MATEN PETROLEUM JSC

Consolidated financial statements

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

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Independent auditors' report

To the Shareholders and Management of Maten Petroleum JSC:

We have audited the accompanying consolidated financial statements of Maten Petroleum JSC and its subsidiary (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 statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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Opinion

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Kairat Medetbayev
Auditor
Ernst & Young LLP

Auditor qualification certificate No. МФ-0000137
dated 8 February 2013

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

28 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

In thousands of tenge	Notes	2015	2014
Assets			
Non-current assets			
Oil and gas assets and subsurface use rights	6	**117,753,995**	38,792,315
Property, plant and equipment	7	**1,065,898**	939,764
Construction-in-progress	8	**2,443,698**	2,213,786
Intangible assets		**64,753**	30,542
Exploration and evaluation assets	9	**1,708,210**	–
Other long-term assets		**31,810**	33,981
Restricted cash	16	**755,602**	413,136
		123,823,966	42,423,524
Current assets			
Loan receivable	10	**–**	12,070,910
Inventories	11	**1,723,553**	1,393,753
Trade receivables	12	**4,134,029**	2,315,235
Taxes receivable	13	**2,733,410**	1,056,125
Advances paid	14	**3,934,280**	2,071,357
Other current assets	15	**1,428,080**	1,466,410
Cash and cash equivalents	16	**6,173,897**	487,576
		20,127,249	20,861,366
Total assets		**143,951,215**	63,284,890
Equity and liabilities			
Equity			
Share capital	17	**80,000**	80,000
(Accumulated loss) / retained earnings		**(50,923,686)**	15,755,349
		(50,843,686)	15,835,349
Non-current liabilities			
Borrowings	18	**33,947,000**	25,301,063
Site restoration and abandonment liability	19	**1,577,275**	1,105,641
Deferred tax liabilities	20	**22,934,152**	5,525,302
Other long-term liabilities	21	**2,280,845**	543,495
		60,739,272	32,475,501
Current liabilities			
Borrowings	18	**129,821,788**	8,944,721
Trade payables	22	**1,320,629**	3,186,644
Income taxes payable	23	**458,246**	396,412
Other taxes payable	24	**1,558,284**	2,119,913
Other payables and accrued liabilities	25	**896,682**	326,350
		134,055,629	14,974,040
Total equity and liabilities		**143,951,215**	63,284,890
Book value per common share (in tenge)	17	**(6,363,555)**	1,975,601

АКЦИОНЕРЛІК ҚОҒАМЫ «Матен Петролеум» «Мэтен Петролеум» АКЦИОНЕРНОЕ ОБЩЕСТВО

Xiao Huanqin
General Director

Mussin R.A.
Deputy General Director of Economics and Finance

Kusnidenova E.S.
Chief Accountant

The accounting policies and explanatory notes on page 6 through 38 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

In thousands of tenge	Notes	2015	2014
Revenue	26	**37,684,022**	60,906,196
Cost of sales	27	**(11,900,364)**	(12,237,126)
Gross profit		**25,783,658**	48,669,070
Selling expenses	28	**(15,238,383)**	(21,450,330)
General and administrative expenses	29	**(2,033,977)**	(4,454,236)
Finance income	30	**524,462**	1,780,371
Finance costs	31	**(3,611,555)**	(1,695,055)
Foreign exchange loss, net	32	**(69,182,311)**	(1,119,305)
Other expenses, net	33	**(23,612)**	(49,579)
(Loss) / profit before income tax		**(63,781,718)**	21,680,936
Income tax expense	20	**(2,897,317)**	(5,186,553)
Net (loss) / profit for the year		**(66,679,035)**	16,494,383
Other comprehensive income		**–**	–
Total comprehensive (loss) / profit for the year		**(66,679,035)**	16,494,383
(Loss) / earnings per share			
(Loss) / earnings per share	17	**(8,335)**	2,062

«Матен Петролеум» «Мэтен Петролеум» АКЦИОНЕРЛІК ҚОҒАМЫ АКЦИОНЕРНОЕ ОБЩЕСТВО

Xiao Huanqin	**Mussin R.A.**	**Kusnidenova E.S.**
General Director	**Deputy General Director of Economics and Finance**	**Chief Accountant**

The accounting policies and explanatory notes on page 6 through 38 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

In thousands of tenge	Notes	Share capital	(Accumulated loss) / retained earnings	Total equity
At January 1, 2014		80,000	16,940,966	17,020,966
Net income for the year		–	16,494,383	16,494,383
Total comprehensive income for the year		–	16,494,383	16,494,383
Dividends declared	17	–	(17,680,000)	(17,680,000)
At December 31, 2014		80,000	15,755,349	15,835,349
Net loss for the year		–	**(66,679,035)**	**(66,679,035)**
Total comprehensive loss for the year		–	**(66,679,035)**	**(66,679,035)**
At December 31, 2015		**80,000**	**(50,923,686)**	**(50,843,686)**

АКЦИОНЕРЛІК ҚОҒАМЫ «Матен Петролеум» «Мэтен Петролеум» АКЦИОНЕРНОЕ ОБЩЕСТВО Қазақстан Республикасы Атырау қаласы город Атырау Республика Казахстан

Xiao Huanqin
General Director

Mussin R.A.
Deputy General Director of Economics and Finance

Kusnidenova E.S.
Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

In thousands of tenge	Notes	2015	2014
Cash flow from operating activities			
(Loss) / profit before income tax		**(63,781,718)**	21,680,936
Adjustments for:			
Depreciation, depletion and amortization	27, 28, 29, 33	**3,796,422**	2,848,304
Loss on disposal of property plant and equipment, oil and gas assets and write off of dry well	33	**4,240**	57,573
Finance costs	31	**3,611,555**	1,695,055
Finance income	30	**(524,462)**	(1,780,371)
Unrealized foreign exchange loss		**69,799,191**	1,281,348
Change in estimates of site restoration and abandonment liabilities	33	**41,325**	44,974
Operating cash flows before changes in working capital		**12,946,553**	25,827,819
Changes in working capital:			
Changes in trade receivables, advances given and other current assets		**(113,888)**	3,099,987
Change in taxes receivable		**(638,576)**	42,109
Change in inventories		**95,675**	(58,439)
Change in other long-term assets		**(41)**	1,975
Change in trade payables		**(705,824)**	208,365
Change in other payables and accrued liabilities		**(62,778)**	(417,906)
Change in other taxes payable		**(1,590,458)**	535,469
Cash generated from operating activity		**9,930,663**	29,239,379
Corporate income tax paid		**(2,185,873)**	(9,534,848)
Excess profits tax paid		**(154,869)**	(1,165,752)
Net cash generated from operating activities		**7,589,921**	18,538,779
Cash flow from investing activities			
Loans to employees, net of repayments		**2,212**	1,080
Purchase of oil and gas assets	6	**(38,606)**	(54,948)
Purchase of property, plant and equipment		**(23,227)**	(118,740)
Purchase of construction-in-progress assets		**(5,138,972)**	(7,000,076)
Purchase of intangible assets		**(16,247)**	(23,159)
Purchase of exploration and evaluation assets		**(72,452)**	–
Proceeds from disposal of property, plant and equipment and oil and gas assets		**–**	55,659
Proceeds from business combination	5	**332,038**	–
Acquisition of a subsidiary	5	**(63,962,052)**	–
Tender warranty paid for acquisition of a subsidiary	14	**(2,236,147)**	–
Provision of loan receivable		**(752,200)**	(51,736,150)
Repayment of loan receivable		**15,160,517**	41,286,937
Deposits for site restoration and abandonment		**(187,329)**	(12,390)
Net cash used in investing activities		**(56,932,465)**	(17,601,787)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of tenge	Notes	2015	2014
Cash flow from financing activities			
Dividends paid	17	–	(17,680,000)
Advances received		–	(10,895,688)
Proceeds from borrowings	18	**89,996,000**	35,466,500
Interest paid	18	**(2,239,702)**	(1,343,011)
Repayment of borrowings	18	**(35,338,438)**	(6,595,432)
Net cash from / (used in) financing activities		**52,417,860**	(1,047,631)
Effects of exchange rate changes on cash and cash equivalents		**2,611,005**	312,342
Net increase in cash and cash equivalents		**5,686,321**	201,703
Cash and cash equivalents, beginning of the year	16	**487,576**	285,873
Cash and cash equivalents, end of the year	16	**6,173,897**	487,576

SIGNIFICANT NON-CASH TRANSACTIONS – ADDITIONAL DISCLOSURE

The following non-cash transactions have been included into the statement of cash flows:

Construction in progress

During 2015 the Group settled the opening balance of trade payables arisen from the purchase of construction-in-progress during 2014 and trade payables transferred from business combination for purchase of property, plant and equipment in the amount of 2,417,027 thousand tenge and 5,903 thousand tenge, respectively (2014: additions to long-term assets in the form of construction in progress in the amount of 1,452,532 thousand tenge were financed by increase of accounts payable by 1,428,222 thousand tenge and by opening balance of advances paid for corresponding assets in the amount 24,310 thousand tenge).

Corporate income tax

During 2015 prepaid corporate income tax in the amount of 144,137 thousand tenge, resulted from acquisition of a subsidiary *(Note 5)*, was utilized against corporate income tax payable.

Xiao Huanqin
General Director

Mussin R.A.
Deputy General Director of Economics and Finance

Kusnidenova E.S.
Chief Accountant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. GENERAL INFORMATION

The accompanying consolidated financial statements include the financial statements of Maten Petroleum JSC (the "Company") and its subsidiary KoZhan JSC (collectively the "Group").

Maten Petroleum JSC was incorporated under the legislation of the Republic of Kazakhstan as a joint stock company and registered with the Ministry of Justice of the Republic of Kazakhstan on September 3, 2010:

Legal name of the Company	Maten Petroleum JSC
Legal address	1/1 Isatai Sqr., Atyrau
Legal registration number	The Company registered with the Ministry of Justice of the Republic of Kazakhstan on September 3, 2010 under certificate №1142-1915-01-AO
Legal status	Private

On June 25, 2014, shareholders of the Company changed and as at December 31, 2015 and 2014 the its shareholders were as follows:

	2015		2014	
	%	**In thousands of tenge**	%	In thousands of tenge
Sino-Science Netherland Energy Group B.V.	**95**	**76,000**	95	76,000
Ablazimov Baharidin Nugmanovich	**5**	**4,000**	5	4,000
	100	**80,000**	100	80,000

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

The Company is engaged in ownership and management of the following oil and gas assets:

- production license series GKI №92-D-1 (crude oil) for the Kara Arna oil field with expiration date on February 19, 2023;
- exploration and production license series GKI №1015 (crude oil) for the East Kokarna oil field with expiration date on January 1, 2028; and
- production license series №MG290-D (crude oil) for the Matin oil field with expiry date of October 13, 2020.

All oil fields of the Company are located in Atyrau Region, in the Republic of Kazakhstan.

Subsidiary

On August 12, 2015 the Company acquired 100% shares (10,748,046 common shares) of KoZhan JSC (the "Subsidiary") for cash consideration of 340,495,300 US Dollars (equivalent to 63,962,052 thousand tenge at the exchange rate as at transaction date) *(Note 5).*

The Subsidiary was established on April 28, 2001 in the Republic of Kazakhstan as a Limited Liability Partnership KoZhan. On October 16, 2014, the Subsidiary was reorganized into a joint stock company.

Legal address of the Subsidiary: 050040, Republic of Kazakhstan, Almaty, 31 Pirogova street, 6th floor.

The Subsidiary has a branch in Atyrau.

The Subsidiary is engaged in ownership and management of the following oil and gas assets:

- combined contract for exploration and production of hydrocarbons No.1103 for the Morskoye oil field with expiration date on February 17, 2034;
- combined contract for exploration and production of hydrocarbons No.1102 for the Dauletaly oil field with expiration date on February 17, 2034.
- combined contract for exploration and production of hydrocarbons No.1104 for the Karatal oil field with expiration date of February 17, 2034.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

Statement of compliance

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

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate (hereinafter - "the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Group's functional currency.

Transactions and balances

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Exchange rates

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

As at December 31, 2015 the currency exchange rate of KASE was 339.47 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2015 (2014: 182.38 tenge to 1 US dollar).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments and clarifications to existing IFRS standards and interpretations

Since 1 January 2015 the following standards and clarifications became effective:

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

The Group has adopted for the first time some new standards and amendments to existing standards that become effective for annual periods started 1 January 2015 or after this date.

The nature and impact of each new standard or amendments are described below:

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 recognize 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, since none of the entities within the Group has defined benefit plans with contributions for employees or third parties.

Annual improvements 2010-2012 cycle

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group’s current accounting policy and, thus, this amendment did not impact the Group’s accounting policy.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data 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 amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current or prior periods.

IAS 24 Related Party Disclosures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and clarifications to existing IFRS standards and interpretations (continued)

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments in these consolidated financial statements. They include:

IFRS 3 Business Combinations

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

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

The Group is not a joint arrangement, and thus this amendment is not relevant for the Company and its subsidiary.

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the consolidated financial statements and accounting policy of the Group.

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.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2015, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position and statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of 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 five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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 premeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

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 amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's consolidated financial statements given the fact the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS (IAS) 27 Equity Method in Separate Financial Statements

The amendments permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to switch to the equity method in their separate financial statements will have to apply that amendment retrospectively. The first-time adopters, electing to use the equity method in their separate financial statements, will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted. The amendments will have no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after January 1, 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 condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. 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. This amendment is not expected to have any impact on the Group.

IAS 34 Interim Financial Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

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(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of 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(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at December 31, 2015. Control is achieved when the Group is exposed, or has the right, 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 only if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and 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 other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Company and its subsidiary 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Business combinations and goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is premeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated statement of comprehensive income.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and trade receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less a provision for doubtful debts. A provision is established when there is objective evidence the Group does not believe it will be able to collect all amounts due according to the original terms of the receivables. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash includes petty cash and cash held on current bank accounts. Cash equivalents comprise short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents comprise short-term bank deposits with an original maturity of three months or less. The carrying value of these assets is a reasonable estimate of their fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Bank loans and other non-bank borrowings

All loans and borrowings are initially recorded at the fair value of the proceeds received, net of direct issue costs. Subsequent to initial recognition, all loans and borrowings are measured at amortized cost using the effective interest method.

Trade and other payables

The trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

Oil and gas assets

At the initial recognition at the acquisition date, Group's oil and gas assets, which can be reasonably estimated, are recognized at fair value less accumulated depreciation and accumulated impairment loss.

Oil and gas assets are carried at cost less accumulated depreciation and depletion. The Group follows the full cost method of accounting for its oil and gas assets, whereby property acquisitions, exploratory wells, all development costs (including development of dry wells), support equipment and facilities and licenses to explore when acquired are capitalized.

The depreciation and depletion of costs related to oil and gas assets is calculated using the units-of-production method based on proved developed reserves for assets with useful lives that are the same as the life of the oil field and straight-line method for assets with useful lives that are shorter than the life of the oil field.

After the acquisition date the Group reflects (in the consolidated statement of comprehensive income) depreciation and depletion expenses related to depreciable assets of the companies acquired, based on fair values of these assets at the acquisition date.

The subsurface use rights are recognized by the Group during business combinations as they comply with the definition of an intangible asset, and their fair value can be reasonably estimated. As the subsurface use rights have been recognized by the Group at the date of acquisition of subsidiaries, the cost of these rights is equal to their fair value at the acquisition date. Amortization of these intangible assets is calculated using the units-of-production method based on proved reserves.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig rent costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas development assets after impairment is assessed and any resulting impairment loss is recognized.

Property, plant and equipment

Property, plant and equipment unassociated with oil and gas exploration and production activities are carried at historical cost less accumulated depreciation and accumulated impairment loss. Deprecation of these assets is computed on the straight-line basis as follows:

Buildings and premises	10-50 years
Machinery and equipment	3-30 years
Vehicles	5-10 years
Other assets	4-23 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditures incurred to replace a component of an item of property; plant and equipment accounted for separately are capitalized while the carrying value of the component being replaced is written off to expense, net of sales proceeds. Other subsequent expenditures are capitalized only when they increase the future economic benefits embedded in the item of property, plant or equipment. All other expenditures are recognized in the consolidated statement of comprehensive income as an expense when incurred.

The gain or loss arising from the disposal or retirement of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

Construction-in-progress

Construction-in-progress comprises costs directly related to the construction of oil and gas assets and other property, plant and equipment, including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets commences when the assets are put into operation. Construction-in-progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

Impairment of long-lived assets (oil and gas assets, property, plant and equipment and construction-in-progress)

On each reporting date, the Group reviews the carrying value of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment or loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. In cases when it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately as an expense, except for cases where corresponding asset (land, buildings, other than investment property, or equipment) was accounted at revalued amount. In this case, an impairment loss is reflected as decrease of corresponding revaluation reserve. Where an impairment loss subsequently reverses, the carrying value of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as income.

Inventories

Crude oil and inventories used in production of crude oil are stated at lower of the cost, determined based on the weighted-average method, or net realizable value. The cost comprises direct materials, customs duties, and transportation and handling costs. Net realizable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in marketing, selling and distribution.

Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items credited or debited directly to equity or other comprehensive income, in which case the tax is also recognized directly in equity or other comprehensive income, or where they arise from the initial accounting for a business combination.

Excess profits tax

Under the Subsurface Use Contract, the Group is subject to excess profit tax. In accordance with the Tax Code of the Republic of Kazakhstan the object of taxation for excess profit tax shall be the part of net income calculated for each subsurface use contract in a tax period that exceeds 25% of the subsoil user’s deductions for excess profit tax purpose. Net income for excess profit tax calculating purposes is determined as a difference between net income for subsoil use contract computed for excess profit tax calculation purposes and corporate income tax for subsurface use contract.

Retirement benefit costs

In accordance with the legislative requirements of the Republic of Kazakhstan the Partnership pays into accumulate pension fund obligatory pension contributions of 10% of the employee income with a cap on contributions, which amounted to 160,230 tenge per month in the year 2015 (2014: 149,745 tenge per month). These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other salary costs in the consolidated statement of comprehensive income.

Site restoration and abandonment liabilities

Site restoration and abandonment liabilities related primarily to the conservation and liquidation of the Group’s wells and similar activities related to its oil and gas assets, including site restoration. The management assessed an obligation related to these costs with sufficient certainty based on internally generated engineering estimates, current regulations requirements and industry practices. The Group recognized the estimated fair value of these liabilities. These estimated costs were recorded as an increase in the carrying amount of oil and gas assets with a corresponding increase in the site restoration and abandonment liabilities. The oil and gas assets related to site restoration and abandonment liability are depreciated on unit-of-production basis. An accretion expense, resulting from the changes in the liability due to passage of time by applying an interest method of allocation to the amount of the liability, is recorded as part of finance costs.

The adequacies of the site restoration and abandonment liability amount are periodically reviewed in light of current laws and regulations, with adjustments recorded as necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Obligations on social infrastructure

The Group has recognized obligations to contribute to social infrastructure of the Atyrau city, Republic of Kazakhstan pursuant to the terms of the Subsurface Use Contracts. The current portion of these obligations is recorded at the value specified in the Subsurface Use Contracts, which management believes approximates their fair value. The non-current portion is recorded at the net present value. The obligations are charged to expense at their recognition.

Obligations for historical costs reimbursement

The Group is obliged to reimburse certain historical costs incurred by the Government in relation to the Group's subsurface use contracts. As at consolidated financial statement date, the obligation is presented at its fair value, calculated by discounting future cash outflows at effective interest rate. An accretion expense, resulting from the changes in the liability due to passage of time by applying an interest method of allocation to the amount of the liability, is recorded as part of finance costs. Payments on reimbursement of historical costs are paid by the Group to the budget in accordance with Tax code of Republic of Kazakhstan.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

Trade and other payables

Liabilities for trade and other amounts payable are stated at their historical value.

Borrowings

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

Revenue recognition

The Group sells crude oil under short-term agreements priced by reference to Platt's index quotations and adjusted for freight, insurance and quality differentials. Title typically passes and revenues are recognized when crude oil is physically placed onboard a vessel or offloaded from the vessel, transferred into pipe or other delivery mechanism depending on the contractually agreed terms.

The Group's crude oil sale contracts generally specify maximum quantities of crude oil to be delivered over a certain period. Revenues on sales of oil products are recognized when transfer of ownership occurs and title is passed, either at the point of delivery or the point of receipt, depending on contractual conditions.

Transactions with shareholders

Gains or losses from transactions with shareholders or a party who is related to the shareholders and acts on behalf of the shareholders are recognized directly in equity.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Changes in estimates are accounted for prospectively.

Useful economic lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at each end of reporting period 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*.

Recoverability of oil and gas assets carrying value

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

The key assumptions required for the recoverable amount estimation are the oil prices and WACC. The sensitivity of the headroom to changes in the key assumptions was estimated.

Cash flows have been discounted using pre-tax WACC, which is equal to 11.7%. As at 31 December 2015 recoverable amount of oil and gas assets exceed their carrying amount.

Site restoration and abandonment liabilities

The Group's activities are subject to various laws and regulations governing the protection of the environment. The Group estimates the provision for site restoration and abandonment liabilities based on management's understanding of the current legal requirements in the various jurisdictions, terms of the subsoil use contracts and internally generated engineering estimates. The Group reviews site restoration provisions at the end of each reporting period and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. Estimating the future closure costs involves significant estimates and judgments by management.

Most of these obligations are spread over the useful lives of the oil and gas assets (fields). In addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice.

Provision is made, based on net present values, for site restoration discounted costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, estimates of useful lives of wells and discount rates could affect the carrying amount of this provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Taxation

The Group is subject to taxation in the Republic of Kazakhstan, in particular to Transfer Pricing law. Significant judgment is required in determining taxes due to inconsistent application, interpretation and enforcement of tax legislation. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences may impact income tax, taxes other than income tax and deferred tax provisions in the period in which such determination is made.

The Group exercises significant judgement when classifying differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes as temporary or permanent.

Oil and gas reserves

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

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

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization (DD&A) in relation to oil and gas production assets. An increase in the Group’s subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the oil and gas assets carrying value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

The Group uses estimation of total proved oil reserves in the calculation of amortization of subsoil use rights, while estimation of proved developed oil reserves is used in the calculation of depreciation of the rest of oil and gas asset

The most recent valuation of oil reserves was carried out at 31 December 2015 by Geo Jade Petroleum Research Institute.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig rent costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas development assets after impairment is assessed and any resulting impairment loss is recognized.

5. BUSINESS COMBINATION

On August 12, 2015 the Company acquired 100% outstanding shares of KoZhan JSC at Kazakhstan Stock Exchange for cash consideration of 340,495,300 US Dollars (equivalent to 63,962,052 thousand tenge at the exchange rate of transaction date).

The Subsidiary's assets and liabilities, based on the allocation of the consideration over the fair values of the identifiable net assets, as at August 12, 2015, date immediately before the acquisition are as follows:

In thousands of tenge	**Notes**	**Fair values recognized at acquisition**
Assets		
Oil and gas assets	6	76,086,886
Construction-in-progress	8	3,996,430
Property, plant and equipment	7	214,515
Exploration and evaluation	9	1,416,375
Prepaid corporate income tax		144,137
Restricted cash in use		152,765
Cash and cash equivalents		332,038
Other assets		2,240,052
		84,583,198
Liabilities		
Deferred tax liability	20	(17,058,246)
Other liabilities		(2,212,004)
Site restoration and abandonment liability long-term portion	19	(359,494)
Obligations for historical reimbursable costs long-term portion	21	(721,536)
Obligation for social infrastructure long-term portion	21	(269,866)
		(20,621,146)
Total identifiable net assets at fair value		**63,962,052**
Goodwill, arising on acquisition		–
Purchase consideration transferred		**63,962,052**

Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	332,038
Cash paid	(63,962,052)
Net cash outflow	**(63,630,014)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. OIL AND GAS ASSETS AND SUBSURFACE USE RIGHTS

In thousands of tenge	Oil and gas assets	Subsurface use rights	Total
Cost:			
At January 1, 2014	34,790,711	33,396,219	68,186,930
Additional provision to site restoration and abandonment liability *(Note 19)*	80,584	–	80,584
Transfer from construction-in-progress *(Note 8)*	7,085,745	–	7,085,745
Additions	54,948	–	54,948
Transfer to property plant and equipment *(Note 7)*	(22,747)	–	(22,747)
Disposals	(153,417)	–	(153,417)
At December 31, 2014	41,835,824	33,396,219	75,232,043
Additional provision to site restoration and abandonment liability *(Note 19)*	**35,733**	**–**	**35,733**
Transfer from construction-in-progress *(Note 8)*	**6,442,774**	**–**	**6,442,774**
Acquisition of a subsidiary *(Note 5)*	**7,048,365**	**69,038,521**	**76,086,886**
Additions	**38,606**	**–**	**38,606**
Disposals	**(88,430)**	**–**	**(88,430)**
At December 31, 2015	**55,312,872**	**102,434,740**	**157,747,612**
Accumulated depletion and depreciation:			
At January 1, 2014	(14,509,305)	(19,308,358)	(33,817,663)
Charge for the year	(2,004,771)	(724,079)	(2,728,850)
Transfer to property, plant and equipment *(Note 7)*	4,853	–	4,853
Disposal of depreciation	101,932	–	101,932
At December 31, 2014	(16,407,291)	(20,032,437)	(36,439,728)
Charge for the year	**(2,766,372)**	**(872,416)**	**(3,638,788)**
Disposal of depreciation	**84,899**	**–**	**84,899**
At December 31, 2015	**(19,088,764)**	**(20,904,853)**	**(39,993,617)**
Net book value:			
At December 31, 2014	25,428,533	13,363,782	38,792,315
At December 31, 2015	**36,224,108**	**81,529,887**	**117,753,995**

Oil and gas assets consist mainly of machinery and equipment, transmission devices, structures, buildings, vehicles and other types of oil and gas assets used in production of crude oil.

Subsoil use rights consists of initial payments to the Government in the amount of 33,396,219 thousand tenge for Kara Arna, East Kokarna, Maten oil fields and addition of Morskoye, Karatal and Dauletaly as a result of business combination with KoZhan JSC *(Note 1)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the years ended December 31, 2015 and 2014 is as follows:

In thousands of tenge	Land	Buildings and premises	Machinery and equipment	Vehicles	Other	Total
Cost:						
At January 1, 2014	67,299	486,149	103,331	485,697	224,524	1,367,000
Additions	–	–	–	82,236	36,504	118,740
Transfer from construction-in-progress *(Note 8)*	–	–	–	22,747	–	22,747
Transfer from oil and gas assets *(Note 6)*	–	–	4,142	–	13,344	17,486
Disposals	–	–	–	(81,280)	(8,848)	(90,128)
At December 31, 2014	67,299	486,149	107,473	509,400	265,524	1,435,845
Acquisition of a subsidiary *(Note 5)*	**–**	**107,119**	**81,511**	**8,360**	**17,525**	**214,515**
Additions	**–**	**–**	**–**	**–**	**17,324**	**17,324**
Transfer from construction-in-progress *(Note 8)*	**–**	**28**	**22,506**	**4,484**	**16,658**	**43,676**
Disposals	**–**	**(12,527)**	**(22,704)**	**–**	**(18,535)**	**(53,766)**
At December 31, 2015	**67,299**	**580,769**	**188,786**	**522,244**	**298,496**	**1,657,594**
Accumulated depreciation:						
At January 1, 2014	–	(137,337)	(30,797)	(112,037)	(121,495)	(401,666)
Charge for the year	–	(11,326)	(22,729)	(50,482)	(31,521)	(116,058)
Transfer from oil and gas assets *(Note 6)*	–	–	–	(4,853)	–	(4,853)
Disposal of depreciation	–	–	–	19,691	6,805	26,496
At December 31, 2014	–	(148,663)	(53,526)	(147,681)	(146,211)	(496,081)
Charge for the year	**–**	**(21,596)**	**(40,457)**	**(49,785)**	**(36,599)**	**(148,437)**
Disposal of depreciation	**–**	**12,527**	**22,043**	**–**	**18,252**	**52,822**
At December 31, 2015	**–**	**(157,732)**	**(71,940)**	**(197,466)**	**(164,558)**	**(591,696)**
Net book value:						
At December 31, 2014	67,299	337,486	53,947	361,719	119,313	939,764
At December 31, 2015	**67,299**	**423,037**	**116,846**	**324,778**	**133,938**	**1,065,898**

8. CONSTRUCTION-IN-PROGRESS

In thousands of tenge	**2015**	2014
At January 1	**2,213,786**	864,409
Additions	**2,721,945**	8,452,608
Acquisition of a subsidiary *(Note 5)*	**3,996,430**	–
Transfer to oil and gas assets and property, plant and equipment *(Notes 6, 7)*	**(6,486,450)**	(7,103,231)
Disposal	**(2,013)**	–
At December 31	**2,443,698**	2,213,786

During 2015 the Group completed construction of 22 new wells and placed them into exploitation at Matin, East Kokarna, Kara Arna and Morskoye fields.

As at December 31, 2015 the construction in progress mainly represents 7 wells under construction and installation works, with corresponding pumps, electrical equipment, machinery, pipes, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. EXPLORATION AND EVALUATION ASSETS

In thousands of tenge	**2015**
At January 1	**–**
Additions	**291,835**
Acquisition of a subsidiary *(Note 5)*	**1,416,375**
At December 31, 2015	**1,708,210**

Additions to exploration and evaluation assets mainly consists of exploration works performed in search for crude oil at additional territory of Matin field with corresponding bonus for commercial discovery paid to the Government of the Republic of Kazakhstan.

Additions from business combinations represent capitalized exploration costs incurred in respect of Dauletaly field *(Note 1)*.

10. LOAN RECEIVABLE

As at December 31, 2014 the loan receivable represented loan provided to Sino-Science Netherlands Energy Group B.V, in the amount of 12,070,910 thousand tenge at LIBOR 3M + 6%. During 2015 the loan was fully repaid.

11. INVENTORIES

In thousands of tenge	**2015**	2014
Raw and other materials	**933,219**	710,439
Finished goods – crude oil	**790,334**	683,314
	1,723,553	1,393,753

12. TRADE RECEIVABLES

In thousands of tenge	**2015**	2014
Trade receivables	**4,134,029**	2,315,235
	4,134,029	2,315,235

The aging analysis of trade receivables is presented as follows:

In thousands of tenge	**Total**	**Neither past due nor impaired**	**<30 days**	**30-90 days**	**90-120 days**	**>120 days**
2015	**4,134,029**	**4,134,029**	**992,810**	**3,140,845**	**–**	**374**
2014	2,315,235	–	648	2,312,223	1,977	387

13. TAXES RECEIVABLE

In thousands of tenge	**2015**	2014
VAT receivable	**2,676,168**	1,012,313
Other taxes	**57,242**	43,812
	2,733,410	1,056,125

14. ADVANCES PAID

In thousands of tenge	**2015**	2014
Prepayments for goods and services	**1,567,691**	1,246,631
Insurance	**130,442**	824,726
Tender guarantee	**2,236,147**	–
	3,934,280	2,071,357

15. OTHER CURRENT ASSETS

In thousands of tenge	**2015**	2014
Bank guarantee deposits	**1,278,404**	686,709
Bank deposits	**46,828**	7,382
Insurance	**–**	743,928
Other	**102,848**	28,391
	1,428,080	1,466,410

16. CASH AND CASH EQUIVALENTS

In thousands of tenge	**2015**	2014
Cash in banks, in foreign currency	**6,085,117**	337,476
Cash in banks, in tenge	**843,567**	562,561
Petty cash	**815**	675
Less: cash and cash equivalents, restricted in use	**(755,602)**	(413,136)
	6,173,897	487,576

As at December 31, 2015, cash and cash equivalents in the amount of 755,602 thousand tenge (as at December 31, 2014: 413,136 thousand tenge) are restricted in use. These funds do not have a specific date of repayment and accrues interest income at the range of 4% to 9% per annum (2014: 9% per annum). In compliance with the legislation, the Group accumulates cash and cash equivalents, restricted in use, for repayment of liabilities for decommissioning and site restoration *(Note 19)*.

17. SHARE CAPITAL

The Company has 15,000 registered common shares and issued 8,000 common shares for 80,000 thousand tenge (the certificate of state registration of securities issue dated October 28, 2010 №A5829). On June 25, 2014, there was a change of shareholders. As a result the lists of shareholders of the Company are as follows:

- Sino-Science Netherlands Energy Group BV – 7,600 ordinary shares (95% of the total placed shares);
- Ablazimov Baharadin Nugmanovich – 400 ordinary shares (5% of the total placed shares).

During 2015 the Group did not declare and pay any dividends (2014: 17,680,000 thousand tenge).

For the years ended December 31, 2015 and 2014 (loss)/earnings per share were as follows:

	2015	2014
Net (loss) / profit for the year	**(66,679,035)**	16,494,383
Net (loss) / earnings used in the calculation of (loss) / earnings per share	**(66,679,035)**	16,494,383
Weighted average number of ordinary shares for the purposes of earnings per share	**8,000**	8,000
(Loss) / earnings per share	**(8,335)**	2,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL (continued)

On October 4, 2010 the Kazakhstan Stock Exchange introduced a new requirement for disclosure of the book value of shares at reporting date.

	December 31, 2015	December 31, 2014
Total assets	**143,951,215**	63,284,890
Minus: intangible assets	**(64,753)**	(30,542)
Minus: liabilities	**(194,794,901)**	(47,449,541)
Net total assets	**(50,908,439)**	15,804,807
Number of ordinary shares	**8,000**	8,000
Book value per common share (in tenge per share)	**(6,363,555)**	1,975,601

18. BORROWINGS

Subsidiary of Sberbank of Russia JSC

On January 23, 2014 the Company signed an agreement with Subsidiary of Sberbank of Russia JSC for non-renewable credit line in the amount of 20,000 thousand US dollars of repayment date until January 23, 2017. The interest rate is LIBOR + 3.25% 3M.

Based on the contract dated December 31, 2013 with Sberbank of Russia JSC in February 2014 the Company received 180,000 thousand US dollars with repayment date till December 30, 2016. The interest rate is LIBOR 3M +3.25%.

According to the conditions specified in contracts with Sberbank JSC, the Company undertook to provide as a pledge:

1. Shares of Maten Petroleum JSC in the amount of 70% of total quantity of the placed common shares;
2. 100% export revenues of the Company, incoming under a contract between Maten Petroleum JSC and Vitol Central Asia SA Switzerland.

The borrowings from the Subsidiary of Sberbank of Russia JSC and Sberbank of Russia JSC were fully settled during 2015 via obtaining another borrowing from Bank of China.

Bank of China branch in Kazakhstan JSC

On July 22, 2015 the Group entered into two non-revolving credit line agreements with the Bank of China branch in Kazakhstan JSC (the “Bank”) to obtain borrowings in the amount of 380,000 and 50,000 thousand US dollars. In July and August 2015 the Group received two tranches in the amounts of 180,000 thousand US dollars (the “First tranche”) (equivalent to 33,741,000 thousand tenge at exchange rate as at transaction date) and 200,000 thousand US dollars (the “Second tranche”) (equivalent to 37,530,000 thousand tenge at exchange rate as at transaction date). The borrowings were mainly used to acquire the shares of KoZhan JSC and to repay the loans provided by Subsidiary of Sberbank of Russia JSC and Sberbank of Russia JSC.

According to the conditions specified in contracts with the Bank, the Company provided as a pledge:

1. Outstanding shares of the Company;
2. Subsoil use contracts for Maten, East Kok-Arna and Kara-Arna oilfields.

The maturity dates of the First and Second tranches are July 30, 2018 and August 10, 2022, respectively, and accrue interest at LIBOR 3M + 2.75% and LIBOR 3M + 3.60%, respectively.

Covenants

As at December 31, 2015 the Group breached financial covenant imposed by Bank of China Branch in Kazakhstan JSC, as a result of which entire amount of the loan provided by the Bank in the amount of 121,360,525 thousand tenge was classified in current liabilities as on demand. On March 18, 2016, the Bank waived the breach of the covenant until December 31, 2016. *(Note 37).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

In July 2015 the Group obtained interest bearing loan in the amount of 100,000 thousand US dollars (equivalent to 18,725,000 thousand tenge at the date of transaction) from Sino-Science Netherlands Energy Group B.V (the "Parent") at fixed interest rate of 4% per annum.

Movement of the Group's borrowings for the years ended December 31 was as follows:

In thousands of tenge	**2015**	2014
At January 1	**34,245,784**	3,936,655
Additional financing	**89,996,000**	35,466,500
Interest accrued (*Note 31*)	**3,350,920**	1,315,397
Foreign exchange loss	**74,088,807**	1,593,550
Repayment of principal	**(35,338,438)**	(6,595,432)
Payments of interest	**(2,239,702)**	(1,343,011)
Withholding tax	**(334,583)**	(127,875)
At December 31	**163,768,788**	34,245,784
Current portion	**(129,821,788)**	(8,944,721)
Non-current portion	**33,947,000**	25,301,063

19. SITE RESTORATION AND ABANDONMENT LIABILITY

In thousands of tenge	**2015**	2014
At January 1	**1,105,641**	915,965
Acquisition of a subsidiary (*Note 5*)	**359,494**	–
Accretion expense (*Note 31*)	**85,064**	64,118
Additional provision for the year *(Note 6)*	**35,733**	80,584
Change in estimate *(Note 33)*	**(8,657)**	44,974
At December 31	**1,577,275**	1,105,641

Estimated future site restoration costs related to petroleum operations are based on engineering estimates of the anticipated method and extent of site restoration, in accordance with current legislation, industry practices and costs. Management of the Group estimates that major part of the assets will be abandoned at the expiration date of the subsoil use contracts disclosed in *Note 1*. Accretion expenses related to future site restoration and abandonment liability are included within finance costs.

Management considers that a site restoration and abandonment liability should be recognized for future abandonment costs of the 396 wells located at the Group's oil fields as at December 31, 2015 (as at December 31, 2014: 319 wells). Management anticipates that these obligations are likely to be settled at the end of the production phase at these oil fields.

After application of an inflation rate of 5.5% and discount rate of 7%, the present value of the Group's liability at December 31, 2015 and 2014 is 1,577,275 thousand tenge and 1,105,641 thousand tenge, respectively.

20. INCOME TAX EXPENSE

Income tax expense for the years ended December 31, 2015 and 2014 is as follows:

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Corporate income tax	**2,377,722**	4,506,660
Excess profit tax	**168,991**	148,214
Total current income tax expense	**2,546,713**	4,654,874
Deferred corporate income tax expense/(benefit)	**167,610**	(65,824)
Deferred excess profits tax expense	**182,994**	597,503
Total deferred income tax expense	**350,604**	531,679
Total income tax expense	**2,897,317**	5,186,553

Deferred taxes reflect net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effect of the major temporary differences that give rise to the deferred tax assets and liabilities at December 31 is presented below:

	2015	**Origination and reversal of temporary differences through consolidated statement of comprehensive income**	2014	Origination and reversal of temporary differences through consolidated statement of comprehensive income	2013
Deferred tax assets					
Tax losses from non-contractual activities carried forward	**15,492,556**	**15,464,032**	–	–	–
Other accrued liabilities	**586,656**	**91,731**	148,526	(12,994)	161,520
Taxes payable	**389,292**	**(260,992)**	553,327	257,064	296,263
Exploration and evaluation assets	**236,193**	**9,816**	–	–	–
Site restoration and abandonment liability	**209,910**	**8,663**	180,465	50,849	129,616
Forex on social and historical costs	**191,031**	**71,613**	–	–	–
Other payables	**39,776**	**(4,868)**	39,776	5,467	34,309
	17,145,414	**15,379,995**	922,094	300,386	621,708
Less: allowance for non-recognized deferred tax asset	**(15,656,888)**	**(15,537,396)**	–	–	–
	1,488,526	**(157,401)**	922,094	300,386	621,708
Deferred tax liabilities					
Property, plant and equipment and oil and gas assets	**(24,422,678)**	**(193,203)**	(6,447,396)	(832,065)	(5,615,331)
	(24,422,678)	**(193,203)**	(6,447,396)	(832,065)	(5,615,331)
Net deferred tax liability, net	**(22,934,152)**	**(350,604)**	(5,525,302)	(531,679)	(4,993,623)

The Group is located in the Republic of Kazakhstan where the statutory tax rate for the years ended December 31, 2015 and 2014 was 20%. In accordance with the terms of the subsurface use contracts, the Group is liable for excess profits tax.

Deferred tax balances are calculated by applying the income tax rates in effect at the respective consolidated statement of financial position dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements. Tax losses carried forward as at December 31, 2015 per tax legislation applied by the Group, which was effect in the Republic of Kazakhstan, expires for tax purposes 10 (ten) years from the date they are incurred. Consequently, the majority of the tax losses carried forward by the Group at December 31, 2015 expire for tax purposes in 2015-2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. INCOME TAX EXPENSE (continued)

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

Deferred taxes are measured at the rates expected to apply to the period when the asset is realized or liability is settled.

Below is a reconciliation of theoretical income tax at 20% to the actual expense recorded in the Group's consolidated statement of comprehensive income:

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
(Loss) / profit before income tax	**(63,781,718)**	21,680,936
Corporate income tax at statutory rate of 20%	**(12,756,344)**	4,336,187
Adjustments due to:		
Excess profit tax	**351,985**	745,717
Change in unrecognized deferred tax asset	**15,537,396**	–
Other differences	**(235,720)**	104,649
Income tax expense	**2,897,317**	5,186,553

In thousands of Tenge	**2015**	2014
Reconciliation of deferred tax liabilities, net		
Opening balance as of 1 January	**5,525,302**	4,993,623
Deferred tax liability recognized during the period	**350,604**	531,679
Deferred taxes acquired in business combination (*Note 5*)	**17,058,246**	–
Closing balance as at 31 December	**22,934,152**	5,525,302

21. OTHER LONG-TERM LIABILITIES

As at December 31, 2015 other long-term liabilities comprises the following:

In thousands of tenge	**2015**	2014
Obligation for historical reimbursable costs	**1,650,717**	484,803
Obligation for social infrastructure	**613,793**	58,692
Long-term warranty payables	**16,335**	–
	2,280,845	543,495

The movement of the obligations for historical reimbursable costs and social infrastructure during 2015 and 2014 is as follows:

In thousands of tenge	**Obligations for social infrastructure**	**Obligations for historical reimbursable costs**	**Total**
At January 1, 2014	54,940	554,120	609,060
Accretion expense *(Note 31)*	5,131	48,294	53,425
Reclassification to short-term	(10,102)	(139,548)	(149,650)
Foreign exchange loss	8,723	21,937	30,660
At December 31, 2014	58,692	484,803	543,495
Acquisition of a subsidiary *(Note 5)*	**269,866**	**721,536**	**991,402**
Accretion expense *(Note 31)*	**34,902**	**82,950**	**117,852**
Change in estimate *(Note 33)*	**33,281**	**16,701**	**49,982**
Foreign exchange loss	**261,284**	**677,603**	**938,887**
	658,025	**1,983,593**	**2,641,618**
Reclassification to short-term	**(44,232)**	**(332,876)**	**(377,108)**
At December 31, 2015	**613,793**	**1,650,717**	**2,264,510**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. OTHER LONG-TERM LIABILITIES (continued)

The Group is obliged to reimburse certain historical costs incurred by the Government of Republic of Kazakhstan in respect of East Kokarna, Matin, Morskoye, Karatal and Dauletaly oilfields pursuant to the terms of the corresponding subsurface use contracts.

In accordance with the subsurface use contracts, the Group is subject to contribution of funds to the social programs and programs on infrastructure development in the Atyrau region. As at December 31, 2015 significant portion of these obligations are denominated in US dollars based on the same assumptions used for estimation of site restoration and abandonment liability *(Note 19)*.

22. TRADE PAYABLES

In thousands of tenge	**2015**	2014
In tenge	**747,739**	2,855,366
In US dollars	**505,952**	305,357
In Russian rubles	**66,938**	25,921
	1,320,629	3,186,644

23. INCOME TAXE PAYABLE

As at December 31 income taxes payable are as follows:

In thousands of tenge	**2015**	2014
Corporate income tax	**315,643**	267,931
Excess profits tax	**142,603**	128,481
	458,246	396,412

24. OTHER TAXES PAYABLE

As at December 31 other taxes payable are as follows:

In thousands of tenge	**2015**	2014
Rental tax	**834,948**	1,562,392
Mineral extraction tax	**590,379**	472,433
Social tax	**27,819**	25,356
Withholding income tax	**24,762**	26,101
Other taxes	**80,376**	33,631
	1,558,284	2,119,913

25. OTHER PAYABLES AND ACCRUED LIABILITIES

In thousands of tenge	**2015**	2014
Obligation for historical reimbursable costs and social infrastructure	**584,214**	145,261
Salary and other related taxes payable	**202,082**	161,015
Short-term warranty payables	**46,811**	–
Advances received	**18,849**	–
Other	**44,726**	20,074
	896,682	326,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. REVENUE

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Export sale of crude oil	**37,572,577**	58,405,456
Domestic sale of crude oil	**2,027,642**	5,014,059
Charges for quality of crude oil sold	**(1,916,197)**	(2,513,319)
	37,684,022	60,906,196

During 2015 the Group produced 557,254 tons and sold 550,248 tons (during 2014: 532,002 tons produced and sold 530,504) of crude oil.

On December 18, 2013 the Group signed long-term contract for 5 (five) years with Vitol Central Asia SA, entity registered in Switzerland. The approximate amount of the contract is 1,872,000 thousand US dollars. During 2015 the Group exported 378,002 tons of crude oil in accordance with this contract (2014: 429,004 tons).

27. COST OF SALES

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Depreciation and depletion	**3,678,783**	2,764,058
Payroll expenses and related taxes	**1,892,742**	1,477,720
Mineral extraction tax	**1,826,314**	2,808,788
Insurance	**842,177**	1,741,583
Inventories	**648,454**	790,959
Electric power	**609,090**	562,868
Rent	**354,194**	407,923
Repair and maintenance expenses	**315,749**	225,448
Scientific research and experimental development	**221,880**	176,000
Catering services	**212,564**	169,519
Transportation expenses	**207,434**	–
Geological and geophysical works	**152,046**	257,801
Security expenses	**117,246**	79,668
Oil well service expenses	**77,872**	70,000
Change in crude oil inventory	**426**	(10,779)
Other expenses	**743,393**	715,570
	11,900,364	12,237,126

28. SELLING EXPENSES

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Customs fees	**6,047,157**	5,582,504
Oil preparation and transportation	**5,038,949**	4,357,993
Rental tax	**3,781,437**	11,420,749
Demurrage	**190,396**	22,859
Depreciation and depletion	**36,478**	7,789
Technological shipment and pumping losses	**17,165**	16,633
Other	**126,801**	41,803
	15,238,383	21,450,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	**For the y December 3**	For the year ended December 31, 2014
Payroll expenses and related taxes	**1,223,686**	3,520,197
Professional trainings and education	**148,164**	115,638
Taxes and other payments to the budget	**85,530**	112,652
Business trip and representative expenses	**73,848**	192,563
Consulting services	**70,628**	111,912
Depreciation and amortization	**58,218**	48,238
Bank services	**54,609**	18,492
Rent	**41,755**	73,788
Inventories	**35,029**	35,504
Sponsorship	**28,615**	15,657
Communication services	**21,599**	22,628
Security service	**15,862**	6,994
Utilities	**5,754**	19,681
Fines and penalties	**5,707**	364
Insurance	**3,534**	910
Other	**161,439**	159,018
	2,033,977	4,454,236

30. FINANCE INCOME

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Interest income from loan receivable	**432,319**	1,605,497
Interest income on liquidation fund deposits	**47,111**	36,590
Interest income from bank deposits	**45,032**	138,284
	524,462	1,780,371

31. FINANCE COSTS

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Interest expense (*Note 18*)	**3,350,920**	1,315,397
Accretion of site restoration and abandonment liability *(Note 19)*	**85,064**	64,118
Accretion of obligations for historical reimbursable costs *(Note 21)*	**82,950**	48,294
Accretion of obligations for social infrastructure *(Note 21)*	**34,902**	5,131
Other	**57,719**	262,115
	3,611,555	1,695,055

32. FOREIGN EXCHANGE LOSS, NET

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Foreign exchange gain	**6,472,677**	3,993,683
Foreign exchange loss	**(75,654,988)**	(5,112,988)
	(69,182,311)	(1,119,305)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FOREIGN EXCHANGE LOSS, NET (continued)

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy on August 20, 2015. As a result of implementation of the policy the official exchange rate went up from 188.38 tenge per 1 US dollar to 339.47 tenge per 1 US dollar as at December 31, 2015

33. OTHER EXPENSES, NET

In thousands of tenge	**For the year ended December 31, 2015**	For the year ended December 31, 2014
Reversal of provision due to change in estimate of site restoration and abandonment liability, historical reimbursable costs and obligation to invest into social infrastructure *(Note 19, 21)*	**(41,325)**	(44,974)
Depreciation and amortization	**(22,943)**	(28,219)
Loss on disposal of oil and gas assets and property, plant and equipment, net	**(4,240)**	(57,573)
Other	**44,896**	81,187
	(23,612)	(49,579)

34. RELATED PARTY TRANSACTIONS

Related parties include shareholders, affiliates, entities under common ownership, entities over which the Group has the ability to exercise significant influence, and key management of the Group.

During the years ended December 31, 2015 and 2014, the Group entered into the flowing transactions with related parties:

In thousands of tenge	**December 31, 2015**	December 31, 2014
Purchases of services	**1,185**	–
Other income	**978**	1,763

The following balances with related parties included in the consolidated statement of financial position as at December 31, 2015 and 2014:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Borrowings	**34,201,812**	–
Loans given	**–**	12,070,910
Other receivables	**235**	49,003

For the years ended December 31, 2015 and 2014, the compensation to the Group's key management personnel mainly consisted of short-term employee benefits amounted to 261,384 thousand tenge and 1,272,589 thousand tenge, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies under the Subsurface Use Contracts

Non-compliance with the Subsurface Use Contracts

The Government has the right to suspend or cancel the Subsurface Use Contracts if the Group is in material breach of its obligations and commitments under the Subsurface Use Contracts. Management believes the Group is in compliance with the commitments set forth in the Subsurface Use Contracts. However, such compliance may be questioned by the relevant authorities whose interpretations may differ significantly from those of the Shareholders.

Commitment for social infrastructure development

In accordance with the Subsurface Use Contracts, the Group shall be directly involved in the social infrastructure development in the Subsurface Use Contracts' area of operations as required by the applicable legislation. As the amount of social commitments is not specified by the Subsurface Use Contracts, it may vary from year to year by consent of the local authorities. No liability for such commitments is recorded in the consolidated financial statements as the Group's management is unable to reasonably estimate the amount of future social expense.

Commitment for professional training

In accordance with the Subsurface Use Contracts, the Group is obliged to provide Kazakhstani specialists with professional training allocating for these purposes not less than 1% of the total annual capital expenditures for Kara Arna, East Kokarna, Matin, Morskoye, Karatal and Dauletaly oil fields. At least 50% of these expenditures should be allocated through educational institutions to the local market of the Republic of Kazakhstan. Management believes that the Group has met these requirements at December 31, 2015.

Commitment to sell produced oil in the Republic of Kazakhstan

In accordance with the Subsurface Use Contracts, the Group is obliged to sell 15% of its oil production from Ease Kokarna, Kara Arna and Morskoye oil fields to domestic market. Management believes that the Group has met these requirements at December 31, 2015.

Site restoration and abandonment commitments

In accordance with the Subsurface Use Contracts, upon completion of the oil field exploitation the Group is liable to make abandonment and site restoration of the oil field as stipulated by the Law on Subsurface Use. The Group recorded site restoration and abandonment liabilities in these consolidated financial statements *(Note 19)*. Management believes estimate of future commitments corresponds to the amount of liability incurred to restore the site in accordance with the current environmental laws and regulations. In accordance with the Subsurface Use Contracts, the Group is obliged to establish a liquidation fund to finance the liquidation of the consequences of its oil and gas operations in the amount of 1% of total amount of investments during the period covered by the Subsurface Use Contracts. Contributions to the liquidation fund shall be made to the special deposit account in any commercial bank in the Republic of Kazakhstan *(Note 16)*. The Group is also obliged to obtain the Government approval of the program on liquidation of consequences of its operations under the Subsurface Use Contracts, including a budget of liquidation costs, not later than 360 days before the expiration of the Subsurface Use Contracts. The Group has recorded a site restoration and abandonment liability for certain wells in these consolidated financial statements.

Upon achieving an agreement with the Government, the liquidation fund will be used to finance the site restoration commitments.

Insurance commitments

In accordance with the Subsurface Use Contracts, the Group is obliged to develop the business, property and liability risk insurance program and submit it for approval to the Competent Body.

The Competent Body of Ministry of Energy and Mineral Resources of the Republic of Kazakhstan approved the business, property and liability risk insurance program submitted by the Group for Subsurface Use Contracts.

35. COMMITMENTS AND CONTINGENCIES (continued)

Other commitments and contingencies

Operating and regulatory environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Taxation

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

In particular, taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. Whilst the Group believes, it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group and such risks can have material effect on these consolidated financial statements.

Environment

The Group believes that it is currently in compliance with all existing Kazakhstani laws and regulations concerning environmental, health and safety issues. However, these environmental laws and regulatory acts may change in future. The Group is unable to predict the timing or extent to which the environmental laws and regulatory acts on environmental, health and safety may change. Such changes, if they occur, may require the Group to upgrade processes to meet more stringent requirements.

Legal issues

The Group has not been the subject of legal proceedings and adjudications which have not had individually or in the aggregate, a material adverse impact on the Group.

36. RISK MANAGEMENT POLICIES

Exposure to concentration of commodity price risk as well as to the credit, interest rate, currency, liquidity and operation risk arises in the normal course of the Group's business.

Commodity price risk

Commodity price risk is the risk that changes in market prices for commodities (crude oil) will negatively affect current or future revenues of the Group.

Credit risk

The Group is exposed to credit risk, which is the risk that one party will fail to meet its obligations to a financial instrument and cause the other party to incur a financial loss. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provision for uncollectible amounts.

During 2015 and 2014 the Group has received a significant share of income from one customer and resulted in a significant concentration of credit risk. In 2015, revenues from Vitol Central Asia SA amounted to 83% (in 2014, revenue from Vitol Central Asia SA amounted to 91%) of total Group's revenues.

36. RISK MANAGEMENT POLICIES (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will adversely affect the value of the financial instruments.

Currently, the Group's approach for financing is borrowing at floating interest rates – Libor plus margin. Management of the Group did not reduce the interest rate risk by using derivative instruments.

Foreign currency risks

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's currency risk is primarily attributable to its loans from banks, trade receivables, and cash.

Operational foreign currency risk of Group is connected to the sales of crude oil in currency other than functional currency of the Group. Most of Group's sales are expressed in US dollars, while most of expenses are expressed in tenge. Most of proceeds from revenue are realised within 30 days from the moment of sales. Thus, the exposure to exchange rate risk from trade receivables at any point in time is limited to one month. The Group does not use hedging instruments to eliminate exposure to exchange rate risk from loans from banks.

The carrying amounts of the Company's monetary assets and liabilities by currency are as follows:

Denominated in US dollars	**2015**	2014
Assets	**11,589,799**	15,073,266
Liabilities	**(164,537,125)**	(34,769,251)
Net position	**(152,947,326)**	(19,695,985)

Foreign currency sensitivity analysis

The Group is mainly exposed to exchange rate fluctuations of US dollar against tenge. 60/(20)% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates (2014: +/(-) 17.37%).

The sensitivity analysis includes only outstanding monetary assets and liabilities denominated in US dollar at the year end. At the year end a 60/(20)% change in foreign currency rates is used for translation (2014: +/(-) 17.37%).

The following table presents the sensitivity analysis of profit before taxation (as a consequence of possible changes in the fair value of monetary assets and liability) to possible changes in exchange rate of US dollar, on the condition of other parameters status quo. The increase by 60% represents weakening of tenge against US dollar, while decrease by 20% is strengthening of tenge against US dollars (2014: increase / (decrease) for 17.37%).

	At December 31, 2015		At December 31, 2014	
	Tenge/ US dollar +60%	Tenge/ US dollar -20%	Tenge/ US dollar +17,37%	Tenge/ US dollar -17,37%
Net (loss) / income	**(91,768,396)**	30,589,465	(3,421,193)	3,421,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. RISK MANAGEMENT POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities when they fall due. The Group's liquidity position is carefully monitored and managed. The Group makes use of a detailed budgeting and cash forecasting process to ensure that it has adequate cash available to meet its payment obligations.

Operational risk

Operational risk is the risk of the Group incurring financial loss as a result of business interruption and possible damage to the Group's property through natural disasters and technological accidents.

At December 31, 2015, the Group believes it has sufficient insurance policies in force in respect of public liability.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for the majority of the Group's financial instruments, the Group uses assumptions in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

At December 31, 2015 and 2014, the carrying value of financial assets and financial liabilities approximates their fair value.

37. EVENTS AFTER REPORTING DATE

On March 18, 2016, the Group received waiver from the Bank of China branch in Kazakhstan JSC in relation to the breach of financial covenant *(Note 18)* until December 31, 2016.

On March 29, 2016 the Group received a loan from Bank of China branch in Kazakhstan JSC in the amount of 50,000 thousand US dollars (equivalent to 17,007,500 thousand tenge at the date of transaction) with a rate of LIBOR 3m+3, 25% with maturity of July 23, 2018.