	9,270,311
Net cash flows from financing activities		**3,710,023**	1,865,164
Net change in cash and cash equivalents		**(3,818,110)**	(1,055,453)
Net foreign exchange difference		**499,903**	232,612
Cash and cash equivalents at the beginning of the period	14	**11,727,555**	8,044,502
Cash and cash equivalents at the end of the period	14	**(8,409,348)**	7,221,661

Chairman of the Management Board

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Kazhiyev B.T.

Chief Accountant

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Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 46 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

In thousands of Tenge	**Share capital *(Note 15)***	**Asset revaluation reserve**	**Other reserves *(Note 15)***	**Retained earnings**	**Total**
As at 1 January 2013 (audited)	106,842,972	–	(55,123)	19,772,193	126,560,042
Profit for the period	–	–	–	3,498,521	3,498,521
Net loss on available for sale financial assets, net of tax *(Note 15)*	–	–	(115,578)	–	(115,578)
Total comprehensive income	–	–	(115,578)	3,498,521	3,382,943
Issue of share capital *(Note 15)*	403,000	–	–	–	403,000
Dividends *(Note 15)*	–	–	–	(2,082,309)	(2,082,309)
As at 30 September 2013 (unaudited)	107,245,972	–	(170,701)	21,188,405	128,263,676
As at 1 January 2014 (audited)	**107,245,972**	**110,878,954**	**(170,701)**	**3,227,238**	**221,181,463**
Profit for the period	**–**	**–**	**–**	**1,804,792**	**1,804,792**
Gain on revaluation of property, plant and equipment, net of tax *(Note 7)*	**–**	**111,109,831**	**–**	**–**	**111,109,831**
Total comprehensive income	**–**	**111,109,831**	**–**	**1,804,792**	**112,941,623**
Transfer of asset revaluation reserve *(Note 15)*	**–**	**(2,071)**	**–**	**2,071**	**–**
Contribution to share capital *(Note 15)*	**7,116,151**	**–**	**–**	**–**	**7,116,151**
Distribution to shareholder *(Note 17)*	**–**	**–**	**–**	**(681,463)**	**(681,463)**
As at 30 September 2014 (unaudited)	**114,362,123**	**221,986,714**	**(170,701)**	**4,352,638**	**340,530,774**

Chairman of the Management Board ______________________________

Kazhiyev B.T.

Chief Accountant ______________________________

Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 46 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC ("the Company" or "KEGOC") was established in accordance with the Government Resolution No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System "Kazakhstanenergo".

The Company's sole shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna"). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

KEGOC is the national company which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "UPS"), ensures its technical support and maintenance. The UPS consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

The Company has shares in the following companies as of 30 September 2014 and 31 December 2013:

		Percentage of ownership	
Companies	**Activities**	**30 September 2014**	31 December 2013
Energoinform JSC	Maintenance of the KEGOC's IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan	**100%**	100%

The Company and its subsidiaries are hereafter referred as the "Group".

The Group's operating activities are regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272-I On Natural Monopolies and Regulated Markets as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Agency of the Republic of Kazakhstan for the Regulation of Natural Monopolies (the "Agency").

The Company's registered office is located at 59 Tauelsyzdyk Str., Astana, 010000, the Republic of Kazakhstan.

These interim consolidated financial statements were authorised for issue by the Company's Chairman of the Management Board and Chief Accountant on 10 November 2014.

2. BASIS OF PREPARATION

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

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and available for sale financial assets that have been measured at fair value as described in the accounting policies and notes to these interim consolidated financial statements. The interim consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policy

Revaluation of UPS constructions

In 2013 the Group changed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using the cost model as set out in IAS 16.30, whereby after initial recognition of the assets classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 November 2013 the Group elected to change the method of accounting for UPS constructions classified in property, plant and equipment, since the Group believes that revaluation model more effectively demonstrates the financial position of UPS constructions. After initial recognition, the Group uses the revaluation model, whereby UPS constructions will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Group applied the exemption in IAS 8, which exempts this change in accounting policy from retrospective application and extensive disclosure requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of following new standards and interpretations effective as of 1 January 2014:

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*;
- IFRS 10 *Investment Entities*;
- Amendments to IAS 36 *Assets Impairment – Disclosures on Recoverable Amount for Non-financial Assets*;
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*.

The nature and impact of new standard/amendment is described below:

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have any impact on the Group's financial position or performance.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

In June 2013 IASB issued *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39. This amendment to IAS 39 *Financial Instruments: Recognition and Measurement* provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The amendment is effective from 1 January 2014 with early application permitted. These amendments did not have any impact on the Group's financial position or performance.

IFRIC 21 Levies

In May 2013, IASB issued IFRIC Interpretation 21 *Levies*. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. The interpretation did not have any impact on the Group's financial position or performance.

IFRS 10 Investment Entities

Amendment to IFRS 10 *Consolidated Financial Statements* provides an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. The amendment applies for annual periods beginning on or after 1 January 2014. These amendments did not have any impact on the Group's financial position or performance.

Amendments to IAS 36 Assets Impairment – Disclosures on Recoverable Amount for Non-financial Assets

These amendments remove unintended consequences for disclosures in accordance with IAS 36, associated with IFRS 13 coming into effect. In addition, these amendments require disclosure of information on asset's or CGU recoverable amount on which impairment loss was recognized or reimbursed during the reporting period. These amendments are applied retrospectively for annual periods beginning on or after 1 January 2014. In accordance with these amendments the Group provided additional disclosure for impairment of non-financial assets in *Note 7*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Standards issued, but not yet effective

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

IFRS 9 Financial Instruments: Classification and Measurement.

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued, but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

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

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

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

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

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

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

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

IAS 24 Related Party Disclosures

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued, but not yet effective (continued)

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

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

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

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

Current versus non-current classification

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

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments, such as, available for sale ("AFS") financial assets at fair value at each balance sheet date, and non-financial assets (UPS constructions) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as UPS constructions and unquoted AFS financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of UPS constructions. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable.

The finance management and external valuers discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currencies

The Group's consolidated financial statements are presented in Tenge ("KZT"), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the period (to KZT)	**30 September 2014**	31 December 2013
USD 1	**181.90**	153.61
EUR 1	**229.74**	211.17
RUR 1	**4.62**	4.69

Average exchange rate for the nine months ended 30 September (to KZT)	**2014**	2013
USD 1	**178.36**	151.58
EUR 1	**241.83**	199.62
RUR 1	**5.04**	4.8

Property, plant and equipment

Property, plant and equipment, except for UPS constructions, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in profit or loss as incurred.

UPS constructions are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
UPS constructions	
Power transmission lines	50 years
Substation equipment	12-30 years
Constructions	10-30 years
Vehicles and other property, plant and equipment	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amounts of the carrying values of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

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

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 20 years.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the intangible asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future economic benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for UPS constructions previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Investments in associate

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

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

The Group’s investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group’s share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associate (continued)

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

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

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

The Group’s financial assets include cash, short-term and long-term deposits, trade and other accounts receivable, quoted and unquoted financial instruments.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

<u>Loans and receivables</u>

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

<u>Held-to-maturity investments</u>

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest income in the profit or loss. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

<u>Available-for-sale financial investments</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-sale financial investments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

<u>Loans and borrowings</u>

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

<u>Trade and other payables</u>

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derecognition

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

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

Offsetting of financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories are accounted for on a first in, first out basis.

Inventories are valued at the lower of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development ("IBRD") and European Bank for Reconstruction and Development ("EBRD"), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash is restricted in use for the period not exceeding 12 months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 months from the reporting date, such cash is reflected within non-current assets.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised:

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion.

The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighbouring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Agency.

Revenues from providing a contractual power supply with energy systems of neighbouring countries are recognised in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation "On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income

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

Equipment received from customers

The Group receives certain property, plant and equipment items from its customers. The Group assesses whether each transferred item meets the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, or the construction cost of transferred equipment, and a corresponding amount is recognised as other income as the Group has no future performance obligations. If future performance obligations exist such income should be deferred over the performance obligation period or useful life of the equipment whichever comes earlier.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 149,745 per month (2013: KZT 139,950) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Dividends

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

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

From 1 November 2013 the Group has changed its accounting policy for the measurement of UPS constructions to the revaluation model and performed revaluation of UPS constructions as at that date. The Group engaged Deloitte LLP, an accredited independent appraiser, to assess the fair value of its constructions.

The revalued UPS constructions constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property. Input data for determining the fair value of UPS constructions refer to Level 3 in the fair value hierarchy (unobservable inputs).

In May 2014 the Agency approved increase of tariffs for electricity transmission, technical dispatch and balancing of electricity production and consumption services effective from the date of the KEGOC’s IPO planned by the end of 2014. Accordingly, the Group performed revaluation of UPS constructions as at 1 June 2014. Higher tariffs resulted in the revaluation surplus on certain assets credited to OCI in the amount of 138,887,289 thousand Tenge, and respective deferred tax liability in the amount of 27,777,458 thousand Tenge and revaluation gain on certain previously impaired assets credited to profit and loss in the amount of 14,250,162 thousand Tenge.

Fair value of UPS constructions was determined by using the cost approach. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost). Cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold.

The appraised current replacement cost of UPS constructions amounts 487,254,886 thousand Tenge as of 1 June 2014.

The appraised current replacement cost has been further compared to the recoverable amount. As a result of the assessment, the amount of 415,708,160 thousand Tenge was recognised as a fair value as of 1 June 2014.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested.

In assessment of the value in use the following main assumptions have been applied:

Discount rate (WACC)	11.61%
Long term growth rate	2.88%
Remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group’s property, plant and equipment for approximately KZT 9,089,485 thousand or KZT 9,602,177 thousand, respectively.

Allowances on doubtful accounts receivable

The Group makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the interim consolidated financial statements. The Group’s estimate of uncollectible overdue amounts is as follows: 31-90 days – 5%, 91-180 days – 20%, 181-360 days – 50% and above 361 days – 100%. Further details are contained in *Note 10*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

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

5. RECLASSIFICATIONS

The following reclassifications of comparative information had been made in the statement of comprehensive income for the nine months ended 30 September 2013 to conform to the current year presentation:

In thousands of Tenge		As previously reported	Reclassifications	As reclassified
Impairment loss	(1)	–	(111,150)	(111,150)
Other expenses	(1)	(117,758)	111,150	(6,608)

(1) Impairment loss in the amount of KZT 111,150 thousand was reclassified from Other expenses to Impairment loss.

6. OPERATING SEGMENTS INFORMATION

Operating segments

For management purposes, the Group is organized into one business unit, operating a Kazakhstan electricity grid for rendering services of electricity transmission, technical dispatch of electricity supply to the network and consumption of electricity, balancing of electricity generation and consumption. This operating segment represents the only reportable segment of the Group.

Geographic information

Revenues from external customers based on the locations of the customers represent the following:

	For the nine months ended 30 September	
In thousands of Tenge	**2014**	2013
Revenue from Kazakhstan customers	**48,626,891**	40,557,699
Revenue from Russian customers	**5,499,558**	7,866,530
Revenue from Uzbekistan customers	**7,007,270**	1,112,780
Total revenue per interim consolidated statement of comprehensive income	**61,133,719**	49,537,009

6. OPERATING SEGMENTS INFORMATION (continued)

Geographic information (continued)

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the nine months ended 30 September 2014 the revenue from one customer amounted to KZT 7,007,288 thousand, arising from power regulation and sales of purchased electricity.

For the nine months ended 30 September 2013 the revenue from one customer amounted to KZT 4,608,739 thousand, arising from electricity transmission.

7. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	Land	Buildings	UPS cons-tructions	Vehicles and other property, plant and equipment	Construc-tion-in-progress	Total
Cost						
At 1 January 2013*	1,161,998	6,549,853	166,102,477	25,105,370	34,447,386	233,367,084
Additions	7,840	155	9,780	664,184	19,493,733	20,175,692
Transfers	2,392	98,498	5,882,440	(495,455)	(5,487,875)	–
Disposals	(146)	(63,878)	(25,610)	(114,904)	(89,597)	(294,135)
At 30 September 2013*	1,172,084	6,584,628	171,969,087	25,159,195	48,363,647	253,248,641
At 1 January 2014	**1,324,235**	**6,984,370**	**496,334,581**	**26,978,560**	**36,937,761**	**568,559,507**
Additions	**109,207**	**616,618**	**7,839,289**	**665,600**	**12,216,333**	**21,447,047**
Transfers	**72,080**	**5,715,250**	**21,638,307**	**1,913,009**	**(29,338,646)**	**–**
Revaluation surplus (OCI)	**–**	**–**	**241,801,480**	**–**	**–**	**241,801,480**
Revaluation gain (profit and loss)	**–**	**–**	**16,767,840**	**–**	**–**	**16,767,840**
Disposals	**–**	**(432)**	**(101,141)**	**(186,501)**	**(55,028)**	**(343,102)**
Impairment	**–**	**–**	**–**	**–**	**(142,075)**	**(142,075)**
At 30 September 2014	**1,505,522**	**13,315,806**	**784,280,356**	**29,370,668**	**19,618,345**	**848,090,697**
Accumulated depreciation						
At 1 January 2013*	–	(1,311,423)	(54,553,326)	(14,058,108)	–	(69,922,857)
Charge for the period	–	(106,480)	(4,047,756)	(1,252,079)	–	(5,406,315)
Disposals	–	5,650	21,681	111,173	–	138,504
At 30 September 2013*	–	(1,412,253)	(58,579,401)	(15,199,014)	–	(75,190,668)
At 1 January 2014	**–**	**(1,405,936)**	**(242,805,084)**	**(15,529,323)**	**–**	**(259,740,343)**
Charge for the period	**–**	**(141,672)**	**(11,643,713)**	**(1,508,770)**	**–**	**(13,294,155)**
Revaluation surplus (OCI)	**–**	**–**	**(102,914,191)**	**–**	**–**	**(102,914,191)**
Revaluation gain (profit and loss)	**–**	**–**	**(2,517,678)**	**–**	**–**	**(2,517,678)**
Disposals	**–**	**205**	**54,064**	**181,161**	**–**	**235,430**
At 30 September 2014	**–**	**(1,547,403)**	**(359,826,602)**	**(16,856,932)**	**–**	**(378,230,937)**
Net book value						
At 1 January 2013	1,161,998	5,238,430	111,549,151	11,047,262	34,447,386	163,444,227
At 30 September 2013	1,172,084	5,172,375	113,389,686	9,960,181	48,363,647	178,057,973
At 1 January 2014	**1,324,235**	**5,578,434**	**253,529,497**	**11,449,237**	**36,937,761**	**308,819,164**
At 30 September 2014	**1,505,522**	**11,768,403**	**424,453,754**	**12,513,736**	**19,618,345**	**469,859,760**

* In 2013 the Group changed classification of its property, plant and equipment ("PPE") between classes of PPE. Such reclassifications have no effect on total cost of PPE as of 1 January 2013 and 30 September 2013 and total accumulated depreciation as of 1 January 2013 and 30 September 2013.

7. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)

Revaluation of property, plant and equipment

As stated in *Notes 3* and *4*, from 1 November 2013 the Group has changed its accounting policy for the measurement of UPS constructions to the revaluation model. The Group performed revaluation of UPS constructions as at 1 June 2014. Previous revaluation was performed as at 1 November 2013. The Group engaged Deloitte LLP, an accredited independent appraiser, to assess the fair value of its constructions.

The revalued UPS constructions constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property. Input data for determining the fair value of UPS constructions refer to Level 3 in the fair value hierarchy (unobservable inputs). The appraisal approach, key assumptions applied are disclosed in *Note 4*.

As a result of the revaluation the Group recognized revaluation surplus on certain assets credited to OCI in the amount of 138,887,289 thousand Tenge, and respective deferred tax liability in the amount of 27,777,458 thousand Tenge. Excess of the fair value over the carrying amount was recognised in profit and loss as revaluation gain for the total amount of 14,250,162 thousand Tenge to the extent that revaluation deficit was previously recognized on these assets, while the remaining amount was accounted as increase in respective revaluation reserve.

If UPS constructions were measured using the cost model, the carrying amount would be as follows:

In thousands of Tenge	**30 September 2014**	31 December 2013
At costs	**231,231,099**	201,961,515
Accumulated depreciation	**(64,505,775)**	(59,478,037)
Net carrying amount	**166,725,324**	142,483,478

As at 30 September 2014 and 31 December 2013 information on property, plant and equipment included the following:

In thousands of Tenge	**30 September 2014**	31 December 2013
Fully amortised property, plant and equipment (at cost), which are still in use	**6,083,503**	5,270,606

Capitalized borrowing costs

During nine month ended 30 September 2014 the Group capitalized borrowing costs at the capitalization rate of 3.05% - 4.27% in the amount of KZT 380,094 thousand (nine month ended 30 September 2013: KZT 803,817 thousand at the capitalization rate of 1.55% - 4.38%).

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the “Construction of the Alma 500 kW substation with connection to UPS of Kazakhstan with the voltage of 500 kW, 200 kW”, “Reconstruction of the Ossakarovka 220 kW power line” and “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2”.

Advances paid for non-current assets

As at 30 September 2014 advances paid for non-current assets mainly represent prepayments made to suppliers for construction work related to the following projects:

- “Construction of 500 kW line Ekibastuz – Shulbinskaya GES (Semey) – Ust-Kamenogorsk”;
- “Construction of the Alma 500 kW substation with connection to UPS of Kazakhstan with the voltage of 500 kW, 200 kW”;
- “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2”;
- “Reconstruction of the Ossakarovka 220 kW power line”.

8. INVESTMENTS IN ASSOCIATES

Investments in associates comprised the following:

In thousands of Tenge	**30 September 2014**	31 December 2013
KazEnergoProvod LLP	**166,602**	220,446
Batys Transit JSC	**–**	–
	166,602	220,446

Group's ownership in associates is as follows:

	30 September 2014	31 December 2013
KazEnergoProvod LLP	**49.9%**	49.9%
Batys Transit JSC	**20.0%**	20.0%

KazEnergoProvod LLP

In October 2012 the Group and East Industry Company Ltd LLP, a third party entity, established KazEnergoProvod LLP (KazEnergoProvod). The Group's interest in KazEnergoProvod is 49.9%. KazEnergoProvod's principal place of operations and country of incorporation is the Repubic of Kazakhstan. The main activity of KazEnergoProvod is production and sale of cable and wire products. The investment in KazEnergoProvod is accounted for using the equity method.

On 30 January 2014 the Group and East Industry Company Ltd LLP signed an additional agreement to the Charter agreement on decrease of the charter capital of KazEnergoProvod to KZT 360,000 thousand. As a result the Group withdrew KZT 44,710 thousand in cash.

The following table illustrates the summarised financial information of KazEnergoProvod:

In thousands of Tenge	**30 September 2014**	31 December 2013
Statement of financial position		
Current assets	**169,678**	214,167
Non-current assets	**164,472**	153,012
Current liabilities	**(278)**	(652)
Net assets	**333,872**	366,527

	For the nine months ended	
In thousands of Tenge	**30 September 2014**	30 September 2013
Statement of comprehensive income		
Revenue	**–**	221,533
Net (loss)/profit	**(18,305)**	8,538

Share in loss of an associate is included in the statement of comprehensive loss for the nine month ended 30 September 2014 amounted to KZT 9,134 thousand.

A reconciliation of the summarised financial information of KazEnergoProvod to its carrying value is as follows:

In thousands of Tenge	**30 September 2014**	31 December 2013
Group's share in net assets	**166,602**	182,897
Unpaid capital contribution of other partners	**–**	37,549
Carrying amount of the investment	**166,602**	220,446

8. INVESTMENTS IN ASSOCIATES (continued)

Batys Transit JSC

As at 30 September 2014 and 31 December 2013 the Group has a 20% interest in Batys Transit JSC (Batys Transit). Batys Transit's principal place of operations and country of incorporation is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The investment in Batys Transit is measured under the equity method.

As at 31 December 2013, carrying value of investments in Batys Transit was written off to zero, due to accumulated losses that resulted in equity pick-up to zero balance. The cumulative amount of unrecognized share of losses of Batys Transit is KZT 49,520 thousand as at 31 December 2013. During the nine months ended 30 September 2014 Batys Transit earned net income amounting to KZT 388,429 thousand. As a result as at 30 September 2014 the Group recognised its share in profits of Batys Transit amounting to KZT 28,165 thousand, which is the Group's share in profits exceeding the share of previously unrecognised losses. As at 30 September 2014 the Group recognised impairment of its share in net assets of Batys Transit amounting to 28,165 thousand Tenge.

The following table illustrates the summarised financial information of Batys Transit:

In thousands of Tenge	**30 September 2014**	31 December 2013
Statement of financial position		
Current assets	**1,018,732**	1,709,039
Non-current assets	**22,076,979**	22,548,744
Current liabilities	**(2,190,838)**	(3,568,396)
Non-current liabilities	**(20,764,046)**	(20,936,989)
Net assets/(liability)	**140,827**	(247,602)

	For the nine months ended	
In thousands of Tenge	**30 September 2014**	30 September 2013
Statement of comprehensive income		
Revenue	**3,298,799**	2,965,056
Net profit	**388,429**	354,245

A reconciliation of the summarised financial information of Batys Transit to its carrying value is as follows:

In thousands of Tenge	**30 September 2014**	31 December 2013
Group's share in net assets/(liabilities)	**28,165**	(49,520)
Impairment	**(28,165)**	–
Unrecognized share of loss	**–**	49,520
Carrying amount of the investment	**–**	–

9. INVENTORIES

In thousands of Tenge	**30 September 2014**	31 December 2013
Spare parts	**1,397,043**	1,064,197
Raw and other materials	**953,550**	841,503
Fuel and lubricants	**214,063**	118,636
Other inventory	**49,176**	56,523
Less: allowance for obsolete inventories	**(240,209)**	(163,972)
	2,373,623	1,916,887

9. INVENTORIES (continued)

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2014**	2013
At 1 January	**163,972**	565,505
Charge for the period	**113,157**	–
Reversal	**–**	(236,419)
Written-off	**(36,920)**	(39,654)
At 30 September	**240,209**	289,432

10. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**30 September 2014**	31 December 2013
Trade receivables	**15,480,098**	9,394,712
Less: allowance for doubtful receivables	**(4,492,397)**	(893,394)
	10,987,701	8,501,318

Movement in the allowance for doubtful receivables was as follows:

In thousands of Tenge	**2014**	2013
At 1 January	**893,394**	666,260
Charge for the period	**3,983,866**	654,059
Reversal	**(328,492)**	(26,486)
Utilised	**(56,371)**	(6,533)
At 30 September	**4,492,397**	1,287,300

During nine months ended 30 September 2014 the Group recognised provision for overdue trade accounts receivable from Uzbek Energo GAK in the amount of KZT 3,542,906 thousand for the power regulation services and sales of purchased electricity (9 months ended 30 September 2013: KZT 546,918 thousand). Under sales agreements with Uzbek Energo GAK during 9 months ended 30 September 2014 the repayment terms of trade accounts receivable has been increased from 30 to 60 days from the date of receipt of the invoice.

The ageing analysis of trade receivables is as follows:

In thousands of Tenge	**Total**	**Neither past due nor impaired**	**Past due but not impaired**			
			30-90 days	**91-180 days**	**181-270 days**	**Above 271 days**
30 September 2014	**10,987,701**	**3,060,165**	**548,644**	**3,298,623**	**4,080,269**	**–**
31 December 2013	8,501,318	8,037,914	160,121	2,731	300,552	–

Trade receivables were denominated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
United States dollar	**7,681,797**	4,388,875
Tenge	**2,912,505**	3,830,074
Russian rouble	**393,399**	282,369
	10,987,701	8,501,318

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**30 September 2014**	31 December 2013
Long-term other financial assets		
Deposits	**2,805,130**	–
Bonds of Batys Transit JSC	**868,269**	868,269
	3,673,399	868,269
Short-term other financial assets		
Bank deposits	**20,098,935**	18,937,123
Interest accrued on bonds of Batys Transit JSC	**26,051**	55,308
	20,124,986	18,992,431
Total other financial assets	**23,798,385**	19,860,700

In 2007-2009 the Group acquired bonds of Batys Transit JSC, an entity listed on the Kazakhstan Stock Exchange. The interest rate on the bonds is 5%. The bonds are classified as available for sale investments. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price. The Group also has investments into Batys Transit JSC which have been written off to zero due to accumulated losses of Batys Transit JSC *(Note 8)*. The Group do not offset the unrecognised share of loss in Batys Transit JSC with the investment in bonds, since the bonds are secured with Guarantee of the Government of Republic of Kazakhstan in accordance with guarantee agreement dated 9 January 2006.

In January 2014 the Group placed long-term deposit with ATF Bank amounting to USD 15,000 thousand (equivalent of KZT 2,728,500 thousand) with fixed interest rate of 4.5% per annum. The balance as at 30 September 2014 also includes the accrued interest income in the amount of KZT 76,630 thousand.

Short-term deposits as at 30 September 2014 and 31 December 2013 represent deposits placed in Kazakhstan banks with the fixed interest rate of 5%-8.5% per annum; and also include the accrued interest income in the amount of KZT 618,751 thousand and KZT 322,929 thousand, respectively.

Other financial assets were denominated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
United States dollar	**19,721,598**	12,064,220
Tenge	**4,076,787**	7,796,480
	23,798,385	19,860,700

12. RESTRICTED CASH

In thousands of Tenge	**30 September 2014**	31 December 2013
Cash on reserve accounts	**1,486,747**	1,240,009
Cash on debt service accounts	**887,413**	369,953
Cash restricted on current account	**49,909**	78,872
	2,424,069	1,688,834

As at 30 September 2014 and 31 December 2013 restricted cash mainly represented cash held on a debt service account and reserve account.

According to the terms of the loan agreements with IBRD and EBRD, the Group's creditors, the Group accumulates cash on a special debt service bank account opened with Kazakhstan bank during the semi-annual period preceding the scheduled date of payment of principal, interest and commission fees related to the IBRD and EBRD loans.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of Group's loans *(Note 16)*, the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD and EBRD loans.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH (continued)

At 30 September 2014 and 31 December 2013, restricted cash was denominated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
United States dollar	**2,374,160**	1,609,962
Tenge	**49,909**	78,872
	2,424,069	1,688,834

13. OTHER CURRENT ASSETS

In thousands of Tenge	**30 September 2014**	31 December 2013
Deferred expenses	**565,246**	410,330
Advances paid for goods and services	**164,671**	427,372
Loans to employees	**28,080**	30,082
Other receivables	**127,332**	81,053
Less: provision for impairment of other current assets	**(76,577)**	(29,574)
	808,752	919,263

Changes in the provision for impairment of other current assets are as follows:

In thousands of Tenge	**2014**	2013
At 1 January	**29,574**	65,366
Charge for the period	**49,241**	2,623
Reversal	**(2,197)**	(34,944)
Utilised	**(41)**	(3,471)
At 30 September	**76,577**	29,574

14. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**30 September 2014**	31 December 2013
Current accounts with banks, in Tenge	**4,287,249**	2,862,774
Current accounts with banks, in foreign currencies	**3,461,711**	4,855,815
Short-term deposits	**650,000**	4,000,000
Cash at special accounts	**3,539**	4,416
Cash on hand	**6,849**	4,550
	8,409,348	11,727,555

At 30 September 2014 and 31 December 2013, cash and cash equivalents were stated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
Tenge	**4,947,642**	6,871,741
United States dollar	**2,421,516**	3,082,412
Euro	**985,624**	1,658,253
Russian rouble	**54,194**	114,821
Others	**372**	328
	8,409,348	11,727,555

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY

	30 September 2014	31 December 2013
	Shares	Shares
Authorized shares		
Ordinary shares of 500 Tenge and 364.78 Tenge each (2013: 500 Tenge)	**260,000,000**	238,324,377

	Shares	In thousands of Tenge
Ordinary shares issued and fully paid		
At 1 January 2013 (10,000 Tenge each)	10,684,297	106,842,972
Stock split on 18 March 2013 (1:20)	203,001,643	–
Issued on 28 May 2013 (500 Tenge each)	806,000	403,000
As at 31 December 2013 (500 Tenge each)	214,491,940	107,245,972
Issued on 7 September 2014 (364.78 Tenge each)	**19,508,061**	**7,116,151**
As at 30 September 2014	**234,000,001**	**114,362,123**

Each ordinary share has equal voting power. The Group does not have preferred shares. The holders of ordinary shares have voting rights but dividend payments are not guaranteed. On 30 September 2014 the Group received certain items of property, plant and equipment with the fair value of KZT 7,116,151 thousand in payment for 19,508,061 share issued on 7 September 2014.

Dividends

On 29 March 2013 the Group declared dividends for 2012, in the amount of KZT 2,082,309 thousand. The dividend amounted to 9.74 Tenge per common share according to the total number of shares equalling to 213,685,940. On 11 April 2013 the declared dividends were paid. No dividends were neither declared nor paid during nine months ended 30 September 2014.

Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period. The Group had 214,563,661 weighted average number of ordinary shares for the nine month ended 30 September 2014 (for the nine months ended 30 September 2013: 214,081,559). The Group does not have potential diluted ordinary shares. For the nine month ended 30 September 2014 and 30 September 2013 basic earnings per share amounted to 8.41 Tenge and 16.34 Tenge, respectively.

Book value of ordinary shares

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

In thousand Tenge	30 September 2014	31 December 2013
Total assets	**527,978,315**	367,321,726
Less: intangible assets	**(1,087,868)**	(885,708)
Less: total liabilities	**(187,420,515)**	(146,140,263)
Net assets per ordinary share	**339,469,932**	220,295,755
Number of ordinary shares	**234,000,001**	214,491,940
Book value per ordinary share, Tenge	**1,451**	2,390

15. EQUITY (continued)

Asset revaluation reserve

At 30 September 2014 and 31 December 2013 the revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group’s UPS constructions on 1 June 2014 (previous revaluation was made on 1 November 2013) *(Note 7)*. Transfer of asset revaluation reserve into retained earnings, upon disposal of PPE, for the nine months ended 30 September 2014 amounted to KZT 2,701 thousand (for the nine months ended 30 September 2013: nil).

Other reserves

Other reserves represent accumulated reserve on available for sale investments. After initial measurement, available for sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the other reserves until the investment is derecognised. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price.

16. BORROWINGS

In thousands of Tenge	**30 September 2014**	31 December 2013
International Bank of Reconstruction and Development (IBRD)	**45,394,856**	37,906,593
European Bank of Reconstruction and Development (EBRD)	**64,372,617**	54,634,680
	109,767,473	92,541,273
Less: current portion of loans repayable within 12 months	**(12,791,644)**	(10,218,204)
	96,975,829	82,323,069

At 30 September 2014 and 31 December 2013 the accrued and unpaid interest amounts to KZT 712,859 thousand and KZT 712,253 thousand, respectively.

At 30 September 2014 and 31 December 2013 the unamortized portion of loan origination fees amounts to KZT 916,660 thousand and KZT 976,862 thousand, respectively.

Loans were denominated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
In United Stated dollars	**68,834,586**	57,725,280
In Euro	**40,932,887**	34,815,993
	109,767,473	92,541,273

“Kazakhstan National Electricity Transmission Rehabilitation Project”

In 1999 the Group received the following credit line facilities for the purpose of implementation of the “Kazakhstan National Electricity Transmission Rehabilitation Project”:

(a) USD 140,000 thousand from IBRD for the 20 years period, secured by a guarantee of the Government of the Republic of Kazakhstan. The loan is repayable by annual instalments commencing 2005. An interest at LIBOR base rate plus general spread is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 65,415 thousand (equivalent to KZT 11,898,989 thousand) and USD 70,415 thousand (equivalent to KZT 10,816,448 thousand), respectively;

(b) USD 45,000 thousand from EBRD for the 15 years period, secured by a guarantee of the Government of the Republic of Kazakhstan. The loan is repayable by annual instalments commencing 2004. An interest at LIBOR base rate plus 1% margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 3,905 thousand (equivalent to KZT 710,320 thousand) and USD 7,827 thousand (equivalent to KZT 1,202,305 thousand), respectively.

16. BORROWINGS (continued)

“North-South Electricity Transmission Project”

In 2005, for the purpose of implementation of the Phase 2 of the “North-South Electricity Transmission Project”, the Group received from IBRD a credit line facility of USD 100,000 thousand provided by IBRD for a period of 17 years of which first five years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus general spread is payable semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 69,363 thousand (equivalent to KZT 12,617,077 thousand) and USD 73,411 thousand (equivalent to KZT 11,281,206 thousand), respectively.

“Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2”

In 2008, for the realization of the “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2” the Group opened the following credit lines:

(a) two credit-line facilities of euro 127,500 thousand and euro 75,000 thousand from EBRD for 15 years, of which the first four years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are euro 141,473 thousand (equivalent to KZT 32,501,920 thousand) and euro 130,252 thousand (equivalent to KZT 27,505,277 thousand), respectively;

(b) a credit line facility of euro 47,500 thousand from EBRD for 12 years, of which the first four years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.55% margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are euro 34,025 thousand (equivalent to KZT 7,816,950 thousand) and euro 30,743 thousand (equivalent to KZT 6,492,013 thousand), respectively;

(c) a credit line facility of euro 5,000 thousand from EBRD for 9 years, of which the first four years are a grace period. An interest at the interbank six months EURIBOR rate plus a 2.75% margin is repayable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are euro 2,837 thousand (equivalent to KZT 651,826 thousand) and euro 2,918 thousand (equivalent to KZT 616,299 thousand), respectively.

In November 2013 the Group concluded supplementary agreement, according to which the second credit line was decreased from euro 75,000 thousand to euro 53,443 thousand.

“Moinak Electricity Transmission Project”

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of USD 48,000 thousand was opened for 25 years, of which the first five years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is USD LIBOR rate plus fixed spread is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 44,726 thousand (equivalent to KZT 8,135,679 thousand) and USD 44,726 thousand (equivalent to KZT 6,870,377 thousand), respectively.

“Construction of the Alma 500 kW substation”

In 2010 for the realization of the project “Construction of the Alma 500 kW substation with connection to UPS of Kazakhstan with the voltage of 500, 200 kW” the Group received a credit line facility of USD 78,000 thousand from IBRD for 25 years, of which the first five years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus fixed spread is repayable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 71,356 thousand (equivalent to KZT 12,979,722 thousand) and USD 59,869 thousand (equivalent to KZT 9,196,545 thousand), respectively.

16. BORROWINGS (continued)

“Ossakarovka Transmission Rehabilitation Project”

In 2011, for refinancing of EBRD and DBK loans received in 2004-2005 for realization of the Phases 1, 2 and 3 of the “North-South Electricity Transmission Project” the Group opened the following credit lines for realization of the “Ossakarovka Transmission Rehabilitation Project”:

(a) two credit-line facilities of USD 77,293 thousand and USD 44,942 thousand, from EBRD for a 15 years. An interest at the interbank six months LIBOR rate plus a 3.95% margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 99,158 thousand (equivalent to KZT 18,036,856 thousand) and USD 103,290 thousand (equivalent to KZT 15,866,327 thousand), respectively;

(b) a credit-line facility of USD 17,973 thousand, from EBRD for 12 years. An interest at the interbank six months LIBOR rate plus a 3.70% margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 13,718 thousand (equivalent to KZT 2,495,254 thousand) and USD 14,480 thousand (equivalent to KZT 2,224,245 thousand) respectively.

In 2011, for execution of “Reconstruction of the Ossakarovka 220 kW power line” the Group received from EBRD credit lines for the amounts of USD 12,900 thousand (A2, B1b) and USD 1,900 thousand (B2b). The credit lines were provided for 12 years, of which the first three years is a grace period. An interest at the interbank six months LIBOR rate plus 3.95% (A2, B1b) and 3.70% (B2b) margin is payable semi-annually. The outstanding balances as at 30 September 2014 and 31 December 2013 are USD 11,691 thousand (equivalent to KZT 2,126,681 thousand) and USD 4,783 thousand (equivalent of KZT 734,803), respectively.

In May 2014 the Group concluded supplementary agreement, according to which the undisbursed amount of the second tranche of EBRD credit line was decreased from USD 14,800 thousand to USD 11,691 thousand.

17. CONSTRUCTION OBLIGATION

In accordance with the decision of the Management Board of Samruk-Kazyna dated 28 November 2013, the Group shall construct a kinder garden in Astana city. During the nine months ended 30 September 2014 the Group estimated cost of construction and engaged a construction company. Accordingly, the Group recognised construction obligation for the whole amount of KZT 681,463 thousand and respective distribution to the Shareholder.

18. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**30 September 2014**	31 December 2013
Accounts payable for property, plant and equipment and construction works	**3,253,465**	10,978,705
Accounts payable for electricity purchased	**2,793,684**	2,005,930
Accounts payable for inventories, works and services	**1,359,069**	1,729,167
	7,406,218	14,713,802

Accounts payable as at 30 September 2014 and 31 December 2013 are stated in the following currencies:

In thousands of Tenge	**30 September 2014**	31 December 2013
Tenge	**5,117,768**	7,530,783
Euro	**1,588,452**	4,951,818
United States dollar	**633,097**	1,579,960
Russian rouble	**66,901**	650,229
British pound	**–**	1,012
	7,406,218	14,713,802

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	**30 September 2014**	31 December 2013
Due to employees	**1,476,552**	1,000,599
Commission payable on the non-withdrawn portion of EBRD loans*	**4,050**	84,620
Other	**197,184**	206,177
	1,677,786	1,291,396

* The Group is obliged to pay EBRD an annual commission charge on the non-withdrawn portion of the borrowings at the rate of 0.5% and 1%. For the nine months ended 30 September 2014 the commission on the non-withdrawn portion of the borrowings amounted to KZT 51,139 thousand (nine months ended 30 September 2013: KZT 125,661 thousand) *(Note 22)*.

20. REVENUE

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of Tenge	**2014**	2013	**2014**	2013
Electricity transmission	**12,591,471**	10,218,664	**36,934,213**	34,130,984
Technical dispatch	**2,608,979**	2,455,905	**8,271,119**	7,845,785
Revenue from sales of purchased electricity	**–**	–	**4,877,166**	1,114,610
Balancing of electricity production and consumption	**2,187,108**	1,418,904	**6,950,103**	4,568,312
Revenue from electricity sales for compensation of the interstate balances of electricity flows	**1,049,190**	949,131	**3,007,331**	3,249,709
Revenue from power regulation services	**424,578**	–	**2,136,129**	–
Other	**422,237**	214,601	**1,042,468**	645,665
	19,283,563	15,257,205	**63,218,529**	51,555,065
Discounts to customers	**(835,512)**	(696,748)	**(2,084,810)**	(2,018,056)
	18,448,051	14,560,457	**61,133,719**	49,537,009

Discounts to customers are authorised by the Agency of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

On 6 January 2014 the Group entered into sales agreement with Uzbek Energo GAK for rendering of power regulation services.

21. COST OF SALES

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of Tenge	**2014**	2013	**2014**	2013
Depreciation and amortization	**5,372,552**	1,851,721	**13,116,928**	5,335,173
Technical losses of electric energy	**4,096,568**	3,496,540	**14,490,924**	12,759,661
Payroll expenses and related taxes	**2,847,426**	2,152,985	**7,588,792**	6,490,955
Cost of purchased electricity for compensation of interstate balances of electricity flows	**2,452,614**	1,965,089	**7,341,624**	6,616,947
Cost of purchased electricity	**–**	–	**3,444,221**	964,778
Repair and maintenance expenses	**1,652,061**	1,659,967	**3,534,851**	3,423,430
Inventories	**305,642**	395,272	**670,840**	745,682
Security services	**231,738**	217,740	**686,952**	672,782
Other	**468,714**	438,658	**1,202,966**	1,321,411
	17,427,315	12,177,972	**52,078,098**	38,330,819

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
In thousands of Tenge	**2014**	2013	**2014**	2013
Taxes other than income tax	**1,536,938**	410,710	**3,584,555**	1,217,478
Provision for doubtful receivables and impairment of advances *(Notes 10 and 13)*	**1,418,021**	358,772	**3,702,418**	632,430
Payroll expenses and related taxes	**674,724**	558,452	**1,883,545**	1,567,396
Depreciation and amortization	**193,200**	65,742	**353,388**	196,853
Provision / (reversal of provision) for obsolete inventory *(Note 9)*	**73,427**	(46,301)	**113,157**	(236,419)
Consulting services	**47,049**	20,126	**127,417**	121,815
Insurance	**39,715**	36,409	**97,519**	105,580
Business trip expenses	**24,217**	34,735	**74,068**	90,980
Rent expenses	**23,585**	42,798	**94,944**	124,897
Corporate events	**22,925**	31,143	**32,540**	46,202
Utilities	**18,809**	8,642	**43,150**	30,324
Materials	**17,035**	21,737	**52,697**	63,837
Security services	**13,330**	8,001	**30,223**	23,757
Repair expenses	**11,285**	4,924	**15,494**	6,631
Bank services	**9,802**	8,614	**26,268**	23,825
Trainings	**9,156**	8,684	**37,164**	39,681
Communication services	**6,049**	5,495	**16,342**	17,567
Sponsorship and charitable donations	**(8,142)**	3,666	**(8,127)**	209,969
Other	**112,326**	39,464	**298,753**	176,083
	4,243,451	1,621,813	**10,575,515**	4,458,886

23. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
In thousands of Tenge	**2014**	2013	**2014**	2013
Interest expense	**820,688**	613,939	**2,388,043**	1,783,871
Commission on bank guarantees	**27,278**	24,716	**250,983**	222,788
Amortization of loan origination fees	**21,897**	22,093	**65,402**	64,073
Commission on the non-withdrawn portion of EBRD loans *(Note 19)*	**7,387**	38,573	**51,139**	125,661
Loss on discounting	**–**	–	**75,384**	–
Others	**–**	–	**689**	–
Less interest capitalized into the cost of qualifying assets *(Note 7)*	**(119,585)**	(274,576)	**(380,094)**	(803,817)
	757,665	424,745	**2,451,546**	1,392,576

24. FOREIGN EXCHANGE LOSS, NET

On 11 February 2014 National Bank of the Republic of Kazakhstan made a decision to cease supporting exchange rate of Tenge against US dollar and other major currencies on the same level, reduce volume of currency interventions and reduce interventions in process of exchange rate formation. As a result of devaluation of Tenge the Group incurred significant foreign exchange loss, net during the nine months ended 30 September 2014.

25. OTHER INCOME

Other income for the nine months ended 30 September 2014 mainly represented the income from gratuitous receipt of certain items of property, plant and equipment, including substation and transmission lines, from Group's customer Altaypollimetally LLP amounting to KZT 1,536,710 thousand.

26. INCOME TAX EXPENSE

In thousands of Tenge	Three months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Current income tax				
Current income tax (benefit) / expense	**(19,941)**	(648,218)	**22,322**	5,880
Adjustments in respect of current income tax of previous year	**–**	807	**–**	807
Deferred tax				
Deferred income tax expense	**848,899**	270,386	**1,882,648**	953,591
Total income tax expense/(benefit) reported in the statement of profit or loss	**828,958**	(377,025)	**1,904,970**	960,278
Deferred tax related to items recognised in OCI during the period				
Tax expense on revaluation of UPS constructions	**–**	–	**27,777,458**	–
Tax expense during the period recognized in OCI	**–**	–	**27,777,458**	–

The income tax rate in the Republic of Kazakhstan is 20% in 2014 and 2013.

A reconciliation of the 20% income tax rate and actual income tax recorded in the consolidated statement of comprehensive income is provided below:

In thousands of Tenge	Three months ended 30 September 2014	Three months ended 30 September 2013	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Profit/(loss) before income tax expense	**2,045,830**	(1,188,659)	**3,709,762**	4,458,799
Tax at statutory income tax rate of 20%	**409,166**	(237,732)	**741,952**	891,760
Adjustments in respect of current income tax of previous year	**–**	807	**–**	807
Accrual of provision for non-residents	**306,739**	40,927	**745,930**	86,392
Interest expense	**88,535**	(7,594)	**251,797**	60,198
Other non-deductible expenses	**24,518**	(173,433)	**165,291**	(78,879)
Income tax expense/(benefit) reported in the statement of comprehensive loss	**828,958**	(377,025)	**1,904,970**	960,278

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 September 2014 and 31 December 2013 is provided below:

	Interim consolidated statement of financial position				Interim consolidated statement of comprehensive income For the nine months ended	
In thousands of Tenge	**30 September 2014**	31 December 2013	30 September 2013	1 January 2013	**30 September 2014**	30 September 2013
Tax losses carried forward	**1,760,555**	–	–	–	**1,760,555**	–
Allowance for doubtful receivables	**3,186**	24,460	49,972	10,479	**(21,274)**	39,493
Accrued liabilities	**275,217**	309,246	154,419	217,117	**(34,029)**	(62,698)
Property, plant and equipment	**(67,789,640)**	(36,424,282)	(12,886,810)	(11,956,424)	**(31,365,358)**	(930,386)
Deferred tax expense					**(29,660,106)**	(953,591)
Net deferred tax liabilities	**(65,750,682)**	(36,090,576)	(12,682,419)	(11,728,828)		

26. INCOME TAX EXPENSE (continued)

Reconciliation of deferred tax liabilities, net:

In thousands of Tenge	**2014**	2013
Opening balance as of 1 January	**(36,090,576)**	(11,728,828)
Tax expense during the period recognized in profit or loss	**(1,882,648)**	(953,591)
Tax expense during the period recognized in OCI *(Note 7)*	**(27,777,458)**	–
Closing balance as of 30 September	**(65,750,682)**	(12,682,419)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

27. TRANSACTIONS WITH RELATED PARTIES

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

The following table provides the balances of Trade accounts payable to/receivable from related parties as at 30 September 2014 and 31 December 2013:

In thousands of Tenge		**Trade accounts receivable from related parties**	**Trade accounts payable to related parties**
Subsidiaries of Samruk-Kazyna Group	**2014**	**207,813**	**1,573,117**
	2013	436,939	308,585
Associates of Samruk-Kazyna	**2014**	**287,287**	**310,638**
	2013	8,726	214,072
Entities under joint control of Samruk-Kazyna	**2014**	**133,388**	**737,359**
	2013	93,532	872,269
Associates of the Group	**2014**	**37,942**	**58,654**
	2013	12,484	13,308

The Group had the following transactions with related parties for the nine months period ended 30 September 2014 and 2013:

In thousands of Tenge		**Sales to related parties**	**Purchases from related parties**
Subsidiaries of Samruk-Kazyna Group	**2014**	**12,671,187**	**7,283,944**
	2013	8,960,219	961,683
Associates of Samruk-Kazyna	**2014**	**2,698,809**	**873,049**
	2013	1,559,340	740,589
Entities under joint control of Samruk-Kazyna	**2014**	**1,611,435**	**8,224,726**
	2013	3,140,058	12,658,382
Associates of the Group	**2014**	**147,882**	**69,598**
	2013	301,370	410,848

Samruk-Kazyna is the sole shareholder of the Group.

The Group’s sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services. The Group’s purchases from related parties mainly represent communication services, energy services and purchase of electricity.

27. TRANSACTIONS WITH RELATED PARTIES (continued)

As of 31 December 2013 there were deposits placed amounting to USD 12,500 thousand (equivalent of KZT 1,932,094 thousand) with Temir bank JSC, a 79.9% subsidiary of Samruk-Kazyna, a related party of the Group till 15 May 2014. On 15 May 2014 based on the decision of Samruk-Kazyna 79.9% share in Temir bank JSC has been sold out.

As at 30 September 2014 the Group’s borrowings of KZT 46,467,236 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2013: KZT 39,467,326 thousand).

On 29 March 2013 the Group declared dividends for 2012 year in the amount of KZT 2,082,309 thousand, which were paid on 11 April 2013.

In 2007-2009 the Group acquired bonds of an associate, Batys Transit JSC, an entity listed on the Kazakhstan Stock Exchange. The interest rate on the bonds is 5%. The bonds are classified as available for sale investments. Fair value is the price to sell an asset or transfer a liability, and therefore an exit price, not an entry price. The carrying value of Batys Transit bonds comprised KZT 868,269 thousand as of 30 September 2014 (31 December 2013: KZT 868,269 thousand).

Interest income accrued on bonds of Batys Transit JSC, the associate, amounted to KZT 44,274 thousand for the nine months ended 30 September 2014 (nine months ended 30 September 2013: KZT 53,335 thousand).

As of 30 September 2014 the Group had outstanding accounts receivable from Balkhash TES JSC for the sale of property, plant and equipment in the amount of KZT 151,005 thousand presented within other non-current assets. In accordance with sales agreement Balkhash TES JSC will repay the outstanding balance in December 2018. During nine months ended 30 September 2014 the Group recognized loss from discounting of accounts receivable from Balkhash TES JSC in the amount of KZT 75,384 thousand *(Note 23)*.

Total compensation to key management personnel included in personnel costs in the interim consolidated statement of comprehensive income was KZT 304,262 thousand for the nine months ended 30 September 2014 (30 September 2013: KZT 304,305 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group’s investment projects and operations. The Group has trade and other receivables, cash and short-term and long-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term and short-term borrowings with floating interest rates *(Note 16).* The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated.

The following table demonstrates the sensitivity of the Group’s profit before tax to a reasonably possible change in interest rates with all other variables held constant.

In thousands of Tenge	**Increase/(decrease) in basis points***	**Effect on profit before tax**
For the nine months ended 30 September 2014		
Libor	**3/(3)**	**(20,700)/20,700**
Euribor	**12/(12)**	**(49,165)/49,165**
For the nine months ended 30 September 2013		
Libor	5/(5)	(28,786)/28,786
Euribor	16/(16)	(47,358)/47,358

* 1 basis point = 0.01%.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s financing activities. Also, the Group’s exposure to the risk of changes in foreign exchange rates relates to the Group’s operating activities (when revenue or expense is denominated in a different currency from the Group’s functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and euro exchange rate, with all other variables held constant. The Group’s exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	**Increase in exchange rate**	**Effect on profit before tax**
At 30 September 2014		
US dollar	**30%/10%**	**(11,180,584)/(3,726,861)**
Euro	**30%/10%**	**(12,460,715)/(4,153,572)**
At 31 December 2013		
US dollar	30%/10%	(11,447,961)/(3,815,987)
Euro	30%/10%	(11,432,867)/(3,810,956)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 10)* and from its financing activities, including deposits with banks *(Notes 11, 12 and 14).* The Group’s exposure and the creditworthiness of its counterparties are controlled constantly. It is the Group’s policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset *(Notes 10, 11 12 and 14).*

Book value of financial assets recognized in the consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group’s credit risk.

Customer credit risk is managed subject to the Group’s established policy, procedures and control relating to customer credit risk management. The outstanding customer receivables are regularly monitored by the Group management. At 30 September 2014 the Group had one customer Uzbek Energo GAK (31 December 2013: one) that owed the Group KZT 7,767,652 thousand and accounted for 71% of all trade accounts receivable outstanding (31 December 2013: KZT 5,135,171 thousand and accounted for 60%).

An impairment analysis is performed by Group management at each reporting date on an individual basis for all customers based on number of days the receivables are overdue. The calculation is based on actual incurred historical data. The maximum exposure to the credit risk is represented by the carrying value of each class of financial assets disclosed in *Note 10*. The Group does not hold collateral as security.

The credit risk on cash and deposits is limited because the counterparties of the Group are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

In thousands of Tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At 30 September 2014						
Borrowings	**–**	**3,460,849**	**11,705,513**	**58,092,782**	**52,410,995**	**125,670,139**
Trade and other accounts payable	**–**	**7,406,218**	**–**	**–**	**–**	**7,406,218**
	–	**10,867,067**	**11,705,513**	**58,092,782**	**52,410,995**	**133,076,357**
At 31 December 2013						
Borrowings	–	3,008,118	9,111,297	51,220,352	42,982,662	106,322,429
Trade and other accounts payable	–	14,713,802	–	–	–	14,713,802
	–	17,721,920	9,111,297	51,220,352	42,982,662	121,036,231

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the nine months ended 30 September 2014.

The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings. Capital is considered to be equal to the total liabilities and entire equity.

	30 September 2014	31 December 2013
Debt/capital	**0.21**	0.25

In thousands of Tenge	30 September 2014	31 December 2013
Long-term borrowings	**96,975,829**	82,323,069
Short-term borrowings	**12,791,644**	10,218,204
Debt	**109,767,473**	92,541,273
Total liabilities	**187,420,463**	146,140,263
Equity	**340,530,774**	221,181,463
Capital	**527,951,237**	367,321,726

The structure of the Group capital includes the share capital as disclosed in *Note 15*, reserves and accumulated loss.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September 2014, the Group held the following financial instruments carried at fair value in the statement of financial position:

Assets measured at fair value

In thousands of Tenge	**30 September 2014**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Available-for-sale financial assets *(Note 11)*	**868,269**	**–**	**868,269**	**–**
Non-financial assets				
UPS constructions *(Note 7)*	**424,452,667**	**–**	**–**	**424,452,667**

Liabilities measured at fair value

In thousands of Tenge	**30 September 2014**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Borrowings *(Note 16)*	**109,767,473**	**–**	**109,767,473**	**–**

Assets measured at fair value

In thousands of Tenge	31 December 2013	Level 1	Level 2	Level 3
Financial assets				
Available-for-sale financial assets *(Note 11)*	868,269	–	868,269	–
Non-financial assets				
UPS constructions *(Note 7)*	253,529,497	–	–	253,529,497

Liabilities measured at fair value

In thousands of Tenge	31 December 2013	Level 1	Level 2	Level 3
Financial liabilities				
Borrowings *(Note 16)*	92,541,273	–	92,541,273	–

There have been no transfers between Level 1 and Level 2 during the period.

As of 30 September 2014 and 31 December 2013 the fair value of Batys Transit bonds was settled at recent transaction price.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments

As of 30 September 2014 and 31 December 2013 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings are stated at amortized costs which approximate their fair values.

The methods and assumptions used to estimate the fair value of UPS constructions are disclosed in *Note 4*.

29. COMMITMENTS AND CONTINGENCIES

Taxation

Kazakhstan’s tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan’s tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan’s tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 September 2014.

As at 30 September 2014, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group’s tax positions will be sustained, except as provided for or otherwise disclosed in these interim consolidated financial statements.

Compliance with loan covenants

From 1999 till 2011 the Group concluded loan facility agreements with European Bank for Reconstruction and Development (EBRD) and International Bank for Reconstruction and Development (IBRD) (the “Creditors”) for the amounts of 558 million US Dollars and 233 million Euro *(Note 16)*. According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization (“EBITDA”) to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1;
- Self-financing ratio of not less than 20%;
- Debt service ratio of not less than 1.2.

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 30 September 2014 and 31 December 2013. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 30 September 2014 the Group excluded from EBITDA the foreign exchange loss of KZT 9,128,742 thousand incurred during the nine months ended 30 September 2014.

Insurance

As at 30 September 2014, the Group insured property and equipment with the carrying value of KZT 134,361,065 thousand. The insurance payment is limited to the carrying value of property and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or occurrence of any liabilities, no provision has been made in these interim consolidated financial statements for unexpected expenses associated with damage or loss of these assets.

29. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 30 September 2014, the Group’s outstanding contractual commitments within the frameworks of this plan amount to KZT 54,974,352 thousand (31 December 2013: KZT 68,611,801 thousand), including co-financing commitments:

In accordance with the Project Implementation Plan of “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2”, agreed with EBRD, the Group has outstanding co-financing commitments in the amount of KZT 452,588 thousand.

In accordance with the Project Implementation Plan of “Construction of the Alma 500 kW substation with connection to UPS of Kazakhstan with the voltage of 500, 200 kW”, agreed with IBRD, the Group has outstanding co-financing commitments in the amount of KZT 16,712,194 thousand.

In accordance with the Project Implementation Plan of “Reconstruction of the Ossakarovka 220 kW power line” the Group has outstanding co-financing commitments in the amount of KZT 1,935,442 thousand.

30. EVENTS AFTER REPORTING PERIOD

In accordance Government resolution dated 30 October 2014 the Group published the Investment Memorandum on offering of 25,999,999 shares on Kazakhstan Stock Exchange under the People’s IPO program. The KEGOC shares are offered for purchase exclusively in the Republic of Kazakhstan to Kazakhstan citizens and JSC “Unified accumulative pension fund”. The price per share under People’s IPO has been set at 505 Tenge per share. The subscription for the purchase of shares is to be accepted during the period starting 5 November 2014 till 3 December 2014.