JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

Consolidated financial statements
For the year ended 31 December 2014

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

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JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Joint Stock Company Central-Asian Electric-Power Corporation ("the Company") and its subsidiaries (collectively – "the Group") as at 31 December 2014, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issuance by management on 5 May 2015.

On behalf of management of the Group:

Amirkhanov Y.A.	**Kassymkhanova K.E.**
President	**Chief Accountant**
5 May 2015	5 May 2015
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Joint Stock Company Central-Asian Electric-Power Corporation:

We have audited the accompanying consolidated financial statements of Joint Stock Company Central-Asian Electric-Power Corporation ("the Company") and its subsidiaries (collectively – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditors consider internal control system 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 system. 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

Nurlan Bekenov
General Director
Deloitte, LLP

5 May 2015
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in thousands of Tenge)

	Notes	31 December 2014	31 December 2013	1 January 2013
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	6	206,284,356	137,449,410	120,167,172
Goodwill	7	2,424,419	2,424,419	2,424,419
Intangible assets		238,363	164,720	101,582
Investments		-	-	145,087
Deferred tax assets	34	116,716	144,249	-
Restricted cash	9	969,700	331,805	7,000,285
Other non-current assets	8	6,532,179	10,165,522	242,906
Total non-current assets		216,565,733	150,680,125	130,081,451
CURRENT ASSETS:				
Inventories	10	6,593,785	4,937,410	3,494,923
Trade accounts receivable	11	12,610,777	9,781,175	9,843,272
Advances paid	12	1,288,714	1,527,097	1,057,357
Taxes receivable and prepaid taxes	13	1,422,886	1,062,803	196,337
Income tax prepaid		404,807	158,891	1,031,827
Other accounts receivable	14	2,073,193	2,078,954	2,708,890
Other financial assets	9	9,784,711	9,263,602	9,115,805
Restricted cash	9	479,194	572,530	391,126
Cash	15	2,805,932	3,051,830	1,445,853
Total current assets		37,463,999	32,434,292	29,285,390
TOTAL ASSETS		254,029,732	183,114,417	159,366,841
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	16	46,043,272	37,590,045	37,590,045
Additional paid-in capital	17	1,348,105	4,288,735	4,288,735
Revaluation reserve on property, plant and equipment		51,005,740	18,020,220	19,236,528
Retained earnings		41,473,796	36,192,388	27,417,545
Equity attributable to owners of the parent		139,870,913	96,091,388	88,532,853
Non-controlling interests		-	8,152,689	7,287,423
Total equity		139,870,913	104,244,077	95,820,276
NON-CURRENT LIABILITIES:				
Bonds issued	18	15,516,792	14,885,375	13,678,521
Bank loans	19	29,180,380	18,901,770	9,824,897
Deferred revenue	20	1,358,972	1,452,974	1,542,820
Long-term accounts payable		205,095	227,095	256,673
Deferred tax liabilities	34	31,809,901	20,001,637	17,626,881
Ash disposal area restoration liabilities	21	476,390	481,235	253,348
Finance lease obligations	22	787,815	-	-
Employee benefit obligations		111,952	98,905	92,071
Total non-current liabilities		79,447,297	56,048,991	43,275,211

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2014

(in thousands of Tenge)

	Notes	31 December 2014	31 December 2013	1 January 2013
CURRENT LIABILITIES:				
Current portion of bonds issued	18	627,078	645,519	583,028
Bank loans	19	13,608,183	8,837,162	6,944,710
Trade accounts payable	23	11,987,285	7,605,867	8,139,968
Advances received	24	3,030,985	3,448,184	2,623,383
Taxes and non-budget payments payable	25	769,581	883,691	844,361
Income tax payable		6,812	1,933	130,572
Current portion finance lease obligations	22	109,993	-	-
Current portion of ash disposal area restoration liabilities	21	-	-	155,427
Current portion of employee benefit obligations		12,610	9,633	8,841
Other liabilities and accrued expenses	26	4,558,995	1,389,360	841,064
Total current liabilities		34,711,522	22,821,349	20,271,354
TOTAL EQUITY AND LIABILITIES		254,029,732	183,114,417	159,366,841

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

5 May 2015
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

5 May 2015
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Tenge)

	Notes	2014	2013
REVENUE	27	107,783,546	94,137,298
COST OF SALES	28	(82,575,262)	(70,684,131)
GROSS PROFIT		25,208,284	23,453,167
General and administrative expenses	29	(7,653,966)	(6,868,090)
Selling expenses	30	(1,767,612)	(1,615,308)
Finance costs	31	(2,867,484)	(2,413,109)
Finance income	32	861,332	672,102
Foreign exchange loss		(861,561)	(32,471)
Loss on impairment of property, plant and equipment	6	(466,351)	-
Other income	33	2,132,481	465,665
PROFIT BEFORE TAXATION		14,585,123	13,661,956
INCOME TAX EXPENSE	34	(3,603,466)	(3,271,800)
PROFIT FOR THE YEAR		10,981,657	10,390,156
Attributable to:			
Parent		10,012,284	9,510,367
Non-controlling interests		969,373	879,789
OTHER CONPREHENSIVE INCOME FOR THE YEAR, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	6	34,301,900	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		45,283,557	10,390,156
Attributable to:			
Parent		44,193,176	9,510,367
Non-controlling interests		1,090,381	879,789

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

5 May 2015
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

5 May 2015
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve on property, plant and equipment	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 January 2013		**37,590,045**	**4,288,735**	**19,236,528**	**27,417,545**	**88,532,853**	**7,287,423**	**95,820,276**
Profit for the year		-	-	-	9,510,367	9,510,367	879,789	10,390,156
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	9,510,367	9,510,367	879,789	10,390,156
Amortization of revaluation reserve on property, plant and equipment		-	-	(1,216,308)	1,216,308	-	-	-
Dividends declared	16	-	-	-	(1,834,773)	(1,834,773)	(14,523)	(1,849,296)
Fair value adjustment less deferred tax of 29,265 thousand tenge	14	-	-	-	(117,059)	(117,059)	-	(117,059)
At 31 December 2013		**37,590,045**	**4,288,735**	**18,020,220**	**36,192,388**	**96,091,388**	**8,152,689**	**104,244,077**
Profit for the year		-	-	-	10,012,284	10,012,284	969,373	10,981,657
Other comprehensive income for the year		-	-	34,180,891	-	34,180,891	121,009	34,301,900
Total comprehensive income for the year		-	-	34,180,891	10,012,284	44,193,175	1,090,382	45,283,557
Share issuance	16	8,453,227	-	-	-	8,453,227	-	8,453,227
Amortization of revaluation reserve on property, plant and equipment		-	-	(1,195,371)	1,195,371	-	-	-
Dividends declared	16	-	-	-	(2,330,129)	(2,330,129)	(14,523)	(2,344,652)
Purchase of non-controlling interest		-	(2,940,630)	-	(3,564,050)	(6,504,680)	(9,228,548)	(15,733,228)
Fair value adjustment less deferred tax of 8,062 thousand tenge	14	-	-	-	(32,068)	(32,068)	-	(32,068)
At 31 December 2014		**46,043,272**	**1,348,105**	**51,005,740**	**41,473,796**	**139,870,913**	**-**	**139,870,913**

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

5 May 2015
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

5 May 2015
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of Tenge)

	Notes	2014	2013
OPERATING ACTIVITIES:			
Profit before taxation		14,585,123	13,661,956
Adjustments for:			
Depreciation and amortization	28, 29, 30, 33	6,581,828	5,658,391
Finance costs	31	2,867,484	2,413,109
Foreign exchange loss/(gain)		861,561	(67,739)
Loss on impairment of property, plant and equipment	6	466,351	58,186
Accrual of allowance for doubtful debts	29	56,599	304,975
Gain on write-off of accounts payables	33	(66,164)	-
Accrual of provision for unused vacations	28, 29	58,523	28,276
Accrual of allowance for slow-moving inventories	29	46,436	5,047
Employee benefit expenses		15,316	23,500
(Gain)/loss on disposal of property, plant and equipment		(814,567)	19,820
Interest income from cash placed on deposits	32	(644,996)	(437,972)
Amortization of fair value adjustment	32	(105,623)	(160,475)
Interest income from guarantee fees	32	(55,656)	(12,298)
Income from repurchase of own bonds	32	(51,082)	-
Other adjustments		(7,842)	(3,260)
Operating cash flow before changes in working capital		23,793,291	21,491,516
Change in inventories		(1,702,811)	(1,331,976)
Change in trade accounts receivable		(2,960,317)	70,361
Change in advances paid		278,246	(493,242)
Change in taxes receivable and prepaid taxes		(29,198)	645,015
Change in other accounts receivable		(19,115)	371,370
Change in trade accounts payable		4,498,313	(727,910)
Change in deferred revenue		894	(95,780)
Change in advances received		(417,199)	657,771
Change in employee benefit obligations		708	151,156
Change in other liabilities and accrued expenses		(52,446)	38,233
Change in taxes and non-budget payments payable		(360,083)	(284,958)
Cash provided by operating activities		23,030,283	20,491,555
Income tax paid		(627,665)	(872,562)
Interest paid		(3,515,531)	(2,647,881)
Net cash provided by operating activities		18,887,087	16,971,112

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Tenge)

	Notes	2014	2013
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(31,152,746)	(22,216,506)
Acquisition of intangible assets		(113,677)	(92,282)
Acquisition of non-controlling interest	16	(5,401,551)	-
Proceeds from disposal of property, plant and equipment		1,866,709	82,663
Cash placed on deposits		(16,897,285)	(6,217,992)
Cash withdrawn from deposits and interest received		17,000,162	6,312,464
Cash returned from guarantee fees		(58,040)	(55,854)
Change in long term advances		3,608,811	(3,193,787)
Net cash used in investing activities		(31,147,617)	(25,381,294)
FINANCING ACTIVITIES:			
Proceeds from loans		27,755,192	21,151,300
Proceeds from issuance of bonds		1,199,999	1,106,167
Repayment of loans		(15,366,365)	(10,422,143)
Dividends paid		(1,094,846)	(1,834,772)
Repayment of bonds		(564,839)	-
Net cash generated from financing activities		11,929,141	10,000,552
NET (DECREASE)/ INCREASE IN CASH		(331,389)	1,590,371
CASH at the beginning of the year	15	3,051,830	1,445,853
Effect of changes in foreign exchange rate on cash balance held in foreign currency		85,491	15,606
CASH at the end of the year	15	2,805,932	3,051,830

Non-cash operations:

- In 2014, the Group capitalized to the cost of property, plant and equipment 1,664,901 thousand tenge of borrowing costs on bank loans, including amortization of discount on loan from Clean Technology Fund and foreign exchange loss on revaluation of loans in foreign currency, less interest income on cash placed on deposits (2013: 710,793 thousand tenge) (Note 6).
- In 2014, the Group carried out capital repair of property, plant and equipment using its own resources and capitalized payroll expenses and expenses on materials of 92,643 thousand tenge (2013: 22,369 thousand tenge and nil thousand tenge).
- In 2014, the Group amortized discount/premium on the bonds issued in the amount of 160,109 thousand tenge (2013: 173,607 thousand tenge).
- In July 2014 the shareholder, JSC Central-Asian Power Energy Company, transferred 51.59% stake of share of JSC Akmola Electricity Distribution Network Company in exchange of 4,802,970 shares (equivalent to 8,453,227 thousands of tenge) of the Company (Note 16).
- In 2014 the Group entered into a finance lease agreement for the transformation substation TS 110/10 kW «Severnaya» with Akimat of Tselinograd region. The present value of minimum lease payments amounted to 897,808 thousands of tenge (Note 22).

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

5 May 2015
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

5 May 2015
Almaty, Republic of Kazakhstan

The notes on pages 10-56 form an integral part of these consolidated financial statements.

(in thousands of Tenge)

1. NATURE OF BUSINESS

Joint Stock Company Central-Asian Electric-Power Corporation (CAEPCO) (hereinafter "the Company") was incorporated on 8 August 2008 (registration certificate number 93550-1910-AO, business identification number: 080840005767).

As at 31 December 2014, the shareholders of the Company were JSC Central-Asian Power Energy Company (JSC CAPEC) (64.62%), European Bank for Reconstruction and Development (EBRD) (24.16%) and KAZ HOLDINGS COOPERATIEF U.A. (11.22%) (Note 16) (31 December 2013: JSC CAPEC (62.12%), EBRD (24.99%) and KAZ HOLDINGS COOPERATIEF U.A. (12.89%)).

The ultimate controlling shareholders of the Company as at 31 December 2014 and 2013 are Mr. Y. Amirkhanov, Mr. A. Klebanov, Mr. S. Kan and Ms. G. Artambayeva, residents of the Republic of Kazakhstan, who are the immediate owners of the JSC CAPEC.

Legal address of the Company: 89, Karasay Batyr Street, Almaty, Republic of Kazakhstan.

The Company is the parent of the following subsidiaries (hereinafter jointly as "the Group"):

Subsidiaries	Location	Ownership interest 2014	Ownership interest 2013	Principal activity
JSC PAVLODARENERGO	Pavlodar	100%	100%	Production, transmission and sale of power and heat
JSC SEVKAZENERGO	Petropavlovsk	100%	100%	Production, transmission and sale of power and heat
JSC Akmola Electricity Distribution Network Company	Astana	100%	-	Transmission, distribution and sale of power
LLP Astanaenergosbyt	Astana	100%	100%	Sale of power and heat

In 2014 the major shareholder of the Company, JSC CAPEC, transferred 51.59% of shares of JSC Akmola Electricity Distribution Network Company, to share capital of the Company. The Company consolidated the financial statements of this subsidiary since the date of commencement of control over their activity in JSC CAPEC, since 2012 (Note 16).

The principal activity of the Group is production, transmission, distribution, and sale of the power and heat in Pavlodar and Petropavlovsk cities, sale power and heat in Astana city, transmission, distribution, and sale of the power in Akmola region.

The Group has all required licenses for the activities related to production, transmission and distribution of the power and heat.

The total number of employees of the Group as at 31 December 2014 and 2013 was 10,639 and 10,411 persons, respectively.

On 25 June 2014 Fitch International Rating Agency confirmed the following credit ratings to the Company:

- Long-term foreign currency Issuer Default Rating (IDRs) of "BB-", outlook "Stable";
- Short-term foreign currency IDR of "B";
- Long-term local currency IDR of "BB-", outlook "Stable";
- National long-term rating of "BBB+(kaz)", outlook "Stable".

These consolidated financial statements were approved and authorized for issue by management of the Group on 5 May 2015.

2. CURRENT ECONOMIC SITUATION

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

3. PRESENTATION AND MAIN PRINCIPLES OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for property, plant and equipment and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

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

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

(in thousands of Tenge)

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

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

Functional and presentation currency

The functional and presentation currency of these consolidated financial statements is tenge.

Adoption of the new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period:

The Group adopted the following new or revised standards and interpretations issued by the International Financial Reporting Standards Interpretations Committee International Financial Reporting Standards (hereinafter - the IFRIC), which came into effect on the consolidated financial statements for the year ended 31 December 2014:

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- IFRIC 21 Levies.

The adoption of these Standards did not affect the results of operations or the financial position of the Group. New and revised standards were applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, unless otherwise noted below.

Standards and Interpretations in issue to be adopted in future periods

As at the date of approval of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments	1 January 2018

Management of the Group assumes that Standards and Interpretations will have no material impact on the Group's financial position, profit or loss and other comprehensive income and statement of cash flows.

Key assumptions and sources of estimation uncertainty

The preparation of the consolidated financial statements according to IFRS requires management of the Group to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. Due to uncertainty inherent in such estimates, the actual results reflected in future reporting periods may be based on the amounts different from these estimates.

The following are the key assumptions and estimations regarding future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Ash disposal area restoration liability

For production purposes the Group uses ash disposal areas. At the end of the useful life, these ash disposal areas should be restored. In order to determine the amount of the restoration liability of these ash disposal areas management of the Group is required to conduct the evaluation of future cost of restoration of ash disposal areas. The management estimates liabilities on restoration of ash disposal areas at amortized cost using effective interest rate of 12%-14% which represents a market rate of financing for the Group.

Determination of the fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment. An independent evaluation of the assets is held on a regular basis. The last independent valuation of property, plant and equipment of the Group was held on 31 December 2014 based on the following grounds:

- the fair value of the Group's certain real estate, land for industrial use, on which Heat and Power Plants are located, as well as vehicles, office equipment and computer equipment are valued at market value, based on an analysis of comparable sales;
- other fixed assets were valued using the cost approach (depreciated replacement cost method);
- the validity of the measurement at fair value, as described above, was determined by the appraiser analysis of discounted future cash flows, which was prepared on the following basis:
    - the forecast period - up to 2025;
    - cash flow projections were made in tenge with the translation into US dollars according to the forecast rate;
    - discount rate applied is 13%.

Impairment of non-current assets

At each reporting date the Group reviews if there are indicators of possible impairment of non-current assets. If there are such indicators or if the annual testing for impairment is required, the Group performs the assessment of the recoverable amount. The recoverable amount of the asset represents the greater amount of the fair value of the asset or a generating unit less selling expenses and value in use and is determined for each asset except when an asset does not generate cash flows which to a great extent depend on cash inflows generated by other assets or groups of assets. If the carrying value of the asset exceeds the recoverable amount, then the asset is considered to be impaired and its value is decreased to the recoverable amount. In the evaluation of the value-in-use the estimated future cash flows are discounted to their current value using the effective pre-tax interest rate, which reflects the current market value of the time value of cash flows and risks inherent to the assets.

Allowances for doubtful debts and slow-moving inventories

The Group accrues allowance for doubtful debts. Significant judgments are used to estimate doubtful debts. Ageing, historical and expected customer behavior are considered when identifying doubtful debts. Changes in economy or financial conditions of the customers may require adjustments to allowance for doubtful debts in the consolidated financial statements.

Annually the Group considers the need to accrue allowance for slow-moving inventories based on annual stock taking and estimation on future use of obsolete stock.

Recognition of the transfer of an asset as a finance lease

On 8 September 2014 the Group entered into an Agreement ("Agreement") with Akimat of Tselinograd district, Akmola region for the transfer of the transformer substation TS 110/10 kW "Severnaya" to the Group for the period of seven years, with monthly installment payments of 12,545 thousand tenge. The Group recognized the Agreement as a finance lease under IAS 17, as the Agreement transfers substantially all the risks and rewards incidental to ownership of an asset and the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable, the transferred assets are of such a specialised nature that the Group can use them without major modifications. The Group used an incremental borrowing rate of 5% in calculating the present value of the minimum lease payments, which was determined as the rate Group would have to pay on a similar lease.

Property, plant and equipment held in trust management

The Group received property, plant and equipment for trust management from the state organizations – Finance Department of Pavlodar region and Finance Department of Pavlodar city. The trust management agreement is considered a concession agreement, since the Government regulates the activity of the Group and controls property, plant and equipment in trust management. Property, plant and equipment received under trust management are not recorded in the consolidated statement of financial position of the Group and income from use of property, plant and equipment is determined at the fair value of the consideration received or receivable and represents the amounts receivable from the supply of heat energy, which are included in profit or loss at the moment of delivery to consumers. The expenses are recognized as incurred and reflected in profits or loss in the period to which they relate.

Useful lives of property, plant and equipment

As discussed in Note 4, the Group reviews the useful lives of property, plant and equipment as at the end of each financial year. The estimate of the useful life of an asset depends on such factors as economic use, repair and maintenance program, technological upgrades and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects the respective information available as at the reporting date.

Recognition of revenue from sale of power

The Group recognizes revenue at the moment of delivery of power as per meters of the power consumers. The data from the meters are provided by consumers on a monthly basis and checked by the Group for accuracy on a sample basis. The Group recognizes revenue from power sold from the moment of the last metering to the end of the reporting period based on an estimate. As per this method, the daily volume of power consumed is determined according to the data of the previous month which is multiplied by the tariff.

4. SIGNIFICANT ACCOUNTING POLICIES

Segment reporting

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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.

When the Company has less than a majority of the voting rights of an investee when the voting rights are sufficient to give it a practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business less accumulated impairment losses, if any.

Changes in a Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests adjusted to reflect the changes in their relative interests in a subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received recognized directly in equity.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(in thousands of Tenge)

Foreign currencies transactions

Transactions in currencies other than the functional currency of the Group are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates prevailing on reporting date. Non-monetary items recorded at historical cost denominated in foreign currency are not translated. Foreign exchange gains and losses on these operations are recorded in profit or loss, except for exchange differences on loans in foreign currency relating to items of construction in progress, which are included into the cost of these items.

The following table summarizes foreign currency exchange rates for tenge at:

	31 December 2014	31 December 2013
US Dollar	182.35	153.61
Russian Rouble	3.17	4.69

Weighted-average exchange rates for the years ended 31 December, for tenge were as follows:

	2014	2013
US Dollar	179.12	152.13
Russian Rouble	4.75	4.78

Property, plant and equipment

Property, plant and equipment are initially recorded at acquisition cost. All property, plant and equipment acquired before 1 January 2005 – date of transition to IFRS – are recorded at revalued cost being the deemed cost. Cost of acquired property, plant and equipment represents cost of funds paid on acquisition of respective assets and other directly related costs incurred in delivery of assets to the facility and necessary preparation for their planned utilization.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets is made on the same basis as for property, plant and equipment, 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 required.

After the initial recognition property, plant and equipment is recorded at revalued amount which represents the fair value at the date of revaluation less accumulated depreciation and any subsequent impairment loss. The revaluation of property, plant and equipment is conducted on a regular basis so that the possible difference between the carrying value and estimated fair value at the reporting date would be immaterial. The accumulated depreciation at the date of revaluation is eliminated against the total carrying value of the asset, after which the carrying value is recalculated to its revalued amount.

If the carrying amount is increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading revaluation reserve on property, plant and equipment. However, such increase should be recognized in profit or loss to the extent that it reverses devaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset as a result of revaluation decreases, the amount of such a decrease is included in profit or loss. Nevertheless, this decrease should be recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in revaluation reserve on property, plant and equipment in respect of that asset. The decrease, as recognized in other comprehensive income, reduces the amount accumulated in equity under the heading of revaluation surplus.

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

Depreciation on revalued property, plant and equipment is recorded in profit or loss. Depreciation of construction-in-progress commences when the assets are put into operation. Deprecation is calculated on a straight-line basis during the useful lives, which approximate the following:

Buildings and constructions	5-70 years
Machinery and production equipment	3-40 years
Vehicles	3-15 years
Other	3-25 years

Carrying amount of asset, useful life and methods are reviewed and adjusted, if needed, at the end of each financial year.

Gain or loss arising on disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets are accounted at cost, less accumulated amortisation. Amortisation is charged on a straight-line basis over the assets' estimated useful lives, which is 6-15 years.

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible 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. An intangible asset with an undeterminable useful life is tested for impairment annually and when there is an indication that the asset can be impaired.

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

Inventories

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Benefits received and receivable as an incentive to conclude an operating lease are also allocated on a straight-line basis over the lease term.

Financial instruments

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

Financial assets are classified into the following 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 financial assets and is determined at the time of initial recognition.

Effective interest rate method

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

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

Trade and other accounts receivable

Trade and other receivables are recognized and recorded in the consolidated statement of financial position at invoiced amounts less allowance for doubtful debts. The allowance for doubtful debts is accrued when the debt is unlikely to be fully repaid. The allowance for doubtful debts is accrued by the Group when the debt is not repaid within contractual terms. The allowance for doubtful debts is regularly revised and, if adjustments are necessary, appropriate amounts are recorded in profit or loss in the period in which such need arises.

Other financial assets

Deposits with initial maturity of over three months are recorded in the consolidated statement of financial position as other current financial assets. Deposits with initial maturity of more than a year are recorded in the consolidated statement of financial position as other non-current financial assets.

Cash

Cash includes petty cash and cash held on current bank accounts.

Restricted cash

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

The Group concludes bank deposit agreements with the minimum kept balance, which are also classified as restricted cash within current and non-current assets in the consolidated statement of financial position.

Impairment of financial assets

Impairment of any financial assets, except for FVTPL, is assessed on each reporting date. Financial assets are impaired when there is objective evidence that as a result of one or several events after the initial recognition of a financial asset future cash flows from the investment were affected.

For any other financial assets, the objective evidence of impairment can include the following:

- significant financial difficulties of issuers or counterparties; or
- default or delay on interest or principal; or
- probable bankruptcy or reorganization of the borrower.

For some categories of financial assets, such as trade accounts receivable, assets which are deemed not to be impaired separately will be subsequently assessed for impairment jointly. The objective evidence of trade accounts receivable impairment may include the previous experience of the Group with regard to collection, increase in outstanding amounts delayed for more than 60 days, and observed changes in the national economy directly affecting the defaults on accounts receivable.

For the financial assets recorded at amortised cost, impairment is equal to the difference between the carrying amount of the asset and present value of estimated cash flow discounted at the initial effective interest rate.

Carrying amount of the financial asset is reduced by impairment loss directly for all financial assets, except for trade accounts receivable where carrying amount of non-recoverable accounts receivable is reduced by allowance for doubtful debts. When trade accounts receivable are not collectable, they are written off against previously created allowance for doubtful debts. Allowance for doubtful debts is reversed for subsequent recovery of previously written off amount. Changes in the carrying amount of the provision are recognized in profit or loss.

Except for equity instruments available-for-sale, if in the subsequent period the amount of the impairment loss is decreased and the decrease can be objectively related to the event occurring after recognition of impairment, then the previously recognized impairment loss is reversed in profit or loss, and the carrying value of the financial assets at the date of reverse shall not exceed the carrying value, which would be reflected if impairment loss had not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the nature of the contractual arrangements entered into and the definitions of financial liabilities and equity instruments. An equity instrument is any contract that evidences residual interest in the Group's assets after all of its liabilities are deducted. The accounting policy accepted for specific financial liabilities and equity instruments is discussed below.

Bank loans and debt securities

Bank loans and debt securities, after initial recognition, are recorded at the amortized cost using effective interest rate method.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially recorded at the fair value and subsequently at amortized cost using the effective interest rate method.

Offset of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains rights to receive cash flows from asset, but assumed an obligation to pay them fully without significant delay to a third party in accordance with transfer agreement, and transferred, all risks and rewards of the asset; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

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

Financial liabilities

A financial liability is derecognized when it is discharged, cancelled or expires.

Borrowing costs

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

Borrowing costs also include exchange differences arising as a result of loans in foreign currency to the extent they are considered an adjustment of interest payments. The amount of the exchange difference capitalized in the form of an adjustment of interest expenses does not exceed the amount of interest expenses, which the Group would have capitalized, had the loan been taken in local currency. Any excess in exchange differences is charged to profit or loss.

Income received as a result of temporary investment of the received borrowings till their disbursement for acquisition of qualified assets is deducted from borrowing costs.

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

Interest rate on loan agreements with the EBRD dated 26 March 2011 includes all-in cost. All-in-cost represents the cost of financing the loan (fees, commissions, etc.), which are paid by the Group during the term of the loan, in accordance with loan agreements.

Revenue recognition

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

Revenue from sales of power and heat is included in profit or loss at the moment of delivery to consumers. The basis for accrual of revenue on transmission and distribution of power and heat and production of heat energy are tariffs approved by the Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Revenue from sales of goods is included into profit or loss, when goods are delivered and significant risk and rewards of ownership of the goods were transferred to the buyer.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current income tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss 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. Group's current income tax expense is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. Deferred taxes are charged or credited to profit or loss, except when they relate to items charged or credited directly to other comprehensive income or equity.

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

Social tax

The Group pays social tax according to the existing legislation of the Republic of Kazakhstan. The effective rate of social tax for the Group during 2014 and 2013 was approximately 6% of gross income of employees. The social tax and salary of the personnel are expensed in the period as accrued.

Pension contributions

The Group withholds 10% form the salary of its employees as contributions to the cumulative pension funds but not more than 149,745 tenge per month in 2014 (2013: not more than 139,950 tenge per month). According to the legislation of the Republic of Kazakhstan, pension contributions are obligations of the employee, and the Group carries no current or future obligations on pension contributions after their retirement.

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. Provisions are revised at each reporting date and adjusted to reflect the best current estimate.

Where the impact of time value of money is significant, the amount of the provision is calculated as the current value of expenses which are expected to settle the obligations. Where the discounting is used, the increase in the provision reflecting the period of past time is recognized as finance cost.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated financial statements, except when an outflow of resources representing economic benefits is probable to repay liabilities and the amount of such liabilities can be measured reliably. A contingent asset is not recognized in the consolidated financial statements, but disclosed when an inflow of economic benefits related to such assets is probable.

Related party transactions

In preparation of these consolidated financial statements, the following parties were considered as related parties:

A party is related if:

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

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

(in thousands of Tenge)

5. SEGMENT REPORTING

Information reported to the President of the Group, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided and, accordingly, the Group identifies five main segments: production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power and other, which include maintenance of home networks and sale of chemical products. Other services do not exceed the quantitative thresholds, therefore, do not require a separate disclosure.

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

	For the year ended 31 December 2014					
Key operational activities	**Production of heat and power**	**Transmission and distribution of power**	**Transmission and distribution of heat**	**Sale of heat and power**	**Other**	**Total**
Revenue	49,149,581	19,839,621	5,520,616	84,595,647	565,599	159,671,064
Intrasegment revenue	(8,346,907)	(319,199)	(21,057)	(42,838,749)	(361,606)	(51,887,518)
Revenue	40,802,674	19,520,422	5,499,559	41,756,898	203,993	107,783,546
Cost of sales	(23,517,334)	(13,562,399)	(5,342,288)	(39,946,915)	(206,326)	(82,575,262)
General and administrative expenses	(1,738,396)	(2,201,280)	(1,849,934)	(1,287,464)	(576,892)	(7,653,966)
Selling expenses	(11,136)	-	-	(1,756,476)	-	(1,767,612)
Finance cost	(2,463,996)	(130,701)	(4,297)	(167,614)	(100,876)	(2,867,484)
Finance income	203,951	72,935	26,392	948	557,106	861,332
Foreign exchange loss	(813,525)	(1,569)	(5,693)	(6,154)	(34,620)	(861,561)
Loss on impairment	(88,902)	(330,782)	(26,681)	(19,986)	-	(466,351)
Other income	705,438	1,009,185	(1,414)	417,645	1,627	2,132,481
Income tax expense	(2,710,175)	(967,903)	23,697	52,669	(1,754)	(3,603,466)
Profit for the year	10,368,599	3,407,908	(1,680,659)	(956,449)	(157,742)	10,981,657
Other key segment information						
Capital expenditure on property, plant and equipment	24,039,635	7,704,148	1,920,665	154,820	162,954	33,982,222
Depreciation of property, plant and equipment	3,803,358	2,000,447	631,606	90,619	20,973	6,547,003

	For the year ended 31 December 2013					
Key operational activities	**Production of heat and power**	**Transmission and distribution of power**	**Transmission and distribution of heat**	**Sale of heat and power**	**Other**	**Total**
Revenue	44,759,364	17,748,160	4,777,649	73,927,006	468,892	141,681,071
Intrasegment revenue	(6,451,666)	(214,487)	(1,595)	(40,608,724)	(267,300)	(47,543,773)
Revenue	38,307,698	17,533,673	4,776,054	33,318,282	201,592	94,137,298
Cost of sales	(22,558,429)	(12,450,556)	(4,981,470)	(30,680,869)	(12,807)	(70,684,131)
General and administrative expenses	(2,128,102)	(1,855,675)	(1,236,286)	(1,161,994)	(486,032)	(6,868,090)
Selling expenses	(20,668)	-	-	(1,606,012)	11,371	(1,615,308)
Finance cost	(2,226,386)	(40,645)	(22,940)	(97,573)	(25,564)	(2,413,109)
Finance income	236,115	33,556	5,059	762	396,610	672,102
Foreign exchange loss	(40,875)	(4,948)	2,250	(581)	11,682	(32,471)
Other income	(115,414)	113,029	24,219	475,493	(31,661)	465,665
Income tax expense	(2,438,860)	(786,436)	108,272	(154,776)	-	(3,271,800)
Profit for the year	9,015,079	2,541,998	(1,324,842)	92,732	65,191	10,390,156
Other key segment information						
Capital expenditure on property, plant and equipment	15,858,250	5,378,190	1,639,639	235,318	65,491	23,176,888
Depreciation of property, plant and equipment	3,251,464	1,755,443	519,949	78,283	27,483	5,632,622

(in thousands of Tenge)

6. PROPERTY, PLANT AND EQUIPMENT

For the years ended 31 December 2014 and 2013, movement of property, plant and equipment was presented as follows:

Revalued cost	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2013	**23,005,685**	**88,940,280**	**1,513,158**	**262,764**	**16,353,252**	**130,075,139**
Additions	62,562	730,089	243,707	99,298	22,041,232	23,176,888
Internal transfers	1,819,604	18,899,630	168,327	9,833	(20,897,394)	-
Change in estimate on ash disposal area restoration	22,253	-	-	-	-	22,253
Disposals	(22,528)	(366,698)	(2,247)	(12,565)	(45,712)	(449,750)
At 31 December 2013	**24,887,576**	**108,203,301**	**1,922,945**	**359,330**	**17,451,378**	**152,824,530**
Additions	8,542	1,789,136	86,446	59,594	32,038,504	33,982,222
Revaluation	4,887,215	37,029,492	465,862	28,455	-	42,411,024
Elimination of accumulated depreciation	(3,141,159)	(17,005,869)	(941,219)	(158,029)	-	(21,246,276)
Internal transfers	863,988	26,763,745	420,148	(1,271)	(28,046,610)	-
Disposals	(152,480)	(1,184,905)	(314)	(18,489)	(8,616)	(1,260,607)
At 31 December 2014	**27,353,682**	**155,594,900**	**1,953,868**	**269,590**	**21,434,656**	**206,606,696**
Accumulated depreciation and impairment						
At 1 January 2013	**(1,265,657)**	**(8,033,168)**	**(509,893)**	**(99,249)**	**-**	**(9,907,967)**
Depreciation charge for the year	(1,031,882)	(4,381,831)	(185,436)	(33,473)	-	(5,632,622)
Disposals	10,423	144,952	2,169	7,925	-	165,469
At 31 December 2013	**(2,287,116)**	**(12,270,047)**	**(693,160)**	**(124,797)**	**-**	**(15,375,120)**
Depreciation charge for the year	(1,073,044)	(5,171,478)	(252,529)	(49,952)	-	(6,547,003)
Elimination of accumulated depreciation	3,141,159	17,005,869	941,219	158,029	-	21,246,276
Disposals	6,539	321,567	12,705	12,696	-	353,507
At 31 December 2014	**(212,462)**	**(114,089)**	**8,235**	**(4,024)**	**-**	**(322,340)**
Net book value						
At 31 December 2014	**27,141,220**	**155,480,811**	**1,962,103**	**265,566**	**21,434,656**	**206,284,356**
At 31 December 2013	**22,600,460**	**95,933,254**	**1,229,785**	**234,533**	**17,451,378**	**137,449,410**

(in thousands of Tenge)

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

As a result of revaluation as at 31 December 2014 the Group recognized increase in the value of property, plant and equipment in the amount of 42,877,375 thousand tenge net of income tax of 8,575,475 thousand tenge in other comprehensive income and also loss from impairment of property, plant and equipment of 466,351 thousand tenge in profit or loss.

Net book value of each class of property, plant and equipment, which would be recognized in the consolidated financial statements, had property, plant and equipment been recorded at cost less accumulated depreciation and accumulated provision for impairment losses, would be presented as follows:

	Land, buildings and constructions	**Machinery and production equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
At 31 December 2014	17,085,672	100,440,576	1,060,891	132,316	21,434,656	**140,154,111**
At 31 December 2013	16,324,543	73,543,531	1,114,520	153,174	17,451,378	**108,587,146**

For the years ended 31 December 2014 and 2013, the Group capitalized to the cost of property, plant and equipment borrowing costs on bank loans, including amortization of discount on loan from CTF and foreign exchange loss on revaluation of loans in foreign currency, less interest income on cash placed on deposits of 1,664,901 thousand tenge and 710,793 thousand tenge, respectively.

As at 31 December 2014 and 2013, net book value of pledged property, plant and equipment was equal to 100,194,983 thousand tenge and 58,166,610 thousand tenge, respectively (Note 19).

As at 31 December 2014 and 2013, fully depreciated property, plant and equipment at revalued cost amounted to 109,521 thousand tenge and 103,508 thousand tenge, respectively.

7. GOODWILL

For the years ended 31 December 2014 and 2013, movement of goodwill was presented as follows:

	2014	**2013**
Cost		
At 1 January	2,424,419	2,424,419
At 31 December	2,424,419	2,424,419

(in thousands of Tenge)

The carrying amount of goodwill was allocated to cash-generating units as follows:

	JSC PAVLODAR-ENERGO	LLP Astana-energosbyt	Total
Goodwill recognized at 31 December 2013	1,687,141	737,278	2,424,419
Goodwill recognized at 31 December 2014	1,687,141	737,278	2,424,419

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. Key assumptions on which management has determined the value in use include the discount rate and growth rate.

The management estimates the average interest rate in the range of 11%-12% in order to assess the cost of its use for the calculation of its generating units. Management believes that the planned annual increase in sales volumes and tariffs for heat and power in the next five years is reasonably achievable.

Due to stable conditions in the market and positive cash flow forecasts for these cash generating units no impairment of goodwill was identified as at 31 December 2014 and 2013.

8. OTHER NON-CURRENT ASSETS

As at 31 December 2014 and 2013, other non-current assets consisted of the following:

	31 December 2014	31 December 2013
Advances paid for property, plant and equipment and intangible assets	6,073,298	9,727,876
Long-term portion of VAT receivable	385,256	418,079
Other	94,750	19,567
Allowance for long-term advances	(21,125)	-
	6,532,179	10,165,522

(in thousands of Tenge)

9. OTHER FINANCIAL ASSETS AND RESTRICTED CASH

As at 31 December 2014 and 2013, other financial assets and restricted cash consisted of the following:

	31 December 2014	31 December 2013
Other financial assets:		
Deposits with maturity of more than three months to one year	9,784,699	9,263,167
Interest receivable	12	435
	9,784,711	9,263,602
Restricted cash:		
Cash on debt service reserve accounts	650,028	465,801
Minimum balance on deposits	798,866	438,534
	1,448,894	904,335

In accordance with loan agreements with EBRD the Group accumulates funds on debt service reserve accounts during the semi-annual period preceding the payment date. These funds can be used exclusively for the purposes defined in the loan agreements, and, respectively, were classified as restricted cash in the consolidated statement of financial position.

In 2014, the Group recognized interest income totaling to 644,996 thousand tenge (2013: 409,623 thousand tenge) (Note 32).

In 2014, interest rates on deposits were 2.8%-7.5% (2013: 2.8%-9%).

Other financial assets and restricted cash as at 31 December 2014 and 2013, were denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	9,607,059	8,477,445
US Dollars	1,626,546	1,680,492
	11,233,605	10,157,937

(in thousands of Tenge)

10. INVENTORIES

As at 31 December 2014 and 2013, inventories consisted of the following:

	31 December 2014	31 December 2013
Spare parts	3,228,402	2,049,715
Coal and fuel oil	1,565,162	1,340,798
Rolled metal products	640,995	627,411
Electrotechnical materials	381,119	276,750
Construction materials	210,566	175,516
Other	709,017	562,260
	6,735,261	5,032,450
Allowance for slow-moving inventories	(141,476)	(95,040)
	6,593,785	4,937,410

For the years ended 31 December, movement in allowance for slow-moving inventories was as follows:

	2014	2013
At 1 January	(95,040)	(89,993)
Accrued (Note 29)	(46,436)	(5,047)
At 31 December	(141,476)	(95,040)

11. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2014 and 2013, trade accounts receivable consisted of the following:

	31 December 2014	31 December 2013
Sale and transmission of power and heat	13,965,350	11,083,895
Sale of inventories and provision of other services	185,328	423,573
Other	53,371	51,827
	14,204,049	11,559,295
Allowance for doubtful debts	(1,593,272)	(1,778,120)
	12,610,777	9,781,175

(in thousands of Tenge)

The average credit period on sales of services is 60 days. No interest is charged on trade accounts receivable for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balance at average refinancing rate of National Bank of Republic of Kazakhstan. The Group recognized an allowance for doubtful debts of 100%, 50%, 25%, and 5% against all receivables outstanding for more than 365 days, 271-365 days, 181-270 days, and 90-180 days, respectively. The Group outsource independent legal firm for collecting receivables over 180 days. Irrecoverable amounts are written off against previously created allowance.

For the years ended 31 December, the movement in the allowance for doubtful debts was as follows:

	2014	**2013**
At 1 January	(1,778,120)	(1,897,390)
Accrued (Note 29)	(15,756)	(4,591)
Written-off against previously created allowance	200,604	123,861
At 31 December	(1,593,272)	(1,778,120)

Allowance of trade accounts receivable that are past due is presented as follows:

	31 December 2014	**31 December 2013**
90-180 days	27,722	52,412
181-270 days	88,381	69,508
271-365 days	242,589	264,607
more than 365 days	1,234,580	1,391,593
	1,593,272	1,778,120

The Group does not hold any collateral over trade accounts receivable.

The concentration of credit risks is limited due to the fact that the customer base is large and unrelated. Customer base comprises of population (50%) and legal entities (50%).

Trade accounts receivable as at 31 December 2014 and 2013, were denominated in the following currencies:

	31 December 2014	**31 December 2013**
Tenge	12,610,699	9,781,175
Russian rouble	78	-
	12,610,777	9,781,175

(in thousands of Tenge)

12. ADVANCES PAID

As at 31 December 2014 and 2013, advances paid consisted of the following:

	31 December 2014	31 December 2013
For services	686,925	930,488
For goods	604,649	625,247
Other	10,847	29,253
	1,300,007	1,584,988
Allowance for doubtful debts	(11,293)	(57,891)
	1,288,714	1,527,097

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2014	2013
At 1 January	(57,891)	(58,244)
Recovered/(accrued) (Note 29)	39,863	(23,502)
Written off against previously created provision	6,735	23,855
At 31 December	(11,293)	(57,891)

13. TAXES RECEIVABLE AND PREPAID TAXES

As at 31 December 2014 and 2013, taxes receivable and prepaid taxes consisted of the following:

	31 December 2014	31 December 2013
Value added tax	1,129,185	890,702
Withholding tax	224,084	140,520
Property tax	10,696	22,012
Other	58,921	9,569
	1,422,886	1,062,803

(in thousands of Tenge)

14. OTHER ACCOUNTS RECEIVABLE

As at 31 December 2014 and 2013, other accounts receivable consisted of the following:

	31 December 2014	31 December 2013
Receivable from a related party	873,881	1,358,689
Receivables on court proceedings and accrued penalties	784,077	625,998
Receivables from employees and shortages	289,775	105,605
Prepaid expenses	69,497	65,219
Other	563,557	436,557
	2,580,787	2,592,068
Allowance for doubtful debts	(507,594)	(513,114)
	2,073,193	2,078,954

As at 31 December 2014 receivables from a related party includes 873,881 thousand tenge receivable from the shareholder JSC CAPEC with maturity on 31 December 2015. The Group recorded the receivable balance at amortized cost using the effective interest rate of 11.6% - 12.5%. The Group recognized adjustment to fair value of 40,130 thousand tenge in equity, net of deferred income tax of 8,062 thousand tenge (2013: 146,324 thousand tenge and 29,265 thousand tenge, respectively).

For the year ended 31 December 2014, the Group recognized interest income as a result of amortization of the fair value adjustment of receivable from a related party of 105,623 thousand tenge (2013: 160,475 thousand tenge) (Note 32).

As at 31 December 2014 and 2013, receivables on court proceedings and accrued penalties mainly comprised of penalties of 784,077 thousand tenge and 625,998 thousand tenge, respectively, imposed on individuals and legal entities for the late fulfillment of the terms of the contracts for delivery of materials, construction works and acquisition of heat and power.

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2014	2013
At 1 January	(513,114)	(270,156)
Accrued (Note 29)	(59,581)	(276,882)
Written off against previously created allowance	65,101	33,924
At 31 December	(507,594)	(513,114)

As at 31 December 2014 and 2013, other accounts receivable were denominated in tenge.

(in thousands of Tenge)

15. CASH

As at 31 December 2014 and 2013, cash consisted of the following:

	31 December 2014	31 December 2013
Cash on bank accounts	2,532,253	2,869,985
Petty cash	256,184	171,450
Cash in transit	17,495	10,395
	2,805,932	3,051,830

As at 31 December 2014 and 2013, cash were denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	2,731,533	2,616,395
US Dollars	74,368	435,432
Russian roubles	31	-
Euro	-	3
	2,805,932	3,051,830

16. SHARE CAPITAL

As at 31 December 2014 and 2013, share capital consisted of the following:

	31 December 2014		31 December 2013	
	Interest	Number of shares	Interest	Number of shares
JSC CAPEC	64.62%	23,877,171	62.12%	19,968,884
EBRD	24.16%	8,928,508	24.99%	8,033,825
KAZ HOLDINGS COOPERATIEF U.A.	11.22%	4,145,454	12.89%	4,145,454
	100%	36,951,133	100%	32,148,163

Authorized share capital of the Group was 50,000,000 common shares. As 31 December 2014 and 2013, the number of unallocated common shares was 13,048,867 and 17,851,837, respectively. As at 31 December 2014 and 2013, fully paid common shares amounted to 46,043,272 thousands tenge and 37,590,045 thousands tenge, respectively.

In 2014 and 2013, the Group declared dividends of 2,344,652 thousand tenge and 1,849,296 thousand tenge, respectively.

In July 2014 the shareholder, JSC Central-Asian Power Energy Company, transferred 51.59% stake in share capital of JSC Akmola Electricity Distribution Network Company in exchange of 4,802,970 shares (equivalent to 8,453,227 thousands of tenge) of the Company.

In November 2014, the Company acquired 48.41% of non-controlling interest in JSC Akmola Electricity Distribution Network Company from third party for 7,280,000 thousands of tenge. During 2014, the Company have paid 5,401,551 thousands tenge. As at 31 December 2014, the Company is sole owner of this subsidiary.

17. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2014 and 2013, additional paid-in capital of 1,348,105 thousand tenge and 4,288,735 thousand tenge, respectively included:

- the difference between net book value of property, plant and equipment received by the Group under the finance lease agreement and minimum value of discounted lease payments under this lease. During the finance lease the founder transferred part of the property, plant and equipment under the agreement into the share capital of the Group, and the additional paid-in capital was adjusted accordingly; and
- the revenue from factoring operations due to acquisition and subsequent sale of the right claim from related party at the value greater than the actual cost of this claim.

18. BONDS ISSUED

In July 2007, JSC PAVLODARENERGO declared an issuance of 80,000,000 coupon bonds totaling 8,000,000 thousand tenge with par value of 100 tenge, with an indexed interest rate of 6.8%-13%, semi-annual coupon payments and maturity of 10 years.

In December 2009, JSC SEVKAZENERGO declared an issuance of 80,000,000 coupon bonds totaling 8,000,000 thousand tenge with par value of 100 tenge, with a fixed interest rate of 12.5%, semi-annual coupon payments and maturity of 10 years.

In November 2013, JSC CAEPCO declared an issuance of 100,000,000 coupon bonds totaling 10,000,000 thousand tenge with a par value of 100 tenge, with a fixed interest rate of 6% during the first three years and then indexed interest rate in the range of 6%, semi-annual installments and a maturity of 10 years. As of 31 December 2014, the Company placed coupon bonds of 1,105,000 thousand tenge.

(in thousands of Tenge)

As at 31 December 2014 and 2013, bonds issued were presented as follows:

	Maturity date	Interest rate, per annum	31 December 2014	31 December 2013
Bonds issued	10 July 2017	6.8%-13%	7,901,620	7,901,620
Bonds issued	10 January2020	12.5%	6,067,590	6,067,590
Bonds issued	6 November 2023	6%	2,276,183	1,105,000
Accrued interest			627,078	645,519
Premium			237,588	369,990
Discount			(393,289)	(553,325)
Repurchase of own bonds			(3,877,244)	(3,838,482)
			16,143,870	15,530,894
Less: current portion of bonds issued			(627,078)	(645,519)
			15,516,792	14,885,375

The bonds issued are repayable as follows:

	31 December 2014	31 December 2013
In the second to the fifth years inclusive	7,512,420	7,352,804
After five years and later	8,004,372	7,532,571
	15,516,792	14,885,375

(in thousands of Tenge)

19. BANK LOANS

As at 31 December 2014 and 2013, loans consisted of the following:

	31 December 2014	31 December 2013
Principal amount of bank loans	43,529,025	28,531,422
Interest payable - long-term loans	344,737	245,535
Interest payable - short-term loans	114,878	31,232
Less:		
Fair value adjustment of loan	(886,630)	(917,642)
Unamortized part of lump-sum commission	(313,447)	(151,615)
	42,788,563	27,738,932
Less:		
Short-term loans	(9,763,364)	(5,868,149)
Current portion of long-term loans	(3,844,819)	(2,969,013)
Long-term loans	29,180,380	18,901,770

Long-term bank loans include borrowings from EBRD for implementation of investment program on reconstruction and modernization of assets of the Group. JSC CAEPCO acts as a guarantor for the EBRD loans.

Effective interest rate for long-term loans denominated in US dollars and tenge amounted to 3.7% and 9.45% - 10.12%, respectively. Effective interest short-term loans denominated in US dollars and tenge amounted to 6.5% and 7.5% - 14%, respectively.

As of 31 December 2014 and 2013 long-term loans are secured by property, plant and equipment (Note 6).

The loans are repayable as follows:

	31 December 2014	31 December 2013
During the second year	2,507,811	3,832,990
In the second to the fifth years inclusive	14,787,459	7,504,180
After five years	11,885,110	7,564,600
	29,180,380	18,901,770

(in thousands of Tenge)

As at 31 December 2014 and 2013, long-term and short-term loans were denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	18,013,981	16,043,138
US Dollars	25,515,044	12,488,284
	43,529,025	28,531,422

20. DEFERRED REVENUE

As at 31 December 2014 and 2013, deferred revenue of 1,358,972 thousand tenge and 1,452,974 thousand tenge, respectively, is represented by:

(a) fair value adjustment of loan of 943,979 thousand tenge (31 December 2013: 968,334 thousand tenge).

(b) an adjustment of guarantee fees for additional capacity of 414,993 thousand tenge (31 December 2013: 484,640 thousand tenge).

21. ASH DISPOSAL AREA RESTORATION LIABILITIES

For production purposes the Group uses ash disposal areas. At the end of the useful life these ash disposal areas should be restored. Undiscounted expected future cash flows that will be required to satisfy the Group's obligation were estimated of 1,991,047 thousands of tenge. As at 31 December 2014 and 2013 the Group estimated total ash disposal area restoration liability at amortized cost of 476,390 thousand tenge and 481,235 thousand tenge, respectively. This liability was discounted at effective interest rate of 12%-14%, which represents a market financing rate, and inflated by 7%.

For the years ended 31 December 2014 and 2013, movement in ash disposal area restoration liability was as follows:

	2014	2013
At 1 January	481,235	408,775
Finance cost (Note 31)	77,299	50,207
Change in estimate	(82,144)	22,253
At 31 December	476,390	481,235

(in thousands of Tenge)

22. FINANCE LEASE OBLIGATIONS

At 31 December, finance lease payable were presented as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	150,542	-	109,993	-
Later than one year but not later than 5 years	752,713	-	640,362	-
After 5 years	150,542	-	147,453	-
	1,053,797	-	897,808	-
Less: future finance charges	(155,989)	-	-	-
Present value of minimum lease payments	897,808	-	897,808	-

	31 December 2014	31 December 2013
Included:		
- short-term portion	109,993	-
- long-term portion	787,815	-
	897,808	-

In 2014 Group entered into a finance lease agreement for the transformation substation TS 110/10 kW «Severnaya» with Akimat of Tselinograd district. The lease term is 7 years. The Group has an option to take ownership during the whole period of rent, with the right of early buy-out. Liabilities of the Group under the finance lease agreement is secured by preservation of the lessor's right on leased asset during the whole lease term. Interest rate implicit in the lease is 5% per annum.

23. TRADE ACCOUNTS PAYABLE

As at 31 December 2014 and 2013, trade accounts payable consisted of the following:

	31 December 2014	31 December 2013
For purchased services	6,690,762	4,347,184
For purchased goods	2,505,102	1,081,685
For repairs and construction services	1,830,010	1,041,996
For fuel	604,887	616,964
For property, plant and equipment	171,161	351,024
Other	185,363	167,014
	11,987,285	7,605,867

(in thousands of Tenge)

As at 31 December 2014 and 2013, trade accounts payable were denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	11,430,838	7,531,760
Russian roubles	556,447	74,107
	11,987,285	7,605,867

24. ADVANCES RECEIVED

As at 31 December 2014 and 2013, advances received of 3,030,985 thousand tenge and 3,448,184 thousand tenge, respectively, mainly included advances received for delivery of power and heat.

25. TAXES AND NON-BUDGET PAYMENTS PAYABLE

As at 31 December 2014 and 2013, taxes and non-budget payments payable consisted of the following:

	31 December 2014	31 December 2013
Value added tax	286,001	418,850
Environmental tax	210,125	228,233
Personal income tax	114,393	100,039
Social tax	66,605	57,411
Social security liabilities	35,343	21,913
Property tax	17,072	5,525
Other	40,042	51,720
	769,581	883,691

(in thousands of Tenge)

26. OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2014 and 2013, other liabilities and accrued expenses consisted of the following:

	31 December 2014	31 December 2013
Payables for shares	1,878,450	-
Dividends payable	1,278,852	-
Payables to employees	612,255	571,886
Provisions for unused vacations	421,280	360,248
Pension contributions	158,707	140,124
Insurance payable	55,381	50,800
Current portion of guarantee fees for additional capacity	43,345	68,891
Guarantee fees for additional capacity to be reimbursed	11,403	22,270
Other	99,322	175,141
	4,558,995	1,389,360

27. REVENUE

Revenue for the years ended 31 December, consisted of the following:

	2014	2013
Sale of power	63,263,117	58,023,663
Sale of heat	19,296,456	15,494,775
Transmission of power	19,520,422	15,639,619
Transmission of heat	5,499,559	4,777,649
Other	203,992	201,592
	107,783,546	94,137,298

28. COST OF SALES

Cost of sales for the years ended 31 December, consisted of the following:

	2014	2013
Power and heat acquired for sale	29,522,418	19,860,880
Coal and fuel oil	13,612,252	12,936,746
Transmission of power and heat	10,065,078	11,797,081
Payroll and related taxes	8,539,789	7,938,717
Services received	6,633,316	5,828,318
Depreciation and amortization	6,217,447	5,328,715
Inventories	3,689,678	3,454,718
Heat and power purchased for own needs	1,283,278	1,078,919
Technical water	778,795	678,635
Provision for unused vacation	18,540	10,353
Employee benefit expenses	6,559	3,885
Other	2,208,112	1,767,164
	82,575,262	70,684,131

(in thousands of Tenge)

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December, consisted of the following:

	2014	2013
Payroll and related taxes	2,978,905	2,457,184
Taxes, other than income tax	1,283,786	1,140,681
Transportation services	312,619	256,224
Depreciation and amortization	245,518	240,998
Bank commission	244,615	220,000
Rent expenses	238,300	235,937
Legal and audit services	201,352	182,735
Inventories	181,270	159,062
Value added tax	119,855	82,154
Business trip expenses	116,399	113,950
Remuneration of the members of the board of directors	110,438	88,237
Communication expenses	86,114	77,641
Accrual of allowance for doubtful debts (Note 8, 11, 12, 14)	56,599	304,975
Accrual of allowance for slow-moving inventories (Note10)	46,436	5,047
Provision for unused vacation	39,983	15,887
Other	1,391,777	1,287,378
	7,653,966	6,868,090

30. SELLING EXPENSES

Selling expenses for the years ended 31 December consisted of the following:

	2014	2013
Payroll and related taxes	1,208,302	1,050,229
Inventories	88,351	91,881
Rent expenses	87,141	78,569
Bank commissions	71,464	95,204
Depreciation and amortization	55,300	50,301
Transportation services	39,812	61,762
Security	32,656	48,474
Other	184,586	138,888
	1,767,612	1,615,308

(in thousands of Tenge)

31. FINANCE COSTS

Finance costs for the years ended 31 December, consisted of the following:

	2014	2013
Interest expenses on bonds issued	1,323,101	1,304,160
Interest expenses on bank loans	1,250,509	849,909
Amortization of the discount on bonds	160,024	173,607
Interest expenses on ash disposal area restoration liabilities (Note 21)	77,299	50,207
Other	56,551	35,226
	2,867,484	2,413,109

32. FINANCE INCOME

Finance income for the years ended 31 December, consisted of the following:

	2014	2013
Interest income from cash placed on the deposits (Note 9)	644,996	409,623
Amortization of fair value adjustment (Note 14)	105,623	160,475
Interest income on emission of bonds	51,082	61,357
Interest income on guarantee fees	31,300	36,203
Interest income on loans given to employees	3,975	4,444
Other	24,356	-
	861,332	672,102

33. OTHER INCOME

Other income for the years ended 31 December consisted of the following:

	2014	2013
Gain/(loss) from sale of property, plant and equipment	814,567	(78,006)
Income from penalties for incompliance with the terms of the contract	751,386	283,208
Income from write-off of accounts payable	66,164	144,821
Expenses on depreciation of property, plant and equipment transferred to operating lease	(63,563)	(52,941)
Other income	563,927	168,583
	2,132,481	465,665

(in thousands of Tenge)

34. INCOME TAX

Entities incorporated in the Republic of Kazakhstan pay income tax from the taxable profit according to the legislation of the Republic of Kazakhstan.

In 2014 and 2013, income tax rate was 20%.

Income tax expenses for the years ended 31 December, were as follows:

	2014	2013
Current income tax expense	335,082	866,941
Deferred income tax expense	3,268,384	2,404,859
Income tax expense	3,603,466	3,271,800

As at 31 December 2014 and 2013, deferred tax assets and liabilities were as follows:

Deferred tax assets as a result of:	**31 December 2014**	**31 December 2013**
Tax losses carry-forward	1,865,330	1,401,448
Allowance for doubtful debts	157,351	205,544
Taxes accrued but unpaid	60,905	62,852
Fair value adjustment on receivable from JSC CAPEC	8,062	29,265
Ash disposal area restoration liabilities	95,278	97,263
Allowance for slow-moving inventories	25,001	19,165
Provision for unused vacations	79,385	71,206
Other temporary differences	144,475	128,216
Total deferred tax assets	2,435,787	2,014,959
Deferred tax liabilities as a result of:		
Carrying value of property, plant and equipment and intangible assets	(34,092,945)	(21,768,490)
Other temporary differences	(36,027)	(103,857)
Total deferred tax liabilities	(34,128,972)	(21,872,347)
Deferred tax liabilities, net, including:	**(31,693,185)**	**(19,857,388)**
Deferred tax liabilities, net	(31,809,901)	(20,001,637)
Deferred tax asset, net	116,716	144,249

(in thousands of Tenge)

The movement in deferred taxes for the years ended 31 December, was as follows:

	2014	2013
Balance at 1 January	(19,857,388)	(17,481,794)
Increase in deferred tax liabilities	(11,835,797)	(2,375,594)
Balance at 31 December	(31,693,185)	(19,857,388)

Recorded:	2014	2013
in profit or loss	(3,268,384)	(2,404,859)
in other comprehensive income	(8,575,475)	-
in equity	8,062	29,265
	(11,835,797)	(2,375,594)

Below is a reconciliation of income tax expense for the years ended 31 December, to profit before tax in the consolidated statement of comprehensive income:

	2014	2013
Profit before taxation	14,585,123	13,661,956
Tax at statutory rate of 20%	2,917,025	2,732,391
Change in unrecognized tax assets	194,253	98,507
Income tax related to prior periods	4,565	7,818
Tax effect of permanent differences	487,623	433,084
Income tax expenses	3,603,466	3,271,800

35. RELATED PARTY TRANSACTIONS

The related parties of the Group include shareholders, its subsidiaries and associated companies or companies over which the Group or its shareholders exercise control and key management personnel.

Transactions with related parties are performed on terms that would not necessarily be available to the third parties.

Transactions between the Company and its subsidiaries and jointly controlled companies are excluded on consolidation and not presented in this note.

(in thousands of Tenge)

During the years the entities of the Group had the following transactions on principal and other activities with related parties not included in the Group:

Name	Sale of services 2014	Sale of services 2013	Purchase of services 2014	Purchase of services 2013	Purchase of assets 2014	Purchase of assets 2013
JSC CAPEC	83	56	163,058	153,900	-	108
Subsidiaries of JSC CAPEC	1,011,495	-	54,514	-	-	-
Associates of JSC CAPEC	197	853,825	128,530	397,691	66	420,909
	1,011,775	853,881	346,102	551,591	66	421,017

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

Name	Due from related party 31 December 2014	Due from related party 31 December 2013	Due to related party 31 December 2014	Due to related party 31 December 2013
JSC CAPEC	974,006	1,505,023	435,252	40,071
Subsidiaries of JSC CAPEC	1,746,639	-	846	-
Associates of JSC CAPEC	1,211	389	883,898	12,169
	2,721,856	1,505,412	1,319,996	52,240

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

Name	Loans, including interest payable, from related parties 31 December 2014	Loans, including interest payable, from related parties 31 December 2013	Cash at bank deposit accounts to the related party 31 December 2014	Cash at bank deposit accounts to the related party 31 December 2013	Cash in banks, to the related party 31 December 2014	Cash in banks, to the related party 31 December 2013
EBRD	23,390,055	17,943,296	-	-		-
Associates of JSC CAPEC	-	81,818	10,869,547	9,964,727	2,242,696	2,133,881
	23,390,055	18,025,114	10,869,547	9,964,727	2,242,696	2,133,881

For the year ended 31 December 2014 and 2013 the Group had the following financial operations with related parties:

Name	Interest expense, accrued on loans from related parties 2014	Interest expense, accrued on loans from related parties 2013	Interest income, accrued on bank deposit accounts to related parties 2014	Interest income, accrued on bank deposit accounts to related parties 2013
EBRD	1,022,551	564,243	-	-
Associates of JSC CAPEC	2,484	13,416	701,340	232,074
	1,025,035	577,659	701,340	232,074

(in thousands of Tenge)

Key personnel of the Group

In 2014, compensation to the Board of Directors and other key management personnel of the Group in the form of salary and bonuses amounted to 500,676 thousand tenge (2013: 328,568 thousand tenge).

36. FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICY AND ITS OBJECTIVES

The Group's major financial instruments are other financial assets, financial assets held-for-trading, cash, restricted cash, bank loans, bonds, finance lease obligations as well as accounts receivable and accounts payable. The main risks attributable to the Group's financial instruments are liquidity risk and credit risk. The Group also monitors the market risk and interest rate risk arising on all of its financial instruments.

Categories of financial instruments

As at 31 December, financial instruments were as follows:

	31 December 2014	31 December 2013
Financial assets		
Other financial assets (Note 9)	9,784,711	9,263,602
Trade accounts receivable (Note 11)	12,610,777	9,781,175
Other accounts receivable, excluding prepaid expenses (Note 14)	2,003,696	2,013,735
Restricted cash (Note 9)	1,448,894	904,335
Cash (Note 15)	2,805,932	3,051,830
Financial liabilities		
Bonds issued (Note 18)	16,143,870	15,530,894
Bank loans (Note 19)	42,788,563	27,738,932
Long-term accounts payable	205,131	227,095
Finance lease obligations (Note 22)	897,808	-
Trade accounts payable (Note 23)	11,987,285	7,605,867
Other liabilities and accrued expenses, excluding provision for unused vacation and pension contributions (Note 26)	3,979,008	888,988

Capital risk management

The Group manages the risks associated with capital to ensure that the Group will be able to continue as a going concern while increasing the tariffs and the optimization of the debt and equity balance.

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

Summary of significant accounting policies

The information on significant accounting policies and accepted methods, including criteria of recognition, basis for measurement and basis on which revenue and expenses are recognized, with respect to each class of financial assets, financial liabilities and equity instruments is disclosed in Note 4 to the consolidated financial statements.

Objectives of financial risk management

Risk management is an essential element of the Group's operations. The Group controls and manages financial risks related to operations of the Group by analyzing the risk exposure by degree and amount of risk. These risks include market risk, currency risk, liquidity risk and cash flow interest rate risk. The description of the Group's risk management policies is provided below.

Interest rate risk

The Group is exposed to interest rate risk since the Group receives loans with fixed and floating interest rates. The Group manages the risk by appropriate balancing of loans at floating and fixed interest rates.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis was made regarding the exposure to interest rate risk on non-derivative instruments at the reporting date. For liabilities with floating rates an analysis was made assuming that the outstanding liability was not repaid during the entire year. When preparing the management reports on interest rate risk for the key management of the Group an assumption is used on a change in the interest rate by 1%, which meets the expectations of the management regarding the reasonably possible fluctuation of interest rates.

If interest rates on liabilities were 1% higher/lower and all the other variables remained constant, then the profit of the Group for the year ended 31 December 2014, and its retained earnings as at 31 December 2014, would decrease/increase by 301,908 thousand tenge (2013: 77,458 thousand tenge).

Credit risk

Credit risk arising as a result of counterparties' failure to meet the terms of contracts with financial instruments of the Group is normally limited to the amounts, if any, by which the amount of liabilities of the counterparties exceed the Group's liabilities to these counterparties. The Group's policy provides for conducting of operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk equals the carrying amount of each financial asset. The Group believes that its maximum exposure equals the amount of trade accounts receivable (Note 11) and other accounts receivable (Note 14) less provisions for doubtful debts recognized at the reporting date.

A credit risk concentration can arise if one borrower or a group of borrowers with similar operating conditions due several amounts, in relation to which there are grounds to expect that changes in economic conditions or other circumstances may have the same impact on their ability to meet their obligations.

The Group has a policy assuming on going control over performing transactions with customers having adequate credit history and do not exceed established credit limits.

The Group does not act as a guarantor on liabilities of third parties.

(in thousands of Tenge)

Market risk

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

Currency risk

The Group has borrowings denominated in foreign currency, and imports major spare parts for investment program. As result, the Group has assets and liabilities denominated in foreign currencies. The Group minimizes the currency risk by monitoring the changes in exchange rates in which the liabilities are denominated.

Carrying value of monetary assets and liabilities of the Group in foreign currency as at 31 December 2014 and 2013, was as follows:

	Assets		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
US Dollars	1,700,914	2,115,924	25,151,044	12,488,284
Russian roubles	109	-	556,447	74,107
Euro	-	3	-	-

Foreign currency sensitivity analysis

The Group is mainly exposed to risk related to changes in exchange rates of the US dollar. The Group also has deposits denominated in US dollars, which do not expose the Group to a significant risk related to changes in US dollar exchange rate.

The following table reflects the Group's sensitivity to 20% increase or decrease in value of tenge against foreign currencies. 20% – is sensitivity level used in preparation of internal reports on currency risk for key management and represents the management's estimate of justifiably possible changes in exchange rates. The sensitivity analysis includes only unregulated cash positions in foreign currency and adjusts their transfer at the end of the period taking into account 20% change in exchange rates. The sensitivity analysis includes borrowings and other financial assets of the Group denominated in the currency different from the currency of the creditor or borrower. The positive figure indicated below reflects the increase in profits and other equity items when the tenge rate against a respective currency strengthens by 20%. In case of weakening of the tenge rate against a respective currency by 20%, there will be an equal and opposite effect on profits and equity, and the amounts indicated below will be negative.

	Effect of US dollar	
	31 December 2014	31 December 2013
Financial assets	340,183	423,185
Financial liabilities	(5,030,209)	(2,497,657)

This mainly relates to the risk on loans and deposits of the Group denominated in US dollars as at 31 December 2014 and 2013.

(in thousands of Tenge)

Liquidity risk

The Group's shareholders are ultimately responsible for liquidity risk management since they created an appropriate system of liquidity risk management for management of the Group as per the requirements of monitoring of liquidity and short, mid and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, bank loans and available credit lines by constant monitoring of projected and actual cash flow and comparing maturity dates of its financial assets and liabilities.

Liquidity risk tables

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

The table on liquidity risk and interest rate risk as at 31 December 2014, is presented as follows:

	Interest rate	Up to 1 year	1-5 years	Over 5 years	Undefined term	Total
31 December 2014						
Non-interest-bearing:						
Trade accounts receivable		12,610,777	-	-	1,593,272	**14,204,049**
Other accounts receivable, excluding prepaid expenses		2,003,696	-	-	507,594	**2,511,290**
Cash		2,805,932	-	-	-	**2,805,932**
Trade accounts payable		(11,987,285)	(26,288)	(124,890)	-	**(11,987,285)**
Long-term accounts payable		(53,825)	(26,288)	(124,890)	-	**(205,067)**
Other liabilities and accrued expenses, excluding unused vacation and pension contributions		(3,979,008)	-	-	-	**(3,979,008)**
Interest-bearing:						
Other financial assets	2.8-9%	10,392,790	-	-	-	**10,392,790**
Restricted cash	1-9%	1,518,976	-	-	-	**1,518,976**
Bonds issued	6.8-12.5%	(1,337,012)	(18,297,731)	(2,822,841)	-	**(22,457,584)**
Bank loans	Libor+3%, All-in-cost+4.5% 7.5-12%	(14,887,487)	(17,739,085)	(17,096,742)	-	**(49,723,314)**
Finance lease obligation	5%	(150,542)	(752,713)	(150,542)	-	**(1,053,797)**
Net position		(3,063,052)	(36,815,817)	(20,195,015)	2,100,866	**(57,973,018)**

(in thousands of Tenge)

	Interest rate	Up to 1 year	1-5 years	Over 5 years	Undefined term	Total
31 December 2013						
Non-interest-bearing:						
Trade accounts receivable	-	9,781,175	-	-	1,778,120	**11,559,295**
Other accounts receivable, excluding prepaid expenses	-	2,013,735	-	-	513,114	**2,526,849**
Cash	-	3,051,830	-	-	-	**3,051,830**
Long-term accounts payable	-	(76,389)	(46,199)	(104,507)	-	**(227,095)**
Trade accounts payable	-	(7,605,867)	-	-	-	**(7,605,867)**
Other liabilities and accrued expenses, excluding unused vacation and pension contributions	-	(888,988)	-	-	-	**(888,988)**
Interest-bearing:						
Other financial assets	2.8-9%	10,044,735	-	-	-	**10,044,735**
Restricted cash	1-9%	606,109	397,222	50,883		**1,054,214**
Bonds issued	6.8-12.5%	(1,575,719)	(13,646,324)	(7,811,353)	-	**(23,033,396)**
Bank loans	Libor+3%, All-in-cost+4.5%	(10,279,328)	(11,370,299)	(11,070,367)	-	**(32,719,994)**
Net position		5,071,293	(24,665,600)	(18,935,344)	2,291,234	**(36,238,417)**

Fair value of financial instruments

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

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

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

(in thousands of Tenge)

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

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

Level 3 fair values of land, buildings and constructions as well as machinery and equipment have been generally derived engaging an independent appraiser to determine the fair value of property, plant and equipment. The fair value of property, plant and equipment was determined by applying, in the aggregate, the following generally accepted valuation techniques: comparative, income and cost. Management believes that the results of the assessment appropriately reflect the economic conditions of the Group's property, plant and equipment as at 31 December 2014.

37. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated by dividing net profit for the year related to the Parent of the Group by weighted average number of common shares, participating in distribution of net profit, outstanding during the year. The amount of common shares and common shares with diluted effect were equal, since there are no instruments with the potential dilutive effect.

	2014	**2013**
Net profit attributable to the parent	10,012,284	9,510,367
Weighted average number of common shares used for calculating basic earnings per share	34,549,648	32,148,163
Earnings per share, in tenge	289.79	295.83

As at 31 December 2014 and 2013 carrying value of one share by types is presented below.

Type of shares	**Quantity of shares issued**	**Net assets, excluding intangible assets**	**Carrying value per share, in tenge**
31 December 2014:			
Common shares	36,951,133	139,632,550	3,778.84
31 December 2013:			
Common shares	32,148,163	104,079,357	3,237.49

The management of the Group believes that it fully meets requirements of KASE as at reporting date.

38. COMMITMENTS AND CONTINGENCIES

Legal issues

The Group was and continues to be subject to legal proceedings and adjudications which separately or in total did not have any material impact on the Group.

Taxation

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

In particular taxes are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. Although the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the foregoing facts will possibly lead to tax risks for the Group.

During 2014 the Group paid taxes on time on due dates.

Environmental issues

The Group's management believes that at the moment the Group follows current environmental, health and safety laws and regulatory acts of the Republic of Kazakhstan. However, these laws and regulatory acts may change in future. The Group is unable to foresee the timing and degree of changes in the environmental, health and safety laws. In case of such changes the Group might be required to upgrade its technological equipment in order to meet more rigid requirements.

At each reporting date, the Group's management estimates the future obligations and creates a provision for restoration of ash disposal areas as per the legislation of the Republic of Kazakhstan.

Insurance

As at 31 December 2014 and 2013, the Group insured energy generation assets of Heat and Power Plant 2 and 3 and oxygen workshop in Pavlodar and Heat and Power Plant 2 in Petropavlovsk. The Group did not insure other property, plant and equipment. Since the lack of insurance does not represent the decrease in the value of assets or occurrence of liabilities, no provision for unforeseen expenses related to damage or loss of such assets was set up in these consolidated financial statements.

Capital commitments

In 2009, the Resolution of the Government of the Republic of Kazakhstan On Limiting Tariffs was approved: the investment component was included in the power tariff to 2016 for the purpose of reconstruction, modernization and new construction of industrial assets. Subsidiaries of JSC CAEPCO annually conclude agreements with the Ministry of Industry and New Technologies of the Republic of Kazakhstan under the investment program:

(a) JSC PAVLODARENERGO signed an Agreement #244 "On Capital Commitments" with the Ministry of Industry and New Technologies of the Republic of Kazakhstan for 2015. In accordance with this agreement, the Group is required to invest in the construction, modernization and acquisition of fixed assets 9,471,665 thousand tenge until the end of 2015 (8,088,365 thousand tenge until the end of 2014).

(b) JSC SEVKAZENERGO signed an Agreement #236 "On Capital Commitments" with the Ministry of Industry and New Technologies of the Republic of Kazakhstan for 2015. According to this agreement the Group is obliged to invest in construction, modernization and acquisition of property, plant and equipment 7,023,814 thousand tenge till the end of 2015 (6,109,252 thousand tenge until the end of 2014).

Tariffs

The Group approves with the Agency of the Republic of Kazakhstan on regulation of natural monopolies the tariffs on power and heat. Management of the Group believes that it sets tariffs according to the legislation of the Republic of Kazakhstan.

Agreement with the European Bank for Reconstruction and Development

In 2009, the Company concluded a subscription agreement with EBRD, whereby EBRD acquired 24.88% shares of the Company. In 2011, the Parent company, JSC CAPEC, transferred part of its shares to EBRD in accordance with the agreement between the shareholders of the Company. As at 31 December 2014, EBRD owns 24.16% of the Company's shares (31 December 2013: 24.99%) (Note 16). In accordance with EBRD loan agreements, the Group shall comply with financial covenants.

Pavlodar heat networks LLP and Petropavlovsk Heat Network LLP shall comply with debt service coverage ratio of not less than 1.25 and financial debt to EBITDA of not more than 4 and JSC Sevkazenergo shall comply with current ration of not less than 1. However, as at 31 December 2014, subsidiaries had breached these financial ratios. The breach of ratios does not automatically trigger early repayment of any amount outstanding. Management informed EBRD of the breach prior to year-end and have been in regular communication with EBRD regarding an action plan on this point. On 21 April 2015 and 1 May 2015, the subsidiaries received a waiver letter from EBRD on noncompliance with these financial ratios as at 31 December 2014.

Agreement with the Islamic Infrastructure Fund (IIF)

In 2011, the Company concluded a subscription agreement with IIF (represented by KAZ HOLDINGS COOPERATIEF U.A.), whereby IIF acquired 12.89% shares of the Company. As at 31 December 2014 IIF owns 11.22% of the Company's shares (31 December 2013: 12.89%) (Note 16). Pursuant to the terms of the agreement the Group shall meet a number of covenants. Management of the Company believes that as at 31 December 2014, the Group did not violate any covenants of the agreement and met all the requirements.

39. EVENTS AFTER THE REPORTING DATE

Tariffs

Starting from 1 January 2015, the Department of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan approved the following changes in tariffs for JSC PAVLODARENERGO:

- power transmission and distribution services decreased in average by 8.7%;
- heat distribution and transmission services in average increased by 2.5%;

Pursuant to the agreement, On Capital Commitments between JSC PAVLODARENERGO and Ministry of Industry and New Technologies of the Republic of Kazakhstan maximum tariff for power production for 2015 increased in average by 8.7%.

Pursuant to the agreement, On Capital Commitments between JSC SEVKAZENERGO and Ministry of industry and new technologies of the Republic of Kazakhstan maximum tariff for power production for 2015 increased in average by 12.6%.

Starting 1 January 2015 according to the order of the Department of the Agency for Regulation of Natural Monopolies of Akmola region approved tariffs for power sales to businesses by 12.5% and to individuals by 10.2%.

Loans

On 10 February 2015, JSC PAVLODARENERGO received a tranche from EBRD of 2,250,000 thousands of tenge.

In 2015, the Group received short-term borrowings under the credit line agreement with JSC Sberbank in the amount of 1,040,000 thousands of tenge with interest rate at 10% per annum.

On 16 April 2015, the Group received 10,000 thousand US dollars under loan agreement concluded with Asian Development Bank.

Dividends

In 2015, the Group has paid dividends of 1,160,290 thousands tenge to the shareholders.