KazTransOil JSC

Consolidated financial statements

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

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Independent auditors' report

To the shareholders of KazTransOil JSC:

We have audited the accompanying consolidated financial statements of KazTransOil JSC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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Opinion

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

Ernst & Young LLP

Gulmira Turmagambetova
Auditor

Auditor Qualification Certificate
No. 0000374 dated 21 February 1998

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

23 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Note	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	6	**478,504,930**	415,390,661
Intangible assets	7	**7,399,731**	5,479,443
Investments in joint ventures	8	**13,918,006**	49,843,334
Advances to suppliers for property, plant and equipment	9	**7,733,267**	11,307,451
Bank deposits	15	**4,487,436**	3,729,880
Other non-current assets		**27,156**	16,723
		512,070,526	485,767,492
Current assets			
Inventories	10	**3,599,697**	3,044,558
Interest free loan	17	**18,735,079**	-
Trade and other accounts receivable	11	**4,224,126**	5,803,874
Advances to suppliers	12	**3,062,072**	1,111,935
Prepayment for corporate income tax		**2,376**	5,814,807
VAT recoverable and other prepaid taxes	13	**8,639,068**	6,196,069
Other current assets	14	**6,062,455**	3,380,259
Bank deposits	15	**12,446,837**	32,112,242
Cash and cash equivalents	16	**50,420,288**	42,174,720
		107,191,998	99,638,464
Assets classified as held for sale		**-**	1,261
		107,191,998	99,639,725
Total assets		**619,262,524**	585,407,217

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	**Note**	**31 December 2015**	31 December 2014
Equity and liabilities			
Equity			
Share capital	17	**61,937,567**	61,937,567
Asset revaluation reserve	17	**125,563,376**	138,237,679
Other capital reserves	17	**(3,813,701)**	(1,810,575)
Foreign currency translation reserve	17	**36,210,843**	14,860,910
Retained earnings		**253,033,425**	244,418,740
Total equity		**472,931,510**	457,644,321
Non-current liabilities			
Employee benefits liability	18	**15,098,686**	11,204,603
Deferred tax liabilities	32	**40,682,643**	41,167,915
Provision on asset retirement obligation and land recultivation obligation	23	**21,999,701**	20,631,009
Deferred income	19	**8,081,762**	4,423,082
		85,862,792	77,426,609
Current liabilities			
Employee benefits liability	18	**435,024**	408,757
Income tax payable		**2,112,015**	910,109
Trade and other accounts payable	20	**16,654,897**	15,773,741
Advances received	21	**17,825,174**	16,746,436
Other taxes payable	22	**4,558,010**	3,226,928
Provisions	23	**63,191**	316,065
Other current liabilities	24	**18,819,911**	12,954,251
		60,468,222	50,336,287
Total liabilities		**146,331,014**	127,762,896
Total equity and liabilities		**619,262,524**	585,407,217
Book value of ordinary shares *(in Tenge)*	17	**1,210**	1,176

Signed and approved for issue on 23 February 2016.

General director

Shmanov N.N.

Chief accountant

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the years ended 31 December	
In thousands of Tenge	**Note**	**2015**	2014
Revenue	25	**213,161,762**	206,637,113
Cost of sales	26	**(124,063,989)**	(121,309,073)
Gross profit		**89,097,773**	85,328,040
General and administrative expenses	27	**(12,092,220)**	(13,592,935)
Other operating income	28	**1,659,141**	1,461,472
Other operating expenses	29	**(1,733,969)**	(650,029)
Loss on impairment of property, plant and equipment	6	**(1,330,882)**	(8,119,432)
Operating profit		**75,599,843**	64,427,116
Net foreign exchange gain	16	**25,544,225**	1,055,964
Finance income	30	**3,026,897**	4,517,047
Finance costs	31	**(2,177,430)**	(1,615,566)
Share in loss of joint ventures	8	**(34,674,141)**	(6,255,050)
Profit before tax		**67,319,394**	62,129,511
Income tax expense	32	**(22,606,458)**	(15,698,946)
Profit for the year		**44,712,936**	46,430,565
Earnings per share *(in Tenge)*	17	**116**	121

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the years ended 31 December	
In thousands of Tenge	Note	2015	2014
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		**19,956,164**	4,742,851
Exchange difference from translation of foreign operations of the joint ventures	8	**(77,410)**	49,057
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net		**19,878,754**	4,791,908
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Net revaluation and impairment of property, plant and equipment of the Group	6	**(893,921)**	(24,595,646)
Income tax effect	32	**178,784**	4,676,756
		(715,137)	(19,918,890)
Revaluation and impairment of property, plant and equipment of joint ventures		**69,176**	3,576,974
Income tax effect		**(13,835)**	(715,395)
	8	**55,341**	2,861,579
Provision on asset retirement obligation and land recultivation of the Group	23	**1,157,829**	(1,678,425)
Income tax effect	32	**(231,565)**	335,685
		926,264	(1,342,740)
Provision on asset retirement obligation and land recultivation of joint ventures		**632,377**	334,774
Income tax effect		**(126,475)**	(63,433)
	8	**505,902**	271,341
Actuarial losses from employee benefit liabilities of the Group	18	**(2,503,907)**	(992,599)
Income tax effect	32	**500,781**	198,520
		(2,003,126)	(794,079)
Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(1,230,756)**	(18,922,789)
Total other comprehensive income/(loss) for the year, net of tax		**18,647,998**	(14,130,881)
Total comprehensive income for the year, net of tax		**63,360,934**	32,299,684

Signed and approved for issue on 23 February 2016.

General director *Shmanov N.N.*

Chief accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	Note	For the years ended 31 December 2015	2014
Cash flows from operating activities			
Profit before tax		**67,319,394**	62,129,511
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	26, 27	**33,228,121**	33,696,049
Net charge of allowance for doubtful debts	27	**107,656**	18,661
Share in loss of joint ventures	8	**34,674,141**	6,255,050
Finance costs	31	**2,177,430**	1,615,566
Finance income	30	**(3,026,897)**	(4,517,047)
Employee benefits for current service cost	18	**1,070,515**	802,461
Net (reverse)/charge of provisions	23	**(243,689)**	53,560
Net loss on disposal of property, plant and equipment and intangible assets	29	**1,376,960**	208.654
Net gain on disposal of inventory	28, 29	**(44,193)**	(248,512)
Net loss/(gain) from disposal of assets held for sale	28, 29	**6,915**	(61,090)
Impairment of intangible assets	7	**-**	302,114
Impairment of property plant and equipment	6	**1,330,882**	8,119,432
Income from write-off of accounts payable	28	**(42,363)**	(75,689)
Amortization of deferred income		**(260,305)**	(428,123)
(Income)/expenses from revision of estimates on asset retirement obligation and land recultivation	28, 29	**(443,410)**	275,965
Write off of idle oil pumping stations	29	**26,538**	89,126
Net charge/(reversal) of provision for slow-moving inventory	27	**6,644**	(5,342)
Operating cash flows before working capital changes		**137,264,339**	108,230,346
(Increase)/decrease in operating assets			
Inventories		**(296,689)**	3,537,525
Trade and other accounts receivable		**2,103,548**	(1,274,316)
Advances to suppliers		**(1,483,881)**	(268,324)
VAT recoverable and other prepaid taxes		**(309,496)**	(3,950,262)
Other current assets		**(2,529,789)**	603,319
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**(3,311,765)**	2,884,424
Advances received		**792,292**	(435,287)
Other taxes payable		**(388,809)**	639,577
Other current and non-current liabilities and employee benefit liabilities		**4,260,012**	(2,972,212)
Cash generated from operations		**136,099,762**	106,994,790
Income taxes paid		**(16,850,829)**	(18,965,585)
Interest received		**2,753,028**	5,878,926
Net cash flow from operating activities		**122,001,961**	93,908,131

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Note	For the years ended 31 December 2015	2014
Cash flows from investing activities			
Withdrawal of bank deposits		**71,739,062**	128,562,356
Placement of bank deposits		**(41,427,048)**	(81,978,050)
Purchase of property, plant and equipment		**(70,523,460)**	(82,725,157)
Purchase of intangible assets		**(154,116)**	(228,913)
Proceeds from disposal of property, plant and equipment, intangible assets and assets held for sale		**44,138**	309,264
Granting of interest free loan		**(20,000,000)**	-
Dividends received		**1,735,020**	717,898
Net cash flow used in investing activities		**(58,586,404)**	(35,342,602)
Cash flows from financing activities			
Dividends paid	17	**(46,429,363)**	(41,925,280)
Net cash flow used in financing activities		**(46,429,363)**	(41,925,280)
The effects of changes in exchange rates		**(8,740,626)**	(110,877)
Net change in cash and cash equivalents		**8,245,568**	16,529,372
Cash and cash equivalents at the beginning of the year		**42,174,720**	25,645,348
Cash and cash equivalents at the end of the year	16	**50,420,288**	42,174,720

Signed and approved for issue on 23 February 2016.

General director *Shmanov N.N.*

Chief accountant *Sarmagambetova M.K.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2014	61,937,567	138,237,679	14,860,910	(1,810,575)	244,418,740	457,644,321
Profit for the year	–	–	–	–	**44,712,936**	**44,712,936**
Other comprehensive income	–	**772,370**	**19,878,754**	**(2,003,126)**	–	**18,647,998**
Total comprehensive income for the year	–	**772,370**	**19,878,754**	**(2,003,126)**	**44,712,936**	**63,360,934**
Depreciation transfer of revalued property, plant and equipment	–	**(11,975,494)**	–	–	**11,975,494**	–
Dividends *(Note 17)*	–	–	–	–	**(46,429,363)**	**(46,429,363)**
Reclassification	–	**(1,471,179)**	**1,471,179**	–	–	–
Other *(Note 17)*	–	–	–	–	**(1,644,382)**	**(1,644,382)**
As at 31 December 2015	**61,937,567**	**125,563,376**	**36,210,843**	**(3,813,701)**	**253,033,425**	**472,931,510**
As at 31 December 2013	61,937,567	171,902,104	10,069,002	(1,016,496)	224,377,740	467,269,917
Profit for the year	–	–	–	–	46,430,565	46,430,565
Other comprehensive (loss)/income	–	(18,128,710)	4,791,908	(794,079)	–	(14,130,881)
Total comprehensive income for the year	–	(18,128,710)	4,791,908	(794,079)	46,430,565	32,299,684
Depreciation transfer of revalued property, plant and equipment	–	(15,535,715)	–	–	15,535,715	–
Dividends *(Note 17)*	–	–	–	–	(41,925,280)	(41,925,280)
As at 31 December 2014	61,937,567	138,237,679	14,860,910	(1,810,575)	244,418,740	457,644,321

Signed and approved for issue on 23 February 2016.

General Director _______________ *Shmanov N.N.*

Chief Accountant _______________ *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 58 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the "KazTransOil NOTC" CJSC shares to TNG, and, as a result, "KazTransOil NOTC" CJSC was re-registered and renamed "KazTransOil" Closed Joint Stock Company.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation, Closed Joint Stock Company "KazTransOil" was re-registered as "KazTransOil" Joint Stock Company (hereinafter "Company").

As at 31 December 2015 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2015 and 2014 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership 31 December 2015	Ownership 31 December 2014
NWPC "MunaiTas" JSC (hereinafter "MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan-China Pipeline" LLP hereinafter "KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Terminals Limited" (hereinafter "BTL")	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	**100%**	100%

The Company and its subsidiary are hereinafter referred to as the "Group".

The Company's head office is located in Astana, Kazakhstan, at 19 Kabanbay Batyr Avenue. The Company has 4 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), Astana (Main Information and Computing Center), and representative offices in the Russian Federation (Moscow, Omsk and Samara).

The Group operates network of main oil pipelines of 5,373 km and water pipelines of 1,975 km within the Republic of Kazakhstan. Also the Group is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China.

BTL, subsidiary of the Company, provides services for transshipment and storage of crude oil, oil products and liquefied petroleum gas, as well as services for dry cargo transshipment through Batumi oil terminal and Batumi Sea Port in Georgia. BTL owns Batumi Oil Terminal LLC (hereinafter "BOT") and Petrotrans Limited Company. BOT has the exclusive right to operate 100% of the shares of Batumi Sea Port LLC (hereinafter "BSP").

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter "CRNMandPC"). CRNMandPC (before "Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies") is responsible for approving the methodology for calculating the tariff and tariff rates, which serve as a base for receiving major part of the Group's revenue in domestic market of the Republic of Kazakhstan.

On 18 May 2015 amendments to the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* came into force. According to the amendments transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan is excluded from the regulation of natural monopolies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL (continued)

From 1 October 2015 order of CRNMandPC dated 21 August 2015 approved the maximum tariffs for pumping oil on the domestic market for 2015-2019 in the amount of:

- in 2015 – 3,225.04 Tenge per tonne for 1,000 km without VAT;
- in 2016 – 3,547.46 Tenge per tonne for 1,000 km without VAT;
- in 2017 – 3,902.13 Tenge per tonne for 1,000 km without VAT;
- in 2018 – 4,292.40 Tenge per tonne for 1,000 km without VAT;
- in 2019 – 4,721.72 Tenge per tonne for 1,000 km without VAT.

In general, tariff rates are based on the cost of return of capital on operating assets. In accordance with the legislation in the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditure required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These consolidated financial statements were approved for issue by the General director and the Chief accountant of the Company on 23 February 2016.

2. BASIS OF PREPARATION

The 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 consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts.

The consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2015. 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;
- the ability to use its power over the investee to affect its returns.

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

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

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

3. BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of other comprehensive income 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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Interest in a joint venture

The Group has interests in joint operations in the form of joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Factors considered in determining joint control are similar to the factors considered in determining the existence of control of subsidiaries.

The Group's investment in its joint ventures is accounted for using the equity method. Under the equity method, the investments in joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint ventures, that arise after the acquision date. Goodwill relating to joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group share of the results of operations of joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the interest in the joint ventures.

The aggregate of the Group's share of profit or loss of joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in consolidated statement of comprehensive income under "Share of profit or loss of joint ventures".

Upon loss of joint control over joint ventures and provided the former jointly controlled entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the profit or loss.

4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge. 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. Functional currency of the Company and the joint ventures MunaiTas and KCP is Tenge. Functional currency of BTL Group is US Dollar, except for BSP, which functional currency is Georgian Lari.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency translation (continued)

Transactions and balances

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

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

All differences, related to settlement and translation of monetary items, are taken to the consolidated statement of comprehensive income.

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 retranslation 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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weigthed average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Exchange rates

Weighted average currency exchange rates established by the Kazkhstan stock exchange (hereinafter "KASE") are used as atficial currency exchange rates in the Republic of Kazakhstan.

The National Bank of the Republic of Kazakhstan starting from 20 August 2015 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. Exchange rate before and after devaluation was 188.38 Tenge and 255.26 Tenge per 1 US Dollar, respectively.

Weighted average currency exchange rates for the years ended 31 December 2015 and 2014 were as follows:

	For the year ended 31 December	
Tenge	**2015**	2014
US Dollars	**222.68**	179.12
Russian Rubles	**3.62**	4.74
Euro	**246.89**	237.99
Georgian Lari	**98.38**	101.69

As at 31 December the currency exchange rates of KASE were:

Tenge	**2015**	2014
US Dollars	**340.01**	182.35
Russian Rubles	**4.61**	3.17
Euro	**371.46**	221.97
Georgian Lari	**142.86**	99.79

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency translation (continued)

Exchange rates (continued)

At date of the issuance of these consolidated financial statements the exchange rate of the Tenge against the US Dollar increased to 348.69 Tenge per 1 US Dollar.

4.3 Current versus non-current classification

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

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised 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.

4.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated 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.

External valuers are involved for valuation of significant assets, such as property items. Property, plant and equipment are revalued once in three years. Valuers are selected on a competitive basis. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group 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 Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and its external valuers also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

Analysis of the fair value of property, plant and equipment and additional information about the methods of its determination is disclosed in *Note 5.*

4.5 Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

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

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

All the notes to the financial statements include amounts relating to continuing operations.

4.6 Property, plant and equipment

Property, plant and equipment initially are recognized at cost. Subsequent measurement is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property, plant and equipment (continued)

In identifying excess of technological oil the Group assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment at zero cost and revalued at each reporting date.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their depreciated replacement cost. According to Accounting Policy property, plant and equipment is revalued each 3 years (except for technological oil, which is revalued annually) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

Any revaluation surplus is recorded in other comprehensive income and, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation, as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the asset retirement and land recultivation obligation *(Note 5)*.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Machinery and equipment	3-30
Pipelines and transportation assets	5-30
Other	2-10

According to the Group's accounting policy, technological oil, construction in progress and land are not subject to depreciation.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets except for goodwill are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

4.8 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 (hereinafter "CGU") fair value less costs to sell and its value in use and is determined for an individual asset.

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.Where 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 available. 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 subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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 of inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

At each reporting date the Group makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may 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 exceeds 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 recognised through profit in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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 marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term bank deposits, trade and other receivables.

Subsequent measurement

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

Loans and receivables

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 (hereinafter "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 in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income in finance costs for loans and in cost of sales or general and administrative expenses for accounts receivable.

Held-to-maturity investments

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 in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income in finance costs. The Group had deposits held to maturity during the years ended 31 December 2015 and 2014.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized (or excluded from Group consolidated statement of financial position) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Derecognition (continued)

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.

4.10 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 5)*;
- Advances to suppliers for property, plant and equipment *(Note 9)*;
- Trade receivables *(Note 11)*;
- Advances to suppliers *(Note 12);*
- Other current assets *(Note 14)*.

The Group assesses at each reporting date whether there is any 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, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after 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 are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates 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 assets 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 assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. 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 part of finance income in the consolidated statement of comprehensive income. Loans and receivables 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 future write-off is later recovered, the recovery is credited to finance costs and general and administrative expenses in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method 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 in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

4.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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, or to realise the assets and settle the liabilities simultaneously.

4.13 Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out (hereinafter "FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

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.

Cost of inventories is determined by using of FIFO basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Cash and cash equivalents

Cash and cash equivalents 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 cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.15 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.

The Group records a provision on asset retirement and land recultivation obligation. Asset retirement and land recultivation obligation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provisions for asset retirement and land recultivation obligation. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as a finance cost. The estimated future costs of asset retirement and land recultivation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset *(Note 5)*.

4.16 Employment benefits

The Company provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreement between the Company and its employees and with the Rules on social support of not working pensioners and disabled people of the Company. The Collective agreement and above Rules provides for one-off retirement payments, monthly payments to for unemployed pensioners, payment for holidays, anniversaries and funeral. The entitlement to pension benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using "the projected unit credit" method.

Actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality rate. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' and 'finance costs' in the profit or loss (by function):

- service costs comprising current service costs, past-service costs;
- net interest expense or income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employment benefits (continued)

Employee benefits are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

4.17 Revenue and other income 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 in order 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, except for transportation expedition contract where the Group is acting as an agent. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of transportation services

Revenue from rendering of transportation and transshipment services is recognized on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of other services

Revenue from rendering of other services is recognized as services are provided.

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), which 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 finance income in the consolidated statement of comprehensive income.

Dividends

Dividend income is recognised when the Group's right to receive the payment is established (on the date of dividends approval).

Fees for undelivered oil volumes

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

4.18 Taxes

Current income tax

Current income tax assets and liabilities 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.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. The Group 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes (continued)

Deferred tax

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

Deferred 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, where 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, carry forward of unused tax credits and unused tax losses, 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction recognized in other comprehensive income or 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Value Added Tax (VAT)

VAT related to sales is payable to the Kazakhstani budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the consolidated statement of financial position on a net basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Taxes (continued)

Value Added Tax (VAT) (continued)

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the consolidated statement of financial position.

4.19 Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds in equity.

Dividends

The Company recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity. Liability in respect of the distribution of non-monetary assets measured at fair value of the assets to be distributed, and the revaluation of the fair value of these assets are recognized directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of comprehensive income.

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 authorized for issue.

4.20 Changes in accounting policies and disclosures

The Accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as at 1 January 2015.

New and amended standards and interpretations applied by the Group for the first time

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. This amendment is not relevant to the Group's consolidated financial statements, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Standards issued but not yet effective

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 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 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 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 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.

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, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and did not have a material impact on the consolidated financial statements of the Group. They include:

IFRS 2 Share-based Payment (amendment)

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

- performance condition must contain a service condition;
- performance target must be met while the counterparty is rendering service;
- performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- 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 (amendment)

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 39.

IFRS 8 Operating Segments (amendment)

The amendment is applied retrospectively and clarifies 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 (amendment)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current period.

IAS 24 Related Party Disclosures (amendment)

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. This amendment is not relevant for the consolidated financial statements of the Group as it does not receive any management services from other entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Improvement to IFRS 2011-2013 cycle

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

IFRS 3 Business Combinations (amendment)

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 (amendment)

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 (amendment)

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.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to the interim condensed financial statements

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

IAS 19 Employee Benefits

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- that Companies have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive incomeof associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- financial risk management and policies *(Note 36)*;
- sensitivity analyses disclosures *(Note 36)*.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of property, plant and equipment

The Group performed revaluation of property, plant and equipment as at 31 July 2013 (except for technological oil). Revaluation was performed by independent professional appraiser "PricewaterhouseCoopers Tax and Advisory" LLP.

Input data for determining the fair value of property, plant and equipment (except for technological oil) refer to Level 3 in the fair value hierarchy (unobservable inputs).

Valuation method was mainly based on the evaluation of the depreciable replacement cost ("cost method"). Cost method is basically used for evaluation of specific assets within the lack of active market.

Also test on assets return was performed as part of the revaluation. In addition assets return cost was calculated using assessment of the value in use. Following assumptions were used in calculation of the value in use:

- discount rate 12.7%;
- remaining useful life of the primary asset – 13.6 years;
- long-term growth rate for the remaining life of the primary asset – 5.16%.

The assessment of the value in use is sensitive to the forecasted volumes of services rendered, tariffs for the services rendered, the amount of capital repair and operating costs. The Group assesses at each reporting date whether the carrying amount of its property, plant and equipment does not differ materially from that, which would be determined using estimated fair value at the balance sheet date. On 31 December 2015 the management of the Group revised its assessments with respect to the fair value of its property, plant and equipment. As a result, management concluded that there were no significant changes in the fair value of the Group's property, plant and equipment (except for technological oil) as at 31 December 2015 from the date of last revaluation on 31 July 2013. As a result, the fair value of the Group's property, plant and equipment approximated their carrying amount.

Revaluation of technological oil

Technological oil is annually revalued, due to the fact that fluctuations are quite frequent and significant. Technological oil was revalued on 31 December 2015.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unobservable inputs).

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible;
- technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNMandPC;
- tariffs are being closely monitored by CRNMandPC and the Government (except export tariffs) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- the Group is affected by regulations set by KMG and, should there be a decision to sell some part of oil, subject for approval of CRNMandPC, it would be sold only to the KMG-group's trading division at internal price;
- and should the Group need to buy additional oil to fill in new parts of pipeline, it would buy from the KMG-group entities at the same internal price.

Taking into account all these factors, the management concluded that the most appropriate price to reflect fair value for the technological oil in pipeline that would be determined by informed market participant as at 31 December 2015 in the amount 84.71 US Dollars (28,802 Tenge) per tonne (31 December 2014 in the amount 164.52 US Dollars (30,000 Tenge) per tonne). The effect of the change in oil price is equal to 2,759,330 thousand tenge and revaluation of excess oil is equal to 2,921,212 thousand tenge *(Note 6)*.

The volume of oil in the pipeline as at 31 December 2015 amounted 2,397,778 tonne (31 December 2014: 2,307,952 tonne). According to the results of inventory stock count held on 31 December 2015 the oil surplus in the amount of 101,424 tonne (as at 31 December 2014: 119,041 tonne) was identified, and disposal of oil during the period was 11,598 tonnes.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are 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. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of items of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, 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.*

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan *About the Main Pipeline*, which came into force on 4 July 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. This will happen when the crude oil reserves of the entities, using the pipeline, are fully depleted.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 3,524 thousand Tenge per km (as at 31 December 2014: 3,581 thousand Tenge per km)).

Reserve on liquidation of landfills and waste management is also reflected within the asset retirement and land recultivation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for recultivation of land and for monitoring of environmental impact right after the closure of the landfill.

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below:

	2015	2014
Discount rate	**6.73%**	6.2%
Inflation rate	**6.0%**	6.0%
Period of fulfillment of obligations	**10 years**	14 years

The discount rate is based on the risk-free government bonds of the Republic of Kazakhstan.

As at 31 December 2015 the carrying amount of the asset retirement and land recultivation obligation was 21,999,701 thousand Tenge (as at 31 December 2014: 20,631,009 Tenge) *(Note 23).*

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Sensitivity analysis of asset retirement and land recultivation obligation for the change insignificant assumptions as at 31 December 2015 is as follows:

In thousands of Tenge	**Decrease**	**Increase**
Discount rate	**-0.5%**	**+0.5%**
	1,061,763	**(1,008,300)**
Inflation rate	**-0.5%**	**+0.5%**
	(1,019,728)	**1,064,091**

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Allowances for doubtful debts

The Group accrues allowances for doubtful accounts receivable, advances to suppliers and other assets. 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 consolidated financial statements. As at 31 December 2015 and 2014 allowances for doubtful accounts have been created for the amount of 814,095 thousand Tenge and 756,335 thousand Tenge, respectively *(Notes 9, 11, 12 and 14)*.

Tax provision

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of 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 tax inspection by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax inspections 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.

Deferred tax assets

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.The amount of recognized deferred tax assets as at 31 December 2015 was 8,336,684 thousand Tenge (31 December 2014: 7,686,911 thousand Tenge) *(Note 32)*. As at 31 December 2015 and 2014 the Group did not have unrecognized deferred tax assets.

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no active market for corporate securities in Kazakhstan, in determining the appropriate discount rate, management considers the interest rates of government securities (MEUKAM) with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying securities are further reviewed for quality on a timely basis.

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

Principal actuarial assumptions used for valuation of employee benefit obligation as at 31 December 2015 and 2014 were as follows:

In percent	**2015**	2014
Discount rate	**6.55%**	7.3%
Rate of inflation	**6.0%**	6.04%
Future increase of non-current annual payment	**6.0%**	6.04%
Future salary increases	**6.0%**	6.04%
Mortality rate	**12.0%**	12.0%

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Employee benefits (continued)

As of 31 December 2015 and 2014 the average duration of post-retirement benefit obligations was 16 years.

Sensitivity analysis of employee benefits obligation for the change in significant estimates as at 31 December 2015 is as follows:

In thousands of Tenge	Decrease	Increase
Discount rate	**-0.5%** **1,341,318**	**+0.5%** **(719,875)**
Inflation rate	**-0.5%** **(723,585)**	**+0.5%** **1,337,029**
Future salary increase	**-0.5%** **(723,585)**	**+0.5%** **1,337,029**
Life duration	**-1 year** **(341,930)**	**+1 year** **344,034**

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	Land	Pipelines	Transportati-on assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2014	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,767	28,895,431	475,939,588
Foreign currency translation	**7,391,985**	**–**	**3,131,381**	**13,054,705**	**10,623,628**	**–**	**445,984**	**719,849**	**35,367,532**
Additions	**26**	**3,131**	**1,938,243**	**52,332**	**1,503,954**	**–**	**1,010,513**	**73,923,923**	**78,432,122**
Recognition of asset retirement and land recultivation obligation *(Note 23)*	**–**	**1,674,849**	**–**	**–**	**–**	**–**	**–**	**–**	**1,674,849**
Disposals	**(13,414)**	**(1,592,467)**	**(247,868)**	**(187,081)**	**(685,777)**	**(140,123)**	**(480,674)**	**(396,125)**	**(3,743,529)**
Devaluation (asset revaluation reserve)	**–**	**–**	**–**	**–**	**–**	**(2,759,330)**	**–**	**–**	**(2,759,330)**
Revaluation of excess oil (asset revaluation reserve)	**–**	**–**	**–**	**–**	**–**	**2,921,212**	**–**	**–**	**2,921,212**
Transfer to assets held for sale	**(2,443)**	**–**	**–**	**(27,573)**	**–**	**–**	**–**	**–**	**(30,016)**
Transfer from construction-in-progress	**46,497**	**30,335,502**	**159,867**	**6,190,525**	**11,712,551**	**–**	**301,071**	**(48,746,013)**	**–**
Transfer to Intangible assets *(Note 7)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(448,716)**	**(448,716)**
Transfers and reclassifications	**–**	**3,329,020**	**75,651**	**(186,312)**	**(2,472,105)**	**–**	**159,814**	**(906,068)**	**–**
At revalued amount as at 31 December 2015	**19,906,546**	**181,224,490**	**15,037,200**	**97,363,099**	**134,803,085**	**69,590,536**	**16,386,475**	**53,042,281**	**587,353,712**
Accumulated depreciation and impairment as at 31 December 2014	–	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
Foreign currency translation	**–**	**–**	**(1,293,722)**	**(7,712,232)**	**(5,768,319)**	**–**	**(329,841)**	**–**	**(15,104,114)**
Depreciation charge	**–**	**(10,245,282)**	**(1,310,496)**	**(5,894,933)**	**(12,206,511)**	**–**	**(3,059,098)**	**–**	**(32,716,320)**
Disposals	**–**	**194,239**	**232,187**	**153,001**	**630,477**	**70,058**	**464,020**	**155,238**	**1,899,220**
Impairment (asset revaluation reserve)	**–**	**(697,404)**	**–**	**(74,850)**	**(60,242)**	**(195,867)**	**(346)**	**(27,094)**	**(1,055,803)**
Impairment (through profit and loss)	**–**	**(951,986)**	**–**	**(68,763)**	**(100,868)**	**(73,731)**	**(5,095)**	**(130,439)**	**(1,330,882)**
Transfer to assets held for sale	**–**	**–**	**–**	**8,042**	**–**	**–**	**–**	**–**	**8,042**
Transfers and reclassifications	**–**	**(16,469)**	**–**	**4,472**	**25,593**	**–**	**(13,596)**	**–**	**–**
Accumulated depreciation and impairment as at 31 December 2015	**–**	**(26,043,932)**	**(5,464,300)**	**(30,151,504)**	**(38,724,779)**	**(529,745)**	**(7,602,703)**	**(331,819)**	**(108,848,782)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2013	11,087,844	97,334,066	8,110,780	71,906,718	88,628,416	89,518,453	12,477,480	36,960,887	416,024,644
Foreign currency translation	1,345,656	–	465,090	2,497,950	1,685,013	–	88,936	173,796	6,256,441
Additions	926	–	1,678,498	10,586	1,090,951	–	709,409	70,632,440	74,122,810
Recognition of asset retirement and land recultivation obligation *(Note 23)*	–	962,826	–	–	–	–	–	–	962,826
Disposals	(8,993)	(158,670)	(80,129)	(319,319)	(273,547)	(212,857)	(234,975)	(38,024)	(1,326,514)
Impairment (asset revaluation reserve)	–	–	–	–	–	(19,585,387)	–	–	(19,585,387)
Impairment (through loss)	–	–	–	–	–	(151,432)	–	–	(151,432)
Transfer to assets held as for sale	–	–	(2,270)	–	–	–	–	(834)	(3,104)
Transfer from construction-in-progress	58,462	49,332,447	187,871	4,362,712	22,800,396	–	1,730,371	(78,472,259)	–
Transfer to Intangible assets *(Note 7)*	–	–	–	–	(123)	–	–	(360,575)	(360,698)
Transfers and reclassifications	–	3,786	(379,914)	7,856	189,728	–	178,544	–	–
At revalued amount as at 31 December 2014	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Accumulated depreciation and impairment as at 31 December 2013	–	(4,240,358)	(638,843)	(3,320,737)	(4,794,768)	(330,205)	(1,321,562)	(269,270)	(14,915,743)
Foreign currency translation	–	–	(38,825)	(240,396)	(182,465)	–	(22,228)	–	(483,914)
Depreciation charge	–	(10,084,580)	(1,430,022)	(6,521,652)	(11,779,338)	–	(3,358,531)	–	(33,174,123)
Disposals	–	107,510	71,461	222,954	229,322	146,540	221,834	2,484	1,002,105
Impairment (asset revaluation reserve)	–	(44,865)	(137,260)	(2,936,314)	(1,783,089)	(101,186)	(3,583)	(3,962)	(5,010,259)
Impairment (through loss)	–	(64,898)	(936,626)	(3,770,058)	(2,918,653)	(45,354)	(173,635)	(58,776)	(7,968,000)
Transfer to assets held as for sale	–	–	1,009	–	–	–	–	–	1,009
Transfers and reclassifications	–	161	16,837	(38)	(15,918)	–	(1,042)	–	–
Accumulated depreciation and impairment as at 31 December 2014	–	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
As at 31 December 2015									
At cost	**19,906,546**	**181,224,490**	**15,037,200**	**97,363,099**	**134,803,085**	**69,590,536**	**16,386,475**	**53,042,281**	**587,353,712**
Accumulated depreciation and impairment	**–**	**(26,043,932)**	**(5,464,300)**	**(30,151,504)**	**(38,724,779)**	**(529,745)**	**(7,602,703)**	**(331,819)**	**(108,848,782)**
Net book value	**19,906,546**	**155,180,558**	**9,572,900**	**67,211,595**	**96,078,306**	**69,060,791**	**8,783,772**	**52,710,462**	**478,504,930**
As at 31 December 2014									
At cost	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Accumulated depreciation and impairment	–	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
Net book value	12,483,895	133,147,425	6,887,657	61,900,262	92,875,925	69,238,572	10,291,018	28,565,907	415,390,661

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss was as follows:

	Land	Pipelines	Transportation assets	Buildings	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At 31 December 2015	**16,615,655**	**118,066,342**	**9,268,162**	**44,720,310**	**83,458,723**	**1,165,495**	**6,453,723**	**52,942,744**	**332,691,154**
At 31 December 2014	9,328,530	97,829,484	7,155,556	37,154,711	72,623,710	1,168,388	7,462,862	27,019,861	259,743,102

As at 31 December 2015 construction in progress mainly includes the following production projects:

- construction, realized as a part of interstate "Kazakhstan-China" oil pipeline construction project;
- reconstruction of main oil pipelines "Kalamkas-Karazhanbas-Aktau" on the "Karazhanbas-Aktau" route, repair works including replacement of certain routes of the main oil pipelines "TON-2" and other oil pipelines;
- reconstruction of firefighting system and electricity supply systems, and construction of unattended automated communication centers, construction of acceptance points at 1,235 km of the pipeline "Uzen-Atyrau-Samara", realization of the project to install a system of measuring the quantity and quality of oil to the bitumen plant and others.

As at 31 December 2014 construction in progress mainly included the following production projects:

- construction and reconstruction within the framework of interstate oil pipeline construction project "Kazakhstan-China";
- reconstruction of firefighting system, electricity supply systems and others.

As at 31 December 2015 cost and accumulated depreciation of fully depreciated property, plant and equipment still in use were 4,822,436 thousand Tenge (31 December 2014: 3,208,581 thousand Tenge).

The amount of depreciation for 2015 included in the cost of construction in progress was 17,419 thousand Tenge (31 December 2014: 13,675 thousand Tenge).

As at 31 December 2015 the volume of oil in pipelines and reservoirs, included in property, plant and equipment, amounted 2,398 thousand tons (31 December 2014: 2,308 thousand tons)

As at 31 December 2015 construction in progress included materials and spare parts in the amount of 1,012,567 thousand Tenge (31 December 2014: 2,957,610 thousand Tenge), which were acquired for construction works. This decrease is mainly due to usage of materials and spare parts in 2015 for reconstruction of production facilities in the frame of "Kazakhstan-China" transnational oil pipeline construction project.

At 31 December 2015 certain items of property, plant and equipment of BOT with the residual value of 47,047 thousand US Dollars (equivalent to 15,996,450 thousand Tenge) were pledged as guarantee in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd to Georgian railways according to transportation contracts *(Note 34)*. The maximum amount of the guarantee was equal to 10,000 thousand US Dollars (equivalent to 3,400,100 thousand Tenge).

Impairment of assets of the BTL Group

As a result of the analysis of the CGU's of BTL group for indicators of impairment the total impairment loss as at 31 December 2014 was recognized in the amount of 12,934,472 thousand Tenge, including 8,087,024 thousand Tenge recognised in profit and loss and 4,847,448 thousand Tenge in other comprehensive income. Amount of impairment loss proportionally allocated to intangible assets (right for land use) was equal to 302,114 thousand Tenge *(Note 7)* and 12,632,358 thousand Tenge were allocated to property, plant and equipment.

As at 31 December 2015 impairment analysis of the CGU's of the BTL group revealed no impairment indicators.

7. INTANGIBLE ASSETS

Intangible assets as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value at 31 December 2014	194,907	1,131,148	4,120,734	32,654	5,479,443
Additions	**28,013**	**121,937**	**-**	**4,166**	**154,116**
Disposals	**(8,853)**	**(54,096)**	**-**	**-**	**(62,949)**
Amortization charge	**(105,266)**	**(317,229)**	**(101,552)**	**(5,173)**	**(529,220)**
Accumulated amortization on disposals	**8,853**	**53,431**	**-**	**-**	**62,284**
Transfer from construction-in-progress *(Note 6)*	**1,118**	**447,598**	**-**	**-**	**448,716**
Foreign currency translation	**44,427**	**196**	**1,802,718**	**-**	**1,847,341**
Transfers and reclassifications	**(1,830)**	**1,830**	**-**	**-**	**-**
Net book value at 31 December 2015	**161,369**	**1,384,815**	**5,821,900**	**31,647**	**7,399,731**
Net book value at 31 December 2013	184,757	997,520	4,490,163	28,562	5,701,002
Additions	15,052	168,119	-	6,762	189,933
Disposals	(3,712)	(30,799)	-	(528)	(35,039)
Amortization charge	(79,417)	(326,044)	(125,433)	(4,708)	(535,602)
Accumulated amortization on disposals	3,712	30,799	-	528	35,039
Impairment through profit or loss *(Note 6)*	-	-	(302,114)	-	(302,114)
Transfer from construction-in-progress *(Note 6)*	49,949	308,711	-	2,038	360,698
Foreign currency translation	7,187	221	58,118	-	65,526
Transfers and reclassifications	17,379	(17,379)	-	-	-
Net book value at 31 December 2014	194,907	1,131,148	4,120,734	32,654	5,479,443
As at 31 December 2015					
At cost	**638,737**	**4,497,457**	**8,945,020**	**88,657**	**14,169,871**
Accumulated amortization and impairment	**(477,368)**	**(3,112,642)**	**(3,123,120)**	**(57,010)**	**(6,770,140)**
Net book value	**161,369**	**1,384,815**	**5,821,900**	**31,647**	**7,399,731**
As at 31 December 2014					
At cost	548,139	3,979,087	6,174,903	84,492	10,786,621
Accumulated amortization and impairment	(353,232)	(2,847,939)	(2,054,169)	(51,838)	(5,307,178)
Net book value	194,907	1,131,148	4,120,734	32,654	5,479,443

8. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2015 and 2014 are preseneted as follows:

In thousands of Tenge	KCP	MunaiTas	Total
As at 31 December 2014	36,982,132	12,861,202	49,843,334
Share in profit/(loss) of joint venture	**(44,571,259)**	**2,736,090**	**(41,835,169)**
Unrecognised share in loss of joint venture	**7,161,028**	**-**	**7,161,028**
Share in other comprehensive income of joint venture	**428,099**	**55,734**	**483,833**
Dividends	**-**	**(1,735,020)**	**(1,735,020)**
As at 31 December 2015	**-**	**13,918,006**	**13,918,006**

8. INVESTMENTS IN JOINT VENTURES (continued)

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

	KCP			
	31 December 2015		31 December 2014	
In thousands of Tenge	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	**12,346,915**	**24,693,830**	10,238,917	20,477,834
Non-current assets	**118,246,077**	**236,492,154**	126,117,022	252,234,044
Current liabilities	**(32,875,443)**	**(65,750,886)**	(18,218,653)	(36,437,306)
Non-current liabilities	**(104,878,577)**	**(209,757,154)**	(81,155,154)	(162,310,308)
Net assets	**(7,161,028)**	**(14,322,056)**	36,982,132	73,964,264
Unrecognised loss	**7,161,028**	**14,322,056**	–	–
Net book value of investment	**–**	**–**	36,982,132	73,964,264
Additional information				
Cash and cash equivalents	**8,987,307**	**17,974,614**	5,463,275	10,926,550
Short-term financial liabilities	**(28,224,964)**	**(56,449,928)**	(14,414,211)	(28,828,422)
Long-term financial liabilities	**(103,096,811)**	**(206,193,622)**	(69,906,297)	(139,812,594)

	MunaiTas			
	31 December 2015		31 December 2014	
In thousands of Tenge	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	**4,414,281**	**8,655,453**	2,748,039	5,388,312
Non-current assets	**12,985,200**	**25,461,177**	13,841,592	27,140,378
Current liabilities	**(639,821)**	**(1,254,551)**	(675,831)	(1,325,159)
Non-current liabilities	**(2,841,654)**	**(5,571,871)**	(3,052,598)	(5,985,487)
Net assets	**13,918,006**	**27,290,208**	12,861,202	25,218,044
Additional information				
Cash and cash equivalents	**527,106**	**1,033,542**	1,742,127	3,415,936
Short-term financial liabilities	**–**	**–**	–	–
Long-term financial liabilities	**–**	**–**	–	–

	KCP			
	For the year ended 31 December			
	2015		2014	
In thousands of Tenge	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**25,567,304**	**51,134,608**	24,084,242	48,168,484
Loss from continuing operations for the year	**(44,571,259)**	**(89,142,518)**	(6,990,738)	(13,981,476)
Unrecognised loss	**7,161,028**	**14,322,056**	–	–
Income/(loss) from discontinuing operations for the year	**–**	**–**	–	–
Other comprehensive income	**428,099**	**856,198**	3,093,940	6,187,880
Total comprehensive loss	**(36,982,132)**	**(73,964,264)**	(3,896,798)	(7,793,596)
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(7,228,928)**	**(14,457,856)**	(7,231,507)	(14,463,014)
Interest income	**90,888**	**181,776**	149,964	299,928
Interest expense	**(4,065,698)**	**(8,131,396)**	(4,008,080)	(8,016,160)
Income tax benefit	**8,989,252**	**17,978,504**	2,115,631	4,231,262

8. INVESTMENTS IN JOINT VENTURES (continued)

Foreign exchange loss was recognized by KCP due to the translation of financial liabilities (loans) denominated in US Dollars. Net loss of KCP from foreign currency translation related to loans for the years ended 31 December 2015 and 2014 was equal to 122,093,675 thousand Tenge and 30,738,941 thousand Tenge, respectively.

	MunaiTas			
	For the year ended 31 December			
	2015		2014	
In thousands of Tenge	**51%**	**100%**	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the year				
Revenue	**4,427,224**	**8,680,832**	3,499,277	6,861,645
Income from continuing operations for the year	**2,736,090**	**5,364,883**	735,688	1,442,525
Income/(loss) from discontinuing operations for the year	**-**	**-**	-	-
Other comprehensive income	**55,734**	**109,282**	88,037	172,621
Total comprehensive income	**2,791,824**	**5,474,165**	823,725	1,615,146
Dividends	**(1,735,020)**	**(3,402,000)**	(637,620)	(1,250,235)
Additional information				
Depreciation and amortization	**(1,047,729)**	**(2,054,371)**	(1,069,661)	(2,097,375)
Interest income	**81,365**	**159,539**	13,164	25,812
Interest expense	**(39,786)**	**(78,012)**	(37,891)	(74,296)
Income tax expense	**(690,379)**	**(1,353,684)**	(186,415)	(365,520)

9. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Advances to third parties for property, plant and equipment and construction	**7,786,525**	11,406,977
Less: allowance for doubtful debts	**(53,258)**	(99,526)
Total	**7,733,267**	11,307,451

Movement in allowance for doubtful debts related to the advances given to suppliers for property, plant and equipment was as follows:

In thousands of Tenge	**2015**	2014
As at 1 January	**99,526**	99,330
(Reverse)/charge for the year *(Note 27)*	**(197)**	196
Used in write-off of advances	**(46,071)**	-
As at 31 December	**53,258**	99,526

10. INVENTORIES

Inventories as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Spare parts	**1,531,217**	1,461,052
Fuel	**823,855**	763,929
Construction materials	**185,387**	157,584
Goods	**140,887**	93,138
Overalls	**98,406**	78,892
Chemical reagents	**90,812**	35,575
Others	**766,685**	488,241
	3,637,249	3,078,411
Less: provision for slow-moving and obsolete inventory	**(37,552)**	(33,853)
Total	**3,599,697**	3,044,558

10. INVENTORIES (continued)

Movements in the provision for slow-moving and obsolete inventory were as follows:

In thousands of Tenge	2015	2014
As at 1 January	**33,853**	48,213
Charge/(reverse) for the year *(Note 27)*	**6,644**	(5,342)
Used in write-off of inventories	**(12,058)**	(11,554)
Currency translation difference	**9,113**	2,536
As at 31 December	**37,552**	33,853

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable of the Group as at 31 December 2015 and 2014 was presented as follows:

In thousands of Tenge	31 December 2015	31 December 2014
Trade accounts receivable from related parties *(Note 34)*	**1,420,739**	1,941,312
Trade accounts receivable from third parties	**982,238**	2,139,755
Other accounts receivable from third parties	**2,544,880**	2,273,771
Other accounts receivable from related parties *(Note 34)*	**36,122**	102,156
	4,983,979	6,456,994
Less: allowance for doubtful debts	**(759,853)**	(653,120)
Total	**4,224,126**	5,803,874

Other receivables mainly represent issued fees for undelivered and unreported crude oil volumes under oil transportation contracts on "ship or pay" terms.

Movement in allowance for doubtful accounts related to trade and other receivables was as follows:

In thousands of Tenge	2015	2014
As at 1 January	**653,120**	633,072
Charge for the year *(Note 27)*	**107,934**	19,374
Used in write-off of receivable	**(11,385)**	-
Currency translation	**10,184**	674
As at 31 December	**759,853**	653,120

Trade and other receivables of the Group as at 31 December 2015 and 2014 are denominated in the following currencies:

In thousands of Tenge	31 December 2015	31 December 2014
Tenge	**2,676,647**	5,131,578
US Dollars	**1,273,385**	534,468
Russian Ruble	**1,160**	1,248
Other currency	**272,934**	136,580
Total	**4,224,126**	5,803,874

As at 31 December the ageing analysis of trade and other receivables is as follows:

		Neither past due	Past due but not impaired				
In thousands of Tenge	Total	nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2015	**4,224,126**	**2,843,181**	**1,163,079**	**64,333**	**31,472**	**25,652**	**96,409**
2014	5,803,874	5,094,199	528,360	74,369	50,919	36,698	19,329

12. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Advances to related parties *(Note 34)*	**1,841,099**	447,876
Advances to third parties	**1,221,957**	665,132
	3,063,056	1,113,008
Less: allowance for doubtful debts	**(984)**	(1,073)
Total	**3,062,072**	1,111,935

Movement in allowance for doubtful debts in regards to advances given to suppliers was as follows:

In thousands of Tenge	**2015**	2014
As at 1 January	**1,073**	1,982
Reverse for the year *(Note 27)*	**(81)**	(909)
Used in write-off of advances	**(8)**	-
As at 31 December	**984**	1,073

13. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
VAT recoverable	**8,359,409**	6,016,776
Other taxes prepaid	**279,659**	179,293
Total	**8,639,068**	6,196,069

14. OTHER CURRENT ASSETS

Other current assets as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Due for oil transportation coordination services	**5,767,898**	3,245,840
Due from employees	**39,460**	43,707
Prepaid insurance	**49,092**	42,498
Deferred expenses	**30,426**	26,028
Other	**175,579**	24,802
	6,062,455	3,382,875
Less: allowance for doubtful debts	**-**	(2,616)
Total	**6,062,455**	3,380,259

Movement in allowance for doubtful debts related to other current assets was as follows:

In thousands of Tenge	**2015**	2014
As at 1 January	**2,616**	2,616
Used in write-off	**(2,616)**	-
As at 31 December	**-**	2,616

15. BANK DEPOSITS

Bank deposits as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Short-term bank deposits	**12,322,761**	31,984,737
Long-term bank deposits	**4,487,436**	3,729,880
Accrued interest on deposits	**124,076**	127,505
Total	**16,934,273**	35,842,122

As at 31 December 2015 short-term bank deposits comprised the following:

- US Dollars denominated deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 1.4% to 2% per annum (as at 31 December 2014: from 0.6% to 3.5%), maturing in March and May 2016;
- restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2025, respectively (as at 31 December 2014: from 2% to 3.5% per annum maturing in 2029 and in 2024, respectively), arranged for the purpose of preferential lending rates the Company's employees for the purchase of homes.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Time deposits with banks – US Dollars	**33,783,170**	19,451,877
Time deposits with banks – Tenge	**10,126,290**	19,311,501
Current accounts with banks – US Dollars	**6,058,205**	2,421,688
Current accounts with banks – Lari	**199,608**	316,560
Current accounts with banks – Euro	**150,385**	187,273
Current accounts with banks – Tenge	**86,613**	471,928
Current accounts with banks – Russian Ruble	**780**	347
Other current accounts with banks	**12,871**	11,724
Cash in transit	**27**	-
Cash on hand	**2,339**	1,822
Total	**50,420,288**	42,174,720

As at 31 December 2015 current accounts and time deposits in Tenge to 3 months placed with Kazakhstani banks carried interest ranging from 0.47% to 32% per annum (as at 31 December 2014: from 0.49% to 17% per annum). Interest for current accounts and time deposits in USD dollars to 3 months carried interest ranging from 0.25% to 3% per annum (as at 31 December 2014: from 0.3% to 1.77% per annum).

Due to change of exchange rate of US dollar towards tenge *(Note 4.2)* the Company recognised forex exchange gain, related mainly to revaluation of cash and cash equivalents denominated in foreign currency (US dollars), current bank accounts, time deposits less than 3 months, short-term and long-term deposits in second-tier banks. Net foreign exchange gain for the year ended 31 December 2015 was 25,544,225 thousand tenge (for the year ended 31 December 2014: 1,055,964 thousand tenge).

17. EQUITY

Share capital

As at 31 December 2015 and 2014 the Company's share capital comprised of 384,635,600 ordinary shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

As at 31 December 2015 and 2014 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

17. EQUITY (continued)

Distributions to the shareholder

Dividends

The Company paid dividends to the shareholders based on the decision of the shareholders meeting on 20 May 2015 in the amount of 46,429,363 thousand Tenge based on 120.71 Tenge per 1 share (2014: 41,925,280 thousand Tenge based on 109 Tenge per 1 share), including 41,786,427 thousand Tenge related to KMG (2014: 37,732,752 thousand Tenge) and 4,642,936 thousand Tenge related to minority shareholders (2014: 4,192,528 thousand Tenge).

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period. As the Parent of the Group does not issue convertible financial instruments, basic earnings per share of the Group is equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

In thousands Tenge	**2015**	2014
Net profit for the period attributable to ordinary equity holders of the Parent for basic earnings	**44,712,936**	46,430,565
Weighted average number of ordinary shares for basic earnings per share	**384,635,599**	384,635,599
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent of the Group *(in Tenge)*	**116**	121

Book value per ordinary share

Book value of the ordinary shares in accordance with requirements of KASE of the Parent of the Group is as follows:

In thousands Tenge	**31 December 2015**	31 December 2014
Total assets	**619,262,524**	585,407,217
Less: intangible assets *(Note7)*	**(7,399,731)**	(5,479,443)
Less: total liabilities	**(146,331,014)**	(127,762,896)
Net assets for calculation of book value per ordinary share	**465,531,779**	452,164,878
Number of ordinary shares	**384,635,599**	384,635,599
Book value per ordinary share *(in Tenge)*	**1,210**	1,176

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation and impairment of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

In thousands Tenge	**31 December 2015**	31 December 2014
Asset revaluation reserve of the Group	**102,140,226**	113,678,936
Share in the asset revaluation reserve of the joint ventures	**23,423,150**	24,558,743
Total	**125,563,376**	138,237,679

Other capital reserves

As at 31 December 2015 other capital reserves amounted 3,813,701 thousand Tenge (as at 31 December 2014: 1,810,575 thousand Tenge). Increase in reserve is due to accrual of actuarial re-measurement of defined benefit plans in the amountof 2,503,907 thousand Tenge *(Note 18)*, income tax effect of which amounted to 500,781 thousand Tenge *(Note 32)*.

17. EQUITY (continued)

Book value per ordinary share (continued)

Foreign currency translation reserve

As at 31 December 2015 foreign currency translation reserve was equal to 36,210,843 thousand Tenge (as at 31 December 2014: 14,860,910 thousand Tenge) Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiary. Sigificant increase is related to considerable changes in foreign exchange rates *(Note 4.2)*.

Other

On 5 November 2015 the Company provided to KMG interest-free loan based on the decision made on 14-15 October 2015 by the Board of Directors in the amount of 20 billion Tenge with the maturity until 30 June 2016. Discount on loans given in the amount of 1,644,382 thousand tenge was recognized by the Company though retained earnings and during 2015 year the amortization of the discount amounted to 379,461 thousand Tenge *(Note 34)*.

18. EMPLOYEE BENEFIT LIABILITY

The Company has employee benefit liabilities, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit liabilities as at 31 December 2015 and 2014 were presented as follows:

In thousands Tenge	**31 December 2015**	31 December 2014
Current portion of employee benefit liabilities	**435,024**	408,757
Non-current portion of employee benefit liabilities	**15,098,686**	11,204,603
Total	**15,533,710**	11,613,360

Changes in the present value of employee benefit liabilities for the year ended 31 December 2015 and 2014 were as follows:

	For the year ended 31 December	
In thousands Tenge	**2015**	2014
Employee benefit liabilities at the beginning of the year	**11,613,360**	9,655,180
Interest cost *(Note 31)*	**832,855**	579,311
Current services cost *(Note 26, 27)*	**1,070,515**	802,461
Actuarial losses *(Note 17)*	**2,503,907**	992,599
Benefits paid	**(486,927)**	(416,191)
Employee benefit liabilities at the end of the year	**15,533,710**	11,613,360

19. DEFERRED INCOME

Deferred income as at 31 December 2015 and 2014 was presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Deferred income	**8,081,762**	4,423,082
Total	**8,081,762**	4,423,082

Deferred income represents amounts received by a group of BTL in advance from Batumi International Container Terminal (hereinafter "BICT") based on agreement of operating lease of land. Increase in the amount as at 31 December 2015 is mainly due to change in the currency exchange rate at the reporting date.

20. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Accounts payable to third parties for goods and services	**15,397,918**	14,907,024
Accounts payable to related parties for goods and services *(Note 34)*	**814,409**	672,991
Other payables to third parties	**441,898**	193,726
Other payables to related parties *(Note 34)*	**672**	–
Total	**16,654,897**	15,773,741

Trade and other accounts payables included payables to related and third parties, related to the construction-in-progress in the amount of 13,578,970 thousand Tenge (as at 31 December 2014: 9,580,016 thousand Tenge).

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

In thousands of Tenge	**31 December 2015**	31 December 2014
Tenge	**16,454,585**	15,258,129
US Dollars	**165,729**	105,615
Euro	**19,451**	12,455
Russian Roubles	**2,570**	6,219
Other currency	**12,562**	391,323
Total	**16,654,897**	15,773,741

21. ADVANCES RECEIVED

Advances received as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Advances received from related parties *(Note 34)*	**11,330,298**	10,615,166
Advances received from third parties	**6,494,876**	6,131,270
Total	**17,825,174**	16,746,436

22. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Personal income tax	**2,488,472**	1,531,057
Withholding tax at the source of payment to non-residents	**1,044,519**	609,231
Social tax	**702,313**	504,779
Property tax	**23,773**	351,287
VAT payable	**20,045**	12,823
Other taxes	**278,888**	217,751
Total	**4,558,010**	3,226,928

23. PROVISIONS

Movements in provisions for the years ended 31 December 2015 and 2014 were presented as follows:

Short-term provisions

In thousands of Tenge	Tax provisions (BTL)	Environmental provisions (Company)	Others (Company)	Total
As at 31 December 2014	221,373	41,125	53,567	316,065
Charged/(reversed) for the year	**(254,768)**	**11,079**	**-**	**(243,689)**
Use of provision	**-**	**(11,079)**	**(53,567)**	**(64,646)**
Foreign currency translation	**55,461**	**-**	**-**	**55,461**
As at 31 December 2015	**22,066**	**41,125**	**-**	**63,191**
As at 31 December 2013	186,483	41,642	-	228,125
Charged/(reversed) for the year	-	(7)	53,567	53,560
Use of provision	-	(510)	-	(510)
Foreign currency translation	34,890	-	-	34,890
As at 31 December 2014	221,373	41,125	53,567	316,065

Due to the expiration of the limitation period in 2015 BTL Group reversed the principal amount of the tax provision accrued based on the tax audit for 2008-2009.

Long-term provisions

In thousands of Tenge	**31 December 2015**	31 December 2014
As at 1 January	**20,631,009**	16,677,538
Charge for the year through asset *(Note 6)*	**1,674,849**	962,826
Revision of estimates through other comprehensive income	**(1,157,829)**	1,678,425
(Gain)/loss from revision of estimates through profit and loss and write-off of provision *(Note 28, 29)*	**(443,410)**	275,965
Unwinding of discount on asset retirement and land recultivation obligation *(Note 31)*	**1,295,082**	1,036,255
As at 31 December	**21,999,701**	20,631,009

Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on 4 July 2012 the Group has a legal obligation to decommission the ma in pipeline (oil pipeline) after the operation and subsequent activities to restore the environment, including land recultivation.

Additionally provision on liquidation of the waste landfills is reflected as part of the asset retirement and land recultivation obligation. Provision was created based on the requirements of the Ecological Code of the Republic of Kazakhstan, according to which owner of the waste landfill must create liquidation fund for subsequent activities for land remediation and monitoring the impact on the environment after the landfill closure. Ecological Code of the Republic of Kazakhstan also prohibits usage of landfill without liquidation fund created.

The Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount rate are reflected in *Note 5.*

24. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**31 December 2015**	31 December 2014
Salaries and wages	**6,172,019**	5,738,615
Accounts payable for oil transportation coordination services to related parties *(Note 34)*	**5,923,268**	2,871,849
Accounts payable for oil transportation coordination services to third parties	**4,035,988**	2,464,587
Current portion of deferred income from third parties	**1,086,643**	732,135
Payable to pension fund	**693,938**	659,667
Current portion of deferred income from related parties *(Note 34)*	**-**	260,305
Other accruals	**908,055**	227,093
Total	**18,819,911**	12,954,251

Salaries and wages comprise current salary payable, remunerations based on the year results and vacation payments payable.

25. REVENUE

Revenue for the years ended 31 December 2015 and 2014 was presented as follows:

In thousands of Tenge	**2015**	2014
Crude oil transportation	**176,036,600**	164,393,577
Oil reloading and railway shipment	**14,562,118**	15,516,062
Pipeline operation services	**8,918,816**	8,230,639
Water transportation	**6,603,736**	6,860,568
Seaport services	**3,648,789**	3,148,189
Fees for undelivered oil volumes	**1,294,978**	6,714,971
Oil transportation coordination services	**594,761**	639,557
Oil storage services	**58,222**	91,553
Other	**1,443,742**	1,041,997
Total	**213,161,762**	206,637,113

For the year ended 31 December 2015 revenue from the three major customer amounted to 49,586,658 thousand Tenge, 24,980,450 thousand Tenge and 14,828,129 thousand Tenge, respectively (for the year ended 31 December 2014 revenue from the three major customers: 45,143,090 thousand Tenge, 23,386,961 thousand Tenge and 14.414.475 thousand Tenge, respectively).

Income from Fees for undelivered oil volumes is received by the Company under oil transportation contracts on "ship or pay" terms. Decrease in Fees for undelivered oil volumes for 2015 is due to the expiration of the main part of oil transportation contracts on the above-mentioned terms (in December 2014) with the customers (participants of the Kashagan project).

26. COST OF SALES

Cost of sales for the years ended 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**2015**	2014
Personnel cost	**43,692,713**	40,101,012
Depreciation and amortization	**32,379,654**	32,876,926
Railway services	**8,050,129**	9,436,954
Materials and fuel	**7,708,753**	6,805,708
Electric energy	**6,968,369**	6,280,668
Taxes other than corporate income tax	**5,415,904**	4,978,621
Repair and maintenance	**4,721,519**	5,501,143
Security services	**4,231,976**	4,493,473
Gas expense	**2,559,678**	2,435,270
Air services	**1,608,525**	1,474,160
Post-employment benefits *(Note 18)*	**1,004,841**	754,969
Business trip expenses	**874,997**	892,934
Diagnostics of pipelines	**843,692**	624,316
Insurance	**516,489**	507,481
Environmental protection	**473,387**	952,258
Rent expenses	**281,373**	248,969
Communication services	**267,810**	264,938
Other	**2,464,180**	2,679,273
Total	**124,063,989**	121,309,073

Increase in personnel costs is due to the indexation of wages of the production personnel made starting from 1 April 2014 and 1 January 2015.

27. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**2015**	2014
Personnel cost	**7,576,892**	6,875,924
Depreciation and amortization	**848,467**	819,123
Consulting	**643,244**	606,053
Office maintenance	**483,416**	390,499
Business trip expenses	**282,936**	280,022
Expenses on VAT	**240,830**	342,980
Taxes other than corporate income tax	**225,816**	240,182
Repair and maintenance	**196,722**	155,085
Social sphere expenses	**185,200**	193,888
Training	**150,197**	140,685
Materials and fuel	**143,345**	133,819
Bank costs	**133,250**	135,476
Insurance and security	**124,056**	104,163
Communication services	**113,615**	124,136
Net charge of allowance for doubtful debts, net *(Notes 9, 11 and 12)*	**107,656**	18,661
Post-employment benefits *(Note 18)*	**65,674**	47,492
Charity expenses	**13,526**	2,020,737
Net charge/(reversal) of provision for obsolete and slow-moving inventory *(Note 10)*	**6,644**	(5,342)
Impairment of intangible assets	**-**	302,114
Other	**550,734**	667,238
Total	**12,092,220**	13,592,935

In 2014 the Company gave the sponsorship for the construction of a secondary school for 300 pupils in the Atyrau region, kindergarten for 280 children in the South Kazakhstan region and a kindergarten for 320 children in the Pavlodar region.

28. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2015 and 2014 was presented as follows:

In thousands of Tenge	**2015**	2014
Income from fines and penalties	**447,149**	620,787
Gain from revision of estimates on provision on asset retirement obligation and land recultivation *(Note 23)*	**443,410**	–
Amortization of deferred income *(Note 34)*	**260,305**	312,366
Gain on disposal of inventory	**60,500**	263,499
Income from write-off of payables	**42,363**	75,689
Net gain on disposal of assets	**–**	61,090
Management services fees	**3,039**	13,688
Other income	**402,375**	114,353
Total	**1,659,141**	1,461,472

29. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**2015**	2014
Net loss from disposal of property, plant and equipment and intangible assets	**1,376,960**	208,654
Expenses on liquidation of idle production facilities	**26,538**	89,126
Expenses from disposal of inventory	**16,307**	14,987
Expense from write-off of assets held for sale, net	**6,915**	–
Expenses on revision of estimates on provision on asset retirement obligation and land recultivation *(Note 23)*	**–**	275,965
Other expenses	**307,249**	61,297
Total	**1,733,969**	650,029

30. FINANCE INCOME

Finance income for the years ended 31 December 2015 and 2014 was presented as follows:

In thousands of Tenge	**2015**	2014
Interest income on bank deposits and accounts	**2,588,355**	4,407,247
Discounting of interest free loan *(Note 34)*	**379,461**	–
Dividends income	**–**	80,277
Employees loans: unwinding of discount	**28,483**	14,292
Other finance income from third parties	**30,598**	15,231
Total	**3,026,897**	4,517,047

31. FINANCE COSTS

Finance costs for the years ended 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**2015**	2014
Unwinding of discount on asset retirement and land recultivation obligation *(Note 23)*	**1,295,082**	1,036,255
Employee benefits:interest cost *(Note 18)*	**832,855**	579,311
Other finance costs	**49,493**	–
Total	**2,177,430**	1,615,566

32. INCOME TAX EXPENSE

Income tax expenses for the years ended 31 December 2015 and 2014 were presented as follows:

In thousands of Tenge	**2015**	2014
Current income tax expense	**22,668,024**	13,442,998
Expense/(benefit) for the past periods	**1,175,541**	(33,207)
Deferred income tax (benefit)/expense	**(1,237,107)**	2,289,155
Income tax expense	**22,606,458**	15,698,946

As tax rates applied for the calculation of current income tax, Group uses the rates adopted in accordance with the tax legislation of the countries in which the Group operates and generates taxable income. As of 31 December 2015 and 2014 the Company (Kazakhstan) applies a tax rate of 20%, and the Companies of BTL Group (Georgia) – 15%.

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate for the years 2015 and 2014 is as follows:

In thousands of Tenge	**2015**	2014
Profit before income tax	**67,319,394**	62,129,511
Statutory rate	**20%**	20%
Income tax expense on accounting profit	**13,463,879**	12,425,902
Adjustment of the past periods	**1,175,541**	(33,207)
Tax effect of permanent differences		
Gain on surplus of technological oil	**605,683**	1,142,794
Other non-deductible expenses	**583,262**	351,955
Tax effect of other adjustments		
Loss of joint ventures recognized based on equity method	**6,934,828**	1,251,010
Effect of difference in tax rates	**(156,735)**	560,492
Income tax expense reported in the consolidated statement of comprehensive income	**22,606,458**	15,698,946

The Group has accrued additional CIT expense for the past periods as a result of change in estimates which should be treated prospectively.

32. INCOME TAX EXPENSE (continued)

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

In thousands of Tenge	31 December 2015	Charged to profit and loss	Foreign currency translation	Charged to other comprehensive income	31 December 2014	Charged to profit and loss	Foreign currency translation	Charged to other comprehensive income	1 January 2014
Deferred tax assets									
Employee benefits and other employee compensation and related costs	**3,585,500**	**(32,913)**	**-**	**500,781**	3,117,632	(105,027)	493	198,520	3,023,646
Allowance for doubtful debts	**162,819**	**12,464**	**-**	**-**	150,355	2,907	47	-	147,401
Provision for slow-moving and obsolete inventory	**7,510**	**1,268**	**-**	**-**	6,242	(3,429)	28	-	9,643
Provision on environmental protection and other provisions	**60,370**	**11,693**	**-**	**-**	48,677	(39,487)	-	-	88,164
Provision on asset retirement and land recultivation obligation	**4,358,509**	**504,324**	**-**	**(231,565)**	4,085,750	457,097	-	335,685	3,292,968
Taxes payable	**124,305**	**26,943**	**-**	**-**	97,362	(156,528)	-	-	253,890
Loans to employees	**-**	**-**	**-**	**-**	-	(5,086)	-	-	5,086
Deferred Income from related party	**-**	**(52,061)**	**-**	**-**	52,061	(62,473)	-	-	114,534
Financial liabilities on intercompany loans	**37,671**	**(91,161)**	**-**	**-**	128,832	128,510	322	-	-
	8,336,684	**380,557**	**-**	**269,216**	7,686,911	216,484	890	534,205	6,935,332
Deferred tax liabilities									
Property, plant and equipment	**(49,019,327)**	**856,550**	**(1,199,835)**	**178,784**	(48,854,826)	(2,505,639)	(552,762)	4,676,756	(50,473,181)
	(49,019,327)	**856,550**	**(1,199,835)**	**178,784**	(48,854,826)	(2,505,639)	(552,762)	4,676,756	(50,473,181)
Net deferred income tax liabilities	**(40,682,643)**	**1,237,107**	**(1,199,835)**	**448,000**	(41,167,915)	(2,289,155)	(551,872)	5,210,961	(43,537,849)

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has three reportable segments, as follows:

- oil transportation and related services;
- oil transshipment;
- other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue composes less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container terminal, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: water transportation, oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment. Management analyses its operating segments by segment profit.

33. SEGMENT INFORMATION (continued)

In thousands Tenge	For the year ended 31 December 2015 Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	For the year ended 31 December 2014 Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments
Revenue								
External customers	**193,617,592**	**15,509,570**	**4,034,600**	**213,161,762**	186,996,455	15,516,062	4,124,596	206,637,113
Total revenue	**193,617,592**	**15,509,570**	**4,034,600**	**213,161,762**	186,996,455	15,516,062	4,124,596	206,637,113
Financial results								
Impairment of property, plant and equipment through profit and loss	**(1,330,882)**	**–**	**–**	**(1,330,882)**	(294,384)	(7,619,876)	(205,172)	(8,119,432)
Impairment of intangible assets through profit and loss	**–**	**–**	**–**	**–**	–	–	(302,114)	(302,114)
Depreciation and amortization	**(31,285,990)**	**(1,268,517)**	**(673,614)**	**(33,228,121)**	(30,663,438)	(2,284,673)	(747,938)	(33,696,049)
Interest income	**2,549,552**	**36,142**	**33,260**	**2,618,954**	4,380,727	17,561	24,191	4,422,479
Share in loss of joint ventures	**(34,674,141)**	**–**	**–**	**(34,674,141)**	(6,255,050)	–	–	(6,255,050)
Income tax expense	**(21,987,166)**	**(547,895)**	**(71,397)**	**(22,606,458)**	(17,146,980)	1,441,763	6,271	(15,698,946)
Segment profit for the period	**42,157,275**	**2,241,690**	**313,971**	**44,712,936**	52,568,722	(5,485,006)	(653,151)	46,430,565
Total assets	**549,165,702**	**50,635,685**	**19,461,137**	**619,262,524**	544,843,461	25,391,508	15,172,248	585,407,217
Total liabilities	**130,656,666**	**5,406,399**	**10,267,949**	**146,331,014**	118,386,824	3,515,708	5,860,364	127,762,896
Other disclosures								
Investments in joint ventures *(Note 8)*	**13,918,006**	**–**	**–**	**13,918,006**	49,843,334	–	–	49,843,334
Capital expenditures	**75,641,329**	**1,332,376**	**826,830**	**77,800,535**	69,871,111	1,126,388	415,184	71,412,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2015 and 2014 and the related balances as at 31 December 2015 and 2014:

Trade and other accounts receivables from related parties were presented as follows:

In thousands Tenge	**Notes**	**31 December 2015**	31 December 2014
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		**719,246**	1,261,676
Trade accounts receivable from entities under common control of KMG		**701,270**	679,430
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**223**	206
	11	**1,420,739**	1,941,312
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	11	**36,122**	102,156
Total		**1,456,861**	2,043,468

Interest free loans to related parties were presented as follows:

In thousands Tenge	**Notes**	**31 December 2015**	31 December 2014
Interest free loans to related parties			
Interest free loans to KMG	17	**18,735,079**	–
Total		**18,735,079**	–

Advances provided to related parties were presented as follows:

In thousands Tenge	**Notes**	**31 December 2015**	31 December 2014
Advances paid to related parties			
Advances paid to entities under common control of KMG		**1,684,777**	361,049
Advances paid to entities under common control of Samruk-Kazyna Group		**156,322**	86,746
Advances paid to joint ventures		**–**	81
Total	12	**1,841,099**	447,876

34. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts payable to related parties were presented as follows:

In thousands Tenge	Notes	31 December 2015	31 December 2014
Accounts payables to related parties for goods and services			
Accounts payables to entities under common control of KMG		**559,353**	629,359
Accounts payables to entities under common control of Samruk-Kazyna Group		**255,056**	43,632
Total accounts payable to related parties for goods and services	20	**814,409**	672,991
Other payables to related parties			
Other payables to entities under common control of Samruk-Kazyna Group		**672**	–
Total other accounts payable to related parties		**672**	–
Total	20	**815,081**	672,991

Advances received from related parties were presented as follows:

In thousands Tenge	Notes	31 December 2015	31 December 2014
Advances received from related parties			
Advances from entities under common control of KMG		**10,845,082**	9,087,230
Advances from entities under common control of Samruk-Kazyna Group		**485,209**	1,527,936
Advances from joint ventures		**7**	–
Total	21	**11,330,298**	10,615,166

Other current liabilities to related parties were presented as follows:

In thousands Tenge	Notes	31 December 2015	31 December 2014
Accounts payable for oil transportation expedition to related parties			
Accounts payable for oil transportation expedition to entities under common control of KMG		**5,923,268**	2,871,849
	24	**5,923,268**	2,871,849
Employee benefits of key management personnel			
Employee benefits of key management personnel		**8,062**	6,155
		8,062	6,155
Current portion of deferred income from related parties			
Current portion of deferred income from entities under common control of KMG		**–**	260,305
	24	**–**	260,305
Total other current liabilities to related parties		**5,931,330**	3,138,309

34. RELATED PARTY TRANSACTIONS (continued)

The following tables provide the total amount of transactions, which have been entered into with related parties during the year ended 31 December:

In thousands Tenge	For the year ended 31 December 2015	2014
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**111,861,543**	105,183,134
Revenue from main activities with joint ventures	**7,612,064**	7,048,142
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**5,361,313**	6,724,720
Revenue from other activities with entities under common control of KMG	**28,096**	19,852
Revenue from other activities with entities under common control of Samruk-Kazyna Group	**-**	8
Total	**124,863,016**	118,975,856

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

In thousands Tenge	For the year ended 31 December 2015	2014
Purchases from related parties		
Purchases of services from entities under common control of KMG	**9,167,825**	8,249,333
Purchases of services from entities under common control of Samruk-Kazyna Group	**2,691,546**	1,250,632
Purchases of services from joint ventures	**-**	17,758
Purchases of inventory from entities under common control of KMG	**262,611**	1,107,080
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**14,741**	14,795
Purchases of intangible assets from entities under common control of Samruk-Kazyna Group	**15,737**	111,221
Purchases of property, plant and equipment from entities under common control of KMG	**214,713**	-
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	**520,282**	48,000
Total	**12,877,455**	10,798,819

Other operating income of the Group from transactions with related parties was presented as follows:

In thousands of Tenge	**Notes**	For the year ended 31 December 2015	2014
Other operating income from related parties			
Amortization of deferred income from related parties	28	**260,305**	312,366
Total		**260,305**	312,366

Finance income of the Group from transactions with related parties was presented as follows:

In thousands of Tenge	**Notes**	For the year ended 31 December 2015	2014
Finance income from related parties			
Discounting of interest free loans provided to KMG	30	**379,461**	-
Total		**379,461**	-

34. RELATED PARTY TRANSACTIONS (continued)

The total remuneration of members of the key management personnel comprised:

In thousands Tenge	**31 December 2015**	31 December 2014
Bonuses based on the results of the previous year	**236,292**	219,238
Salary	**151,005**	146,847
Other short-term benefits	**40,915**	33,355
Post-employment benefits	**1,306**	1,062
Total	**429,518**	400,502
Number of persons	**8**	8

35. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

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

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy. Starting from 20th August 2015 it was decided to cease the support of Tenge exchange rate against US Dollar and other main currencies in order to decrease the volume of currency interventions and to reduce the influence on establishing the Tenge exchange rate. Official exchange rate before devaluation amounted to 188.38 Tenge per 1 US Dollar. As at 31 December 2015 the exchange rate amounted to 340.01 Tenge per 1 US Dollar.

In 2015, the Kazakhstan economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of Kazakhstani Tenge. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual. 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 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 five calendar years preceeding 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 as at 31 December 2015.

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

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with "the arm's length" principle.

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

35. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

Transfer pricing control (continued)

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at 31 December 2015.

As at 31 December 2015 Management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax commitments of Georgian entities

According to the Tax Code of Georgia ("TCG"), tax administration is authorized to make motivated written decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not sophisticated and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

The Georgian subsidiaries of the Group have significant transactions with off-shore subsidiaries of the Group as well as amongst each other. These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia. Management believes that it has sufficient arguments to assert that pricing of transactions between entities of the Group is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the Group.

In 2015 Georgian Tax Authorities ("GTA") additionally accrued taxes and fines in the amount of 9,486 thousand US Dollars (equivalent to 3,225,335 thousand Tenge) as a result of tax inspections of BOT and BSP for the period of 2009-2014. BOT and BSP did not agree with the decision of GTA and filed an appeal. Based on the analysis of local tax legislation and current practice related to similar tax cases in Georgia management of BTL Group believes that an appeal will be successful and assess probability of outflow of economic benefits as a remote. As a result, no additional liabilities were recognized by the Group as at 31 December 2015.

Environmental matters

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations except fot those described in the present financial statements *(Note 5, 23)*.

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insurance coverage over property, third party liability in respect of property and environmental damage arising from accidents on Group's property or relating to Group's operations.

Contractual commitments

As at 31 December 2015, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 42,647,645 thousand Tenge (31 December 2014: 29,256,791 thousand Tenge).

Share of the Group as at 31 December 2015 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amounted to 361,105 thousand Tenge (31 December 2014: 159,201 thousand Tenge).

35. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings

Legal proceedings with business counterparties of BTL Group

During the year ended 31 December 2015 the companies of the Group have been involved in a number of disputes in Georgia. The total amount of claims against the Group is equal to 62 million US Dollars (equal to 21,080,620 thousand Tenge). Parties have signed the Conciliatory Act and legal proceedings were terminated. On 22 July 2015 the court has removed arrest from BTL's shares in BOT, BOT's property and exclusive rights to control 100% share in BSP. The management of the Group believes that an agreement will be reached at mutually beneficial terms and any outflow of economic resources related to the above matters is not probable.

Legal proceedings with BICT

BSP was sued by BICT (hereinafter "Parties"), a lessee of berths #4, #5 and #6, certain movable property and 13 hectares of land for a period of 48 years, for violating the lease agreement. The amount of compensation mostly for moral damages and lost profits requested by BICT LLC is 5,422 thousand US Dollars (equivalent to 1,843,534 thousands Tenge).

On 4 September 2015 settlement of dispute agreement was signed. According to this agreement Parties agreed to drop all the legal proceedings. Group's Management assesses the maximum risks on this legal proceeding in the amount not higher than 500 thousand US Dollars (equivalent of 170,005 thousand Tenge).

Pledged assets of the BTL Group

At 31 December 2015 certain items of property, plant and equipment of BOT with residual value of 47,047 thousand US Dollars (equivalent to 15,996,450 thousand Tenge) were pledged as guarantee in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd to Georgian railways according to transportation contracts. The maximum amount of the guarantee was equal to 10,000 thousand US Dollars (equivalent to 3,400,100 thousand Tenge). Georgian Transit Ltd is obliged to provide minimal required annual volume of transshipment in amount of 4 million tons to Georgian railways, 2 of which should be transshipped by BTL Group. Management of BTL Group expects that transshipment of volumes will be completed and probability of outflow of cash is remote.

Expropriation of the BSP assets

In accordance with BSP Management Right agreement between BTL (before BIHL) and Georgia Government, Georgian Government has the right for expropriation of the BSP's assets, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. As at 31 December 2015 the Group's management considers BSP was not exposed to risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment were more than 6.5 million tons (31 December 2014: 7.8 million tons).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arrive directly from its operations.

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk.

The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group places deposits with Kazakhstani and foreign banks *(Notes 15 and 16)*. The Group's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Group's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required.

The table below shows the balances of bank accounts and cash and cash equivalents at the 31 December 2015 and 2014 using the "Moody's" "Fitch" and "Standard & Poor's" credit ratings.

		Rating			
In thousands of Tenge	**Location**	**2015**	2014	**2015**	2014
Bank					
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	**BB+/Negative**	BB/Stable	**47,532,496**	43,979,994
"Sberbank Russia" SB JSC	Kazakhstan	**BB+/Negative**	BB+/Negative	**6,897,362**	2,001,131
Hellenic Bank	Georgia	**B-/Stable**	Caa3/Stable	**4,943,702**	92,269
"Tsesnabank" JSC	Kazakhstan	**B+/Stable**	B+/Stable	**3,408,853**	8,787,871
"Delta bank" JSC	Kazakhstan	**B/Stable**	–	**3,104,623**	985,401
Halyk Bank of Georgia	Georgia	**BB-/Stable**	–	**1,257,397**	–
Bank of Georgia	Georgia	**B-/Stable**	B1/Stable	**102,180**	28,264
TBC Bank	Georgia	**BB-/Stable**	B1/Stable	**75,023**	184,174
Basis Bank	Georgia	**B-/Stable**	BB/Stable	**29,194**	117,980
Cartu Bank	Georgia	**B-/Stable**	–	**679**	365
NBK Bank	Russia	**BB+/Negative**	–	**495**	–
"Sberbank Russia"	Russia	**BB+/Negative**	–	**73**	–
"RBS Kazakhstan" JSC	Kazakhstan	**A3/Positive**	A3/Negative	**58**	12
"Kazkommertsbank" JSC	Kazakhstan	**B-/Negative**	B/Stable	**30**	19,958,265
"GasBank CJSC" JSC	Russia	**B3/Stable**	–	**30**	167
BNP Paribas	Cyprus	**–**	A1/Negative	**–**	1,878,023
Bank of Cyprus	Georgia	**–**	Caa3/Stable	**–**	1,094
"Citibank Kazakhstan" JSC	Kazakhstan	**–**	A2/Stable	**–**	10
Total				**67,352,195**	78,015,020

Liquidity risks

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments.

In thousands of Tenge	**On demand**	**<1 year**	**1 to 2 years**	**2 to 5 years**	**>5 years**	**Total**
As at 31 December 2015						
Trade and other payables	**–**	**16,616,457**	**1,951**	**31,572**	**4,917**	**16,654,897**
	–	**16,616,457**	**1,951**	**31,572**	**4,917**	**16,654,897**
As at 31 December 2014						
Trade and other payables	–	15,553,243	47,929	172,569	–	15,773,741
	–	15,553,243	47,929	172,569	–	15,773,741

Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

In thousands of Tenge	US Dollar	Russian Ruble	Euro	Other currencies	Total
At 31 December 2015					
Assets	**53,522,360**	**6,655**	**172,111**	**474,580**	**54,175,706**
Liabilities	**1,957,107**	**49,778**	**31,332**	**302,809**	**2,341,026**
At 31 December 2014					
Assets	54,518,667	5,791	198,579	510,579	55,233,616
Liabilities	877,396	53,998	26,131	529,361	1,486,886

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Russian Ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

In thousands of Tenge	Increase/ decrease in exchange rate	Effect on profit before tax
2015		
US Dollar	**60.00%**	**30,939,152**
	-20.00%	**(10,313,051)**
Russian Ruble	**40.00%**	**(17,249)**
	-29.00%	**12,506**
2014		
US Dollar	+17.37%	9,317,893
	-17.37%	(9,317,893)
Russian Ruble	+33.54%	(16,168)
	-33.54%	16,168

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder 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 shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

As at 31 December 2015 and 2014 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as at the reporting date.

Fair value of financial instruments

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.