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

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

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

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

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 2015, the results of its operations, cash flows and changes in shareholder's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management 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 and IFRS;
- 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 2015 were approved by management on 29 April 2016.

On behalf of management of the Group:

Amirkhanov Y.A.	**Kassymkhanova K.E.**
President	**Chief Accountant**
29 April 2016	29 April 2016
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

CAEPCO

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Board of Directors 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 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 financial position of the Group as at 31 December 2015, 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

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

29 April 2016
Almaty, Republic of Kazakhstan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

(in thousands of Tenge)

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	228,987,976	206,284,356
Goodwill	7	2,424,419	2,424,419
Intangible assets		1,557,159	238,363
Deferred tax asset	31	678,959	116,716
Other financial assets	9	210,000	969,700
Advances paid	8	3,865,706	6,052,173
Other non-current assets		384,360	480,006
Total non-current assets		238,108,579	216,565,733
CURRENT ASSETS:			
Inventories	10	6,412,643	6,593,785
Trade accounts receivable	11	13,669,521	12,610,777
Advances paid	8	1,442,893	1,288,714
Income tax prepaid		509,955	404,807
Other current assets	12	2,431,636	3,496,079
Other financial assets	9	14,276,758	10,263,905
Cash	13	2,279,387	2,805,932
Total current assets		41,022,793	37,463,999
TOTAL ASSETS		279,131,372	254,029,732
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	14	46,043,272	46,043,272
Additional paid-in capital	15	1,348,105	1,348,105
Revaluation reserve on property, plant and equipment		47,502,275	51,005,740
Retained earnings		34,727,976	41,473,796
Total equity		129,621,628	139,870,913
NON-CURRENT LIABILITIES:			
Bonds issued	16	22,331,233	15,516,792
Loans	17	52,676,536	29,180,380
Deferred revenue	18	1,268,695	1,358,972
Deferred tax liabilities	31	31,649,648	31,809,901
Ash disposal area restoration liabilities		351,710	476,390
Finance lease obligations	19	672,195	787,815
Employee benefit obligations		119,690	111,952
Other long-term payables		223,657	205,095
Total non-current liabilities		109,293,364	79,447,297

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

	Notes	31 December 2015	31 December 2014
CURRENT LIABILITIES:			
Current portion of bonds issued	16	754,846	627,078
Loans	17	14,260,908	13,608,183
Trade accounts payable	20	19,521,841	11,987,285
Advances received	21	2,161,570	3,030,985
Income tax payable		-	6,812
Current portion finance lease obligations	19	115,620	109,993
Current portion of ash disposal area restoration liabilities		53,587	-
Current portion of employee benefit obligations		11,427	12,610
Other liabilities and accrued expenses	22	3,336,581	5,328,576
Total current liabilities		40,216,380	34,711,522
TOTAL EQUITY AND LIABILITIES		279,131,372	254,029,732

Signed on behalf of management of the Group:

Amirkhanov Y.A.	**Kassymkhanova K.E.**
President	**Chief Accountant**
29 April 2016	29 April 2016
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

The notes on pages 10-55 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-3.

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 2015

(in thousands of Tenge)

	Notes	2015	2014
REVENUE	23	107,932,528	107,783,546
COST OF SALES	24	(84,144,330)	(82,575,262)
GROSS PROFIT		23,788,198	25,208,284
General and administrative expenses	25	(7,743,757)	(7,653,966)
Selling expenses	26	(1,927,558)	(1,767,612)
Finance costs	27	(3,772,955)	(2,867,484)
Finance income	28	917,251	861,332
Foreign exchange loss, net	29	(20,031,129)	(861,561)
Loss on impairment of property, plant and equipment	6	-	(466,351)
Other income	30	429,403	2,132,481
(LOSS)/PROFIT BEFORE TAXATION		(8,340,547)	14,585,123
INCOME TAX BENEFIT/(EXPENSE)	31	726,860	(3,603,466)
(LOSS)/PROFIT FOR THE YEAR		(7,613,687)	10,981,657
Attributable to:			
Parent		(7,613,687)	10,012,284
Non-controlling interests		-	969,373
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 (LOSS)/INCOME FOR THE YEAR		(7,613,687)	45,283,557
Attributable to:			
Parent		(7,613,687)	44,193,176
Non-controlling interests		-	1,090,381
(Loss)/earnings per share, in tenge	34	(206.05)	289.79

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

29 April 2016
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

29 April 2016
Almaty, Republic of Kazakhstan

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(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 2014		**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		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	14	-	-	-	(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 income tax		-	-	-	(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**
Loss for the year		-	-	-	(7,613,687)	(7,613,687)	-	(7,613,687)
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(7,613,687)	(7,613,687)	-	(7,613,687)
Amortization of revaluation reserve on property, plant and equipment		-	-	(3,503,465)	3,503,465	-	-	-
Dividends declared	14	-	-	-	(2,635,598)	(2,635,598)	-	(2,635,598)
At 31 December 2015		**46,043,272**	**1,348,105**	**47,502,275**	**34,727,976**	**129,621,628**	**-**	**129,621,628**

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

29 April 2016
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

29 April 2016
Almaty, Republic of Kazakhstan

Акционерное общество "Центрально-Азиатская Электроэнергетическая Корпорация"
Орталық-Азия Электроэнергетикалық Корпорациясы" Акционерлік қоғамы
CAEPCO
Республика Казахстан г. Алматы

The notes on pages 10-55 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-3.

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

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

	Notes	2015	2014
OPERATING ACTIVITIES:			
(Loss)/profit before taxation		(8,340,547)	14,585,123
Adjustments for:			
Depreciation and amortization	24, 25, 26, 30	9,421,150	6,581,828
Finance costs	27	3,772,955	2,867,484
Foreign exchange loss	29	20,031,129	861,561
Loss on impairment of property, plant and equipment	6	-	466,351
Accrual of allowance for doubtful debts	25	287,810	56,599
Gain on write-off of accounts payables	30	(54,984)	(66,164)
Accrual of provision for unused vacations	24, 25, 26	34,288	58,523
Accrual of allowance for obsolete and slow-moving inventories	10, 25	385	46,436
Employee benefit expenses		30,729	15,316
Loss/(gain) on disposal of property, plant and equipment	30	109,412	(814,567)
Finance income	27	(917,251)	(861,332)
Other adjustments		(12,671)	(3,867)
Operating cash flow before changes in working capital		24,362,405	23,793,291
Change in inventories		180,757	(1,702,811)
Change in trade accounts receivable		(1,241,721)	(2,960,317)
Change in advances paid		(180,654)	278,246
Change in other current assets		50,034	(48,313)
Change in trade accounts payable		(187,148)	4,498,313
Change in deferred revenue		(35,028)	894
Change in advances received		(869,415)	(417,199)
Change in employee benefit obligations		(24,174)	708
Change in other liabilities and accrued expenses		422,167	(412,529)
Cash provided by operating activities		22,477,223	23,030,283
Income tax paid		(382,931)	(627,665)
Interest paid		(4,899,733)	(3,515,531)
Net cash provided by operating activities		17,194,559	18,887,087

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

	Notes	2015	2014
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(22,048,099)	(31,152,746)
Acquisition of intangible assets		(886,224)	(113,677)
Acquisition of non-controlling interest		(1,878,449)	(5,401,551)
Proceeds from disposal of property, plant and equipment		270,587	1,866,709
Cash placed on deposits		(15,441,034)	(16,897,285)
Cash withdrawn from deposits and interest received		15,341,026	17,000,162
Cash returned from guarantee fees		-	(58,040)
Change in long term advances		1,738,662	3,608,811
Net cash used in investing activities		(22,903,531)	(31,147,617)
FINANCING ACTIVITIES:			
Proceeds from loans		24,205,767	27,755,192
Proceeds from issuance of bonds		6,665,356	1,199,999
Repayment of loan from related party		973,996	-
Finance lease		(150,542)	-
Repayment of loans		(23,715,221)	(15,366,365)
Dividends paid		(2,981,929)	(1,094,846)
Repayment of bonds		-	(564,839)
Net cash generated from financing activities		4,997,427	11,929,141
NET DECREASE IN CASH		(711,545)	(331,389)
CASH at the beginning of the year	13	2,805,932	3,051,830
Effect of exchange rate changes on the cash balance of cash held in foreign currencies		185,000	85,491
CASH at the end of the year	13	2,279,387	2,805,932

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

29 April 2016
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

29 April 2016
Almaty, Republic of Kazakhstan

The notes on pages 10-55 form an integral part of these consolidated financial statements. Independent Auditor's Report is on pages 2-3.

(in thousands of Tenge)

1. GENERAL INFORMATION

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

During 2015, JSC Central-Asian Power Energy Company (JSC CAPEC) has sold 7.25% of its shares in CAEPCO to KIF ENERGY S.A'R.L., CKIF ENERGY S.A'R.L., and JSC Baiterek Venture Fund. As a result, as at 31 December 2015, the shareholders of the Company were JSC CAPEC (57.37%), European Bank for Reconstruction and Development (EBRD) (24.16%), KAZ HOLDINGS COOPERATIEF U.A. (11.22%), KIF ENERGY S.A'R.L. (4.35%), CKIF ENERGY S.A'R.L. (1.45%), and JSC Baiterek Venture Fund (1.45%) (Note 14) (31 December 2014: 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 2015 and 2014 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 2015	Ownership interest 2014	Principal activity
JSC PAVLODARENERGO	Pavlodar	100%	100%	Production, transmission, distribution and sale of power and heat
JSC SEVKAZENERGO	Petropavlovsk	100%	100%	Production, transmission, distribution and sale of power and heat
JSC Akmola Electricity Distribution Network Company	Astana	100%	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 14).

The principal activity of the Group is production, transmission, distribution, and sale of the power and heat in Pavlodar and Petropavlovsk cities, sale of 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 2015 and 2014 was 10,779 and 10,639 persons, respectively.

On 25 August 2015 Fitch International Rating Agency confirmed the following credit ratings to the Company:

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

2. OPERATING ENVIRONMENT

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

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

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

3. 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 pricing 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 share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Going concern

The consolidated financial statements have been prepared based on the assumption that the Group will continue its operations in the foreseeable future. However, as disclosed in Note 2, in 2015 tenge depreciated significantly against major foreign currencies and in the result net loss of the Group for the year ended 31 December 2015 is 7,613,687 thousand tenge, which mainly occurred due to foreign exchange loss. Also as at 31 December 2015, the Group failed to comply with loan covenants as disclosed in Notes 17 and 35.

Management believes that the Group will realize its assets and discharge its liabilities in the normal course of business, because the Management developed measures to improve profitability, including:

- steady increase in tariffs;
- increase in output;
- reduction of electricity and heat losses through the introduction of ASCAPC ("Automatic system for commercial accounting of power consumption"), installation of meter readings of electric and heat energy for household consumers, reconstruction, rehabilitation and modernization of transmission lines and district heating networks; and
- improving the environmental performance of production.

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

The Group received waiver letters from banks on noncompliance with aforementioned financial ratios.

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

(in thousands of Tenge)

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 (hereinafter - the IFRIC), which came into effect on the consolidated financial statements for the year ended 31 December 2015:

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

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

	Effective date[1] **-** for annual periods beginning on or after
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

[1] Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.

[2] The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

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

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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 purpose, 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% that 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%.

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

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

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.

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 chief operating decision maker for the purpose of allocation of resources and assessment of performance, as well as having analyzed aggregation criteria, the Group identifies the following operating segments, which are production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power, and other. The Group mainly operates in three regions: Pavlodar, North-Kazakhstan and Akmola.

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, it has power over the investee when the voting rights are sufficient to give it the 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.

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 2015	31 December 2014
US Dollar	339.47	182.35
Russian Rouble	4.65	3.17

(in thousands of Tenge)

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

	2015	2014
US Dollar	222.25	179.12
Russian Rouble	3.62	4.75

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

Cash

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

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.

Loans and debt securities

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.

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 2015 and 2014 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 160,230 tenge per month in 2015 (2014: not more than 149,745 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.

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.

(in thousands of Tenge)

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 2015					
Key operational activities	**Production of heat and power**	**Transmission and distribution of power**	**Transmission and distribution of heat**	**Sale of heat and power**	**Other**	**Total**
Revenue	56,925,393	18,954,981	5,452,847	87,313,578	571,842	169,218,641
Intrasegment revenue	(9,092,883)	(290,585)	(29,696)	(51,545,296)	(327,653)	(61,286,113)
Revenue	47,832,510	18,664,396	5,423,151	35,768,282	244,189	107,932,528
Cost of sales	(28,419,100)	(15,040,695)	(6,007,051)	(34,464,707)	(212,777)	(84,144,330)
General and administrative expenses	(1,867,009)	(1,971,972)	(1,579,119)	(1,638,036)	(687,621)	(7,743,757)
Selling expenses	(9,724)	-	-	(1,917,834)	-	(1,927,558)
Finance cost	(2,475,998)	(271,112)	(64,489)	(405,100)	(556,256)	(3,772,955)
Finance income	223,228	177,559	12,030	1,179	503,255	917,251
Foreign exchange loss	(11,252,642)	(4,563,506)	(1,356,604)	(479,197)	(2,379,180)	(20,031,129)
Other income	45,333	196,517	(95,689)	292,454	(9,212)	429,403
Income tax benefit	(890,200)	498,963	376,224	534,885	206,988	726,860
Loss for the year	3,186,398	(2,309,850)	(3,291,547)	(2,308,074)	(2,890,614)	(7,613,687)
Other key segment information						
Capital expenditure on property, plant and equipment	23,784,256	7,623,702	902,857	82,138	48,298	32,441,251
Depreciation of property, plant and equipment	6,083,551	2,392,867	805,276	85,663	12,071	9,379,428

(in thousands of Tenge)

	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

(in thousands of Tenge)

6. PROPERTY, PLANT AND EQUIPMENT

Revalued cost	**Land, buildings and constructions**	**Machinery and production equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
At 1 January 2014	**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)	(1,364,804)
At 31 December 2014	**27,353,682**	**155,594,900**	**1,953,868**	**269,590**	**21,434,656**	**206,606,696**
Additions	286,283	409,926	196,508	67,252	31,481,282	32,441,251
Internal transfers	7,445,827	28,362,279	22,136	(33,266)	(35,796,976)	-
Disposals	(191,857)	(202,176)	(9,016)	13,809	(137,246)	(526,486)
At 31 December 2015	**34,893,935**	**184,164,929**	**2,163,496**	**317,385**	**16,981,716**	**238,521,461**
Accumulated depreciation and impairment						
At 1 January 2014	**(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	17,022,667	924,421	158,029	-	21,246,276
Disposals	6,539	321,567	12,705	12,696	-	353,507
At 31 December 2014	**(212,462)**	**(97,291)**	**(8,563)**	**(4,024)**	**-**	**(322,340)**
Depreciation charge for the year	(1,990,670)	(6,883,504)	(425,653)	(79,601)	-	(9,379,428)
Disposals	151,566	12,497	1,510	2,710	-	168,283
At 31 December 2015	**(2,051,566)**	**(6,968,298)**	**(432,706)**	**(80,915)**	**-**	**(9,533,485)**
Net book value						
At 31 December 2015	**32,842,369**	**177,196,631**	**1,730,790**	**236,470**	**16,981,716**	**228,987,976**
At 31 December 2014	**27,141,220**	**155,497,609**	**1,945,305**	**265,566**	**21,434,656**	**206,284,356**

(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 2015	23,320,055	122,974,617	1,114,901	138,709	16,981,716	**164,529,998**
At 31 December 2014	17,085,672	100,440,576	1,060,891	132,316	21,434,656	**140,154,111**

During 2015 the Group capitalized to the cost of property, plant and equipment interest on bank loans and foreign exchange loss on revaluation of loans in foreign currency, reduced by the amount of interest income and exchange rate differences resulting from the temporary investment of loans to deposits of 2,751,045 thousand tenge (2014: 1,664,901 thousand tenge).

As at 31 December 2015 and 2014, net book value of pledged property, plant and equipment was equal to 119,858,844 thousand tenge and 100,194,983 thousand tenge, respectively (Note 17).

As at 31 December 2015 and 2014, fully depreciated property, plant and equipment at revalued cost amounted to 171,173 thousand tenge and 109,521 thousand tenge, respectively.

7. GOODWILL

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 2014	1,687,141	737,278	2,424,419
Goodwill recognized at 31 December 2015	1,687,141	737,278	2,424,419

(in thousands of Tenge)

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Sale of heat and power;
- Transmission and distribution of power.

The recoverable amount of these cash-generating units is determined based on a value in use calculation which uses cash flow projections based on five-year financial budgets and a discount rate of 11.68% per annum approved by management of the Company.

Cash flow projections for a period of planning (5 years) are based on the expected rate of return and inflation of prices for services and materials during the period of planning. Cash flows beyond this period are extrapolated based on the constant growth rate of 9% per annum (2014 – 10.5%). Management believes that any reasonably possible change in key assumptions in determining the recoverable amount not cause the carrying value of the cash-generating units of their recoverable amounts.

8. ADVANCES PAID

	31 December 2015	31 December 2014
For property, plant and equipment	3,866,536	6,073,298
For services	831,089	684,509
For goods	615,250	604,651
Other	34,322	10,847
	5,347,197	7,373,305
Allowance for impairment of advances	(38,598)	(32,418)
	5,308,599	7,340,887
Non-current	3,865,706	6,052,173
Current	1,442,893	1,288,714
	5,308,599	7,340,887

(in thousands of Tenge)

9. OTHER FINANCIAL ASSETS

	31 December 2015	31 December 2014
Deposits	14,468,366	11,233,593
Interest receivable	18,392	12
	14,486,758	11,233,605
Current	14,276,758	10,263,905
Non-current	210,000	969,700
	14,486,758	11,233,605
Included:		
Cash restricted in use:		
Cash on the debt service reserve accounts	487,918	650,028
Minimal amount on deposits	1,337,000	798,866
	1,824,918	1,448,894

Cash restricted in use are presented on the debt service reserve accounts, as required under the loan agreement entered into between the Group and the EBRD and are intended for the payment of principal and interest of loans, accumulated over a six-month period preceding the date of payment. These funds may be used exclusively for purposes defined by the credit agreement with the EBRD.

In 2015, the Group recognized interest income totaling to 712,030 thousand tenge (2014: 644,996 thousand tenge) (Note 28).

In 2015, interest rates on deposits in tenge and US dollars were 5.2% - 7.7% and 2.8% - 3.5%, respectively.

As at 31 December 2015 and 2014, other financial assets were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	10,430,052	9,607,059
US Dollars	4,056,706	1,626,546
	14,486,758	11,233,605

(in thousands of Tenge)

10. INVENTORIES

	31 December 2015	31 December 2014
Spare parts and materials for maintenance	5,836,070	5,170,099
Coal and fuel oil	718,434	1,565,162
	6,554,504	6,735,261
Allowance for obsolete and slow-moving inventories	(141,861)	(141,476)
	6,412,643	6,593,785

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

	2015	2014
At 1 January	(141,476)	(95,040)
Accrued (Note 25)	(385)	(46,436)
At 31 December	(141,861)	(141,476)

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2015	31 December 2014
Sale and transmission of power and heat	14,577,584	13,965,350
Other	271,320	238,699
	14,848,904	14,204,049
Allowance for doubtful debts	(1,179,383)	(1,593,272)
	13,669,521	12,610,777

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:

	2015	2014
At 1 January	(1,593,272)	(1,778,120)
Accrued	(182,977)	(15,756)
Written-off against previously created allowance	596,866	200,604
At 31 December	(1,179,383)	(1,593,272)

(in thousands of Tenge)

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

	31 December 2015	31 December 2014
90-180 days	20,165	27,722
181-270 days	39,196	88,381
271-365 days	193,300	242,589
more than 365 days	926,722	1,234,580
	1,179,383	1,593,272

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%).

As at 31 December 2015 and 2014, trade accounts receivable were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	13,669,411	12,610,699
Russian rouble	110	78
	13,669,521	12,610,777

12. OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
Prepaid taxes	1,063,752	1,422,886
Receivables from litigations and accrued fines	717,804	784,077
Receivables from employees	331,722	289,775
Prepaid expenses	77,686	69,497
Receivable from a related party	-	873,881
Other	690,326	563,557
	2,881,290	4,003,673
Allowance for doubtful debts	(449,654)	(507,594)
	2,431,636	3,496,079

As at 31 December 2015 and 2014, receivables from litigations and accrued fines were represented by fines charged to suppliers and customers for the late fulfillment of the terms of the contracts for delivery of materials, construction works and acquisition of heat and power.

(in thousands of Tenge)

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

	2015	2014
At 1 January	(507,594)	(513,114)
Accrued	(99,579)	(59,581)
Written off against previously created allowance	157,519	65,101
At 31 December	(449,654)	(507,594)

13. CASH

	31 December 2015	31 December 2014
Cash in banks	2,064,895	2,523,598
Petty cash	167,234	256,184
Cash in broker's account	8,655	8,655
Cash in transit	38,603	17,495
	2,279,387	2,805,932

As at 31 December 2015 and 2014, cash were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	2,126,066	2,731,533
US Dollars	151,461	74,368
Russian roubles	1,860	31
	2,279,387	2,805,932

14. SHARE CAPITAL

	31 December 2015		31 December 2014	
	Interest	Number of shares	Interest	Number of shares
JSC CAPEC	57.37%	21,198,744	64.62%	23,877,171
EBRD	24.16%	8,928,508	24.16%	8,928,508
KAZ HOLDINGS COOPERA-TIEF U.A.	11.22%	4,145,454	11.22%	4,145,454
Others	7.25%	2,678,427	-	-
	100%	36,951,133	100%	36,951,133

Authorized share capital of the Group was 50,000,000 common shares. As 31 December 2015 and 2014, the number of unallocated common shares was 13,048,867. As at 31 December 2015 and 2014, fully paid common shares amounted to 46,043,272 thousands tenge.

In 2015, the Group declared dividends of 2,635,598 thousand tenge for 2014 financial results (2014: 2,344,652 thousand tenge for 2013 financial results).

In November 2015, JSC CAPEC has sold 7.25% of its shares in CAEPCO to KIF ENERGY S.A'R.L., CKIF ENERGY S.A'R.L., and JSC Baiterek Venture Fund.

In July 2014 the major shareholder, JSC CAPEC, 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) to 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.

15. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2015 and 2014, additional paid-in capital of 1,348,105 thousand tenge 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.

(in thousands of Tenge)

16. BONDS ISSUED

	Maturity date	Interest rate, per annum	31 December 2015	31 December 2014
KZ2C0Y10C606	10 July 2017	6%-13%	7,901,620	7,901,620
KZ2C0Y10D695	10 January 2020	12.5%	8,000,000	6,067,590
KZ2P01Y10E533	6 November 2023	6%	5,676,183	2,276,183
KZ2P02Y10E531	6 June 2025	6%	1,700,000	-
Accrued interest			754,846	627,078
Premium			400,555	237,588
Discount			(1,341,408)	(393,289)
Repurchase of own bonds			(5,717)	(572,900)
			23,086,079	16,143,870
Less: current portion of bonds issued			(754,846)	(627,078)
			22,331,233	15,516,792

The bonds issued are repayable as follows:

	31 December 2015	31 December 2014
In the second to the fifth years inclusive	16,070,043	7,512,420
After five years and later	6,261,190	8,004,372
	22,331,233	15,516,792

(in thousands of Tenge)

17. LOANS

	31 December 2015	31 December 2014
Principal amount of loans	67,451,443	43,529,025
Interest payable - long-term loans	558,594	344,737
Interest payable - short-term loans	76,686	114,878
Less:		
Fair value adjustment of loan	(858,794)	(886,630)
Unamortized part of lump-sum commission	(290,485)	(313,447)
	66,937,444	42,788,563
Less:		
Short-term loans	(12,487,741)	(9,763,364)
Current portion of long-term loans	(1,773,167)	(3,844,819)
	(14,260,908)	(13,608,183)
Long-term loans	52,676,536	29,180,380

The loans are repayable as follows:

	31 December 2015	31 December 2014
During the second year	6,282,724	2,507,811
In the second to the fifth years inclusive	24,534,803	14,787,459
After five years	21,859,009	11,885,110
	52,676,536	29,180,380

As at 31 December 2015 and 2014, long-term and short-term loans were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	21,075,147	18,013,981
US Dollars	46,376,296	25,515,044
	67,451,443	43,529,025

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

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

(in thousands of Tenge)

Effective interest rate for long-term loans denominated in tenge and US dollars amounted to 9.25% - 10% per annum and 3.28% - 4.07% per annum, respectively (2014: 9.45% - 10.12% and 3.7% per annum, respectively).

Effective interest rate for short-term loans denominated in tenge and US dollars amounted to 15% - 18% per annum and 6.5% per annum, respectively (2014: 7.5% - 14% and 6.5% per annum).

In accordance with loan agreements, the Group shall comply with: interest coverage ratio of not less than 4; the financial debt to EBITDA of not more than 4; debt service coverage ratio of not less than 1.25, and a current ratio of not less than 1. However, as at 31 December 2015, the Group breached these financial ratios.

As of 31 December 2015 and 2014 long-term loans are secured by property, plant and equipment (Note 6).

18. DEFERRED REVENUE

	31 December 2015	31 December 2014
Fair value adjustment of loan	932,933	943,979
Adjustment of guarantee fees	257,182	327,377
Government subsidies	78,580	87,616
	1,268,695	1,358,972

19. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	150,542	150,542	115,620	109,993
Later than one year but not later than 5 years	752,713	752,713	672,195	640,362
After 5 years	-	150,542	-	147,453
	903,255	1,053,797	787,815	897,808
Less: future finance charges	(115,440)	(155,989)	-	-
Present value of minimum lease payments	787,815	897,808	787,815	897,808

	31 December 2015	31 December 2014
Included:		
- current	115,620	109,993
- non-current	672,195	787,815
	787,815	897,808

20. TRADE ACCOUNTS PAYABLE

(in thousands of Tenge)

	31 December 2015	31 December 2014
For property, plant and equipment	9,436,472	2,001,171
For purchased goods	6,824,752	7,190,735
For purchased services	3,207,179	2,005,129
Other	53,438	790,250
	19,521,841	11,987,285

As at 31 December 2015 and 2014, trade accounts payable were denominated in the following currencies:

	31 December 2015	31 December 2014
Tenge	17,491,566	11,430,838
Russian roubles	2,030,275	556,447
	19,521,841	11,987,285

21. ADVANCES RECEIVED

As at 31 December 2015 and 2014, advances received of 2,161,570 thousand tenge and 3,030,985 thousand tenge, respectively, mainly included advances received for delivery of power and heat.

22. OTHER LIABILITIES AND ACCRUED EXPENSES

	31 December 2015	31 December 2014
Dividends payable	932,521	1,278,852
Taxes payable	703,654	769,581
Payables to employees	681,354	612,255
Provisions for unused vacations	439,535	421,280
Pension contributions	160,263	158,707
Current portion of guarantee fees for additional capacity	29,393	43,345
Payables for shares	-	1,878,450
Other	389,861	166,106
	3,336,581	5,328,576

(in thousands of Tenge)

23. REVENUE

	2015	2014
Sale of power	63,559,301	63,263,117
Sale of heat	20,041,491	19,296,456
Transmission of power	18,664,396	19,520,422
Transmission of heat	5,423,151	5,499,559
Other	244,189	203,992
	107,932,528	107,783,546

24. COST OF SALES

	2015	2014
Heat and power purchased for resale	19,213,435	24,944,255
Transmission and distribution of heat and power	15,850,901	14,643,241
Coal and fuel oil	14,659,585	13,612,252
Services received	9,532,914	7,916,594
Payroll expenses and related taxes	9,462,318	8,539,789
Depreciation and amortization	9,050,623	6,217,447
Inventories	3,679,355	3,689,678
Accrual of provision for unused vacation	14,675	18,540
Other	2,680,524	2,993,466
	84,144,330	82,575,262

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Payroll expenses and related taxes	2,893,487	2,978,905
Taxes, other than income tax	1,346,182	1,283,786
Services received	1,244,536	996,886
Accrual of allowance for doubtful debts	287,810	56,599
Depreciation and amortization	245,024	245,518
Inventories	189,071	181,270
Accrual of allowance for obsolete and slow-moving inventories (Note 10)	385	46,436
Accrual of provision on unused vacation	23,957	39,983
Other	1,513,305	1,824,583
	7,743,757	7,653,966

(in thousands of Tenge)

26. SELLING EXPENSES

	2015	2014
Payroll expenses and related taxes	1,382,897	1,208,302
Services received	315,654	242,171
Inventories	84,910	88,351
Depreciation and amortization	47,664	55,300
(Reversal)/accrual of provision on unused vacation	(4,344)	3,327
Other	100,777	170,161
	1,927,558	1,767,612

27. FINANCE COSTS

	2015	2014
Interest expenses on bonds issued	1,791,615	1,483,125
Interest expenses on bank loans	1,765,442	1,250,509
Other	215,898	133,850
	3,772,955	2,867,484

28. FINANCE INCOME

	2015	2014
Interest income from cash placed on the deposits (Note 9)	712,030	644,996
Other	205,221	216,336
	917,251	861,332

29. FOREIGN EXCHANGE LOSS, NET

	2015	2014
Foreign exchange loss from revaluation of loans	(22,197,361)	(1,524,567)
Foreign exchange income form revaluation of deposits	2,150,257	248,171
Foreign exchange income from revaluation of cash	185,000	85,490
Other foreign exchange (loss)/gain	(169,025)	329,345
	(20,031,129)	(861,561)

(in thousands of Tenge)

30. OTHER INCOME

	2015	2014
Income from penalties for incompliance with the terms of the contract	250,661	751,386
Gain on write-off of accounts payable	54,984	66,164
Loss/(gain) on disposal of property, plant and equipment	(109,412)	814,567
Depreciation charge of property, plant and equipment transferred to operating lease	(77,839)	(63,563)
Other income	311,009	563,927
	429,403	2,132,481

31. 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 2015 and 2014, income tax rate was 20%.

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

	2015	2014
Current income tax expense	-	335,082
Current income tax expense related to prior years	(3,241)	-
Deferred income tax (benefit)/expense	(723,619)	3,268,384
Income tax (benefit)/expense	(726,860)	3,603,466

As at 31 December 2015 and 2014, deferred tax assets and liabilities were as follows:

Deferred tax asset as a result of:	**31 December 2015**	**31 December 2014**
Tax losses carried-forward	6,140,309	1,865,330
Other temporary differences	553,045	570,457
Total deferred tax asset	6,693,354	2,435,787
Deferred tax liabilities as a result of:		
Carrying value of property, plant and equipment and intangible assets	(37,631,380)	(34,092,945)
Other temporary differences	(32,663)	(36,027)
Total deferred tax liabilities	(37,664,043)	(34,128,972)
Deferred tax liabilities, net, including:	(30,970,689)	(31,693,185)
Deferred tax liabilities, net	(31,649,648)	(31,809,901)
Deferred tax asset, net	678,959	116,716

(in thousands of Tenge)

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

	2015	**2014**
Balance at 1 January	(31,693,185)	(19,857,388)
Decrease/(increase) in deferred tax liabilities	722,496	(11,835,797)
Balance at 31 December	**(30,970,689)**	**(31,693,185)**

Recorded:	**2015**	**2014**
in profit or loss	723,619	(3,268,384)
in other comprehensive income	-	(8,575,475)
in equity	(1,123)	8,062
	722,496	(11,835,797)

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:

	2015	**2014**
Loss/(profit) before taxation	(8,340,547)	14,585,123
Tax at statutory rate of 20%	(1,668,109)	2,917,025
Effect of change in unrecognized deferred tax assets	498,191	194,253
Income tax related to prior periods	906	4,565
Tax effect of permanent differences	442,152	487,623
Income tax (benefit)/expenses	(726,860)	3,603,466

According to the tax legislation of the Republic of Kazakhstan, tax losses can be offset against taxable income within 10 years from the time of their occurrence. The Group has estimated the expected amount of tax losses to be offset against future taxable income during the 2016-2025. As a result, the Group did not recognize deferred tax assets arising from the part of the accumulated tax losses, that will not be used in the future, of 2,490,455 thousand tenge (December 31 2014: 971,265 thousand tenge).

32. 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:

	Sale of services		Purchase of services		Purchase of assets	
Name	2015	2014	2015	2014	2015	2014
JSC CAPEC	57	83	164,745	163,058	-	-
EBRD	-	-	4,859	-	-	-
Subsidiaries of JSC CAPEC	1,186,294	1,011,495	291,978	54,514	180,420	-
Associates of JSC CAPEC	9,491	197	58,794	128,530	-	66
	1,195,842	1,011,775	520,376	346,102	180,420	66

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

	Due from related party		Due to related party	
Name	31 December 2015	31 December 2014	31 December 2015	31 December 2014
JSC CAPEC	14	974,006	36,548	435,252
EBRD	-	-	636,840	-
Subsidiaries of JSC CAPEC	766,611	1,746,639	13,220	846
Associates of JSC CAPEC	3,157	1,211	301,717	883,898
	769,782	2,721,856	988,325	1,319,996

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:

	Loans, including interest payable, from related parties		Deposits in bank, related party		Cash in bank, related party	
Name	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EBRD	43,593,215	23,390,055	-	-	-	-
Associates of JSC CAPEC	-	-	14,329,352	10,869,547	1,748,443	2,242,696
	43,593,215	23,390,055	14,329,352	10,869,547	1,748,443	2,242,696

For the year ended 31 December 2015 and 2014 the Group had the following financial operations with related parties:

	Interest expense, accrued on loans from related parties		Interest income, accrued on deposits held in bank, related party	
Name	2015	2014	2015	2014
JSC CAPEC	-	-	82,296	-
EBRD	1,801,956	1,022,551	-	-
Associates of JSC CAPEC	-	2,484	845,038	701,340
	1,801,956	1,025,035	927,334	701,340

(in thousands of Tenge)

Key personnel of the Group

In 2015, compensation to the Board of Directors and other key management personnel of the Group in the form of salary and bonuses amounted to 604,977 thousand tenge (2014: 500,676 thousand tenge).

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICY AND ITS OBJECTIVES

The Group's major financial instruments are other financial assets, cash, loans, bonds, finance lease obligations as well as accounts receivable and accounts payable. The main risks attributable to the Group's financial instruments are currency risk, 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 2015	31 December 2014
Financial assets		
Other financial assets (Note 9)	14,486,758	11,233,605
Trade accounts receivable (Note 11)	13,669,521	12,610,777
Other accounts receivable, excluding prepaid expenses and prepaid taxes (Note 12)	1,290,198	2,003,696
Cash (Note 13)	2,279,387	2,805,932
Financial liabilities		
Bonds issued (Note 16)	23,086,079	16,143,870
Loans (Note 17)	66,937,444	42,788,563
Finance lease obligations (Note 19)	787,815	897,808
Trade accounts payable (Note 20)	19,521,841	11,987,285
Other liabilities and accrued expenses, excluding provision for unused vacation and pension contributions (Note 22)	2,736,783	4,748,589

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's operations are exposed to interest rate risk as it has borrowings with fixed and floating interest rates. The Group manages the interest rate risk by retaining balanced ratio of loans and borrowings with fixed and floating 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 2015, and its retained earnings as at 31 December 2015, would decrease/increase by 900,235 thousand tenge (2014: 301,908 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 12) 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.

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.

(in thousands of Tenge)

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 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 2015 and 2014, was as follows:

	Assets		Liabilities	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
US Dollars	4,208,167	1,700,914	46,376,296	25,515,044
Russian roubles	1,970	109	2,030,275	556,447

Foreign currency sensitivity analysis

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		Effect of Russian ruble	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets	841,633	340,183	394	22
Financial liabilities	(9,275,259)	(5,103,009)	(406,055)	(111,289)

This mainly relates to the risk on loans and deposits of the Group denominated in US dollars as at 31 December 2015 and 2014.

In 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. As a result, tenge exchange rate to US Dollars fluctuated from 187 to 350 tenge per US Dollar during August-December 2015. In 2015 the Group incurred foreign exchange losses of 20,031,129 thousand tenge (2014: 861,561 thousand tenge), mainly related to loans denominated in US dollars (Notes 17, 29).

(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, 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 2015, is presented as follows:

	Interest rate	Up to 1 year	1-5 years	Over 5 years	Undefined term	Total
31 December 2015						
Non-interest-bearing:						
Trade accounts receivable		13,669,521	-	-	1,179,383	14,848,904
Other accounts receivable, excluding prepaid expenses		1,290,198	-	-	449,654	1,739,852
Cash		2,279,387	-	-	-	2,279,387
Long-term accounts payable		(29,313)	(146,565)	(271,213)	-	(447,091)
Trade accounts payable		(19,521,841)	-	-	-	(19,521,841)
Other liabilities and accrued expenses, excluding unused vacation, pension contributions		(2,736,783)	-	-	-	(2,736,783)
Interest-bearing:						
Other financial assets	2.8-7.7%	5,753,589	9,639,850	-	-	15,393,439
Bonds issued	6.8-12.5%	(2,164,693)	(21,607,218)	(8,356,627)	-	(32,128,538)
Loans	3m and 6m Libor+3%, All-in-cost+4.5% 7.5-12%	(15,509,717)	(37,354,714)	(30,043,477)	-	(82,907,908)
Finance lease obligation	5%	(150,542)	(752,713)	-	-	(903,255)
Net position		(17,120,194)	(50,221,360)	(38,671,317)	1,629,037	(104,383,834)

(in thousands of Tenge)

	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
Long-term accounts payable		(53,825)	(26,288)	(124,890)	-	(205,003)
Trade accounts payable		(11,987,285)	-	-	-	(11,987,285)
Other liabilities and accrued expenses, excluding unused vacation, pension contributions		(4,748,589)	-	-	-	(4,748,589)
Interest-bearing:						
Other financial assets	2.8-9%	11,911,766	-	-	-	11,911,766
Bonds issued	6.8-12.5% 3m and 6m Libor+3%, All-in-cost+4.5%	(1,337,012)	(18,297,731)	(2,822,841)	-	(22,457,584)
Bank loans	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		(3,832,569)	(36,815,817)	(20,195,015)	2,100,866	(58,742,535)

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. From the date of the last revaluation there were no significant changes in the fair value of property, plant and equipment.

34. 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.

	2015	**2014**
Net (loss)/profit attributable to the parent	(7,613,687)	10,012,284
Weighted average number of common shares used for calculating basic earnings per share	36,951,133	34,549,648
(Loss)/earnings per share, in tenge	(206.05)	289.79

As at 31 December 2015 and 2014 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 2015:			
Common shares	36,951,133	128,064,469	3,465.78
31 December 2014:			
Common shares	36,951,133	139,632,550	3,778.84

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

35. 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 2015 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 2015 and 2014, 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

The Group developed and approved the plan of capital investments for 2016-2020 with the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy. According to the plan, during 2016-2020, the Group is subject to invest in production assets 68,441,043 thousand tenge not including VAT, including 18,159,356 thousand tenge, not including VAT, during 2016.

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 2015, EBRD owns 24.16% of the Company's shares (31 December 2014: 24.16%) (Note 14).

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 2015 IIF owns 11.22% of the Company's shares (31 December 2014: 11.22%) (Note 14). 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 2015, the Group did not violate any covenants of the agreement and met all the requirements.

Loan covenant

The Group supervises and monitors compliance of financial covenants per loan agreements on a regular basis. In accordance with loan agreements the Group shall comply with certain financial covenants. As at 31 December 2015, the Group breached financial covenants per loan agreements with European Bank for Reconstruction and Development and Asian Development Bank ("the banks"): interest coverage ratio of not less than 4; the financial debt to EBITDA of not more than 4; debt service coverage ratio of not less than 1.25, and a current ratio of not less than 1. Management informed the banks of the breach prior to year-end and have been in regular communication with the banks regarding an action plan on this point. In accordance with loan agreements the breach of ratios does not automatically trigger early repayment of any amount outstanding, early repayment of the loan may be initiated only after written notification from the banks. Management believe reclassification of long-term loans to current liabilities is not required, as the banks were timely informed about Group's noncompliance with financial covenants and had no intention to accelerate the loans. Subsequently the Group received waiver letters from banks in respect of these financial ratios for financial year of 2015 and as of 31 December 2015.

36. EVENTS AFTER THE REPORTING DATE

Tariffs

Effective from 1 January 2016, the following changes in tariffs were approved in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy for JSC PAVLODARENERGO:

- For production of heat increase in average by 10%;
- For electricity transmission and distribution services increase by 16%;
- For heat transmission and distribution services increase in average by 26%;
- For sale of heat increase in average by 15%;
- For sale of electricity increase by 9%.

Effective from 1 January 2016, the following changes in tariffs were approved in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy for JSC SEVKAZENERGO:

- For production of heat increase by 9.8%;
- For electricity transmission and distribution services increase by 6.2%;
- For heat transmission and distribution services increase by 22.3%;
- For sale of heat increase by 15.3%;
- For sale of electricity increase by 5.6%.

Effective from 1 January 2016 in accordance with the order of the Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of Akmola region tariffs for sale of power to corporate customers and residential customers were increased by 5.9% and 5%, respectively; for transmission and distribution of electricity by 12.8%.

Effective from 1 January 2016 in accordance with the the order of Department of the Committee of the Republic of Kazakhstan on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of Astana tariffs for sale of power and heat were increased by 5.2% and 12.6% respectively.

Loans

In 2016 the Group received short-term loans of 800,000 thousand tenge within the frame of credit line in SB JSC Sberbank of Russia with an average interest rate of 15% per annum.

Finance lease agreement

On 1 January 2016, financial leasing contract concluded between Pavlodarskye teplovye seti LLP and Development Fund of Housing and Communal Services JSC for the installation of metering equipment for 1,532,184 thousand tenge came into effect. Interest rate is 4% per annum, lease payments are determined according to the repayment schedule for the period until 31 July 2019.

Dividends

In January 2016, the Group paid dividends of 932,521 thousand tenge to the shareholders.

Loan covenant

On 7 March, 11 April and 19 April 2016, the Group received waiver letters from banks in respect of certain financial ratios for financial year of 2015 and as of 31 December 2015.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by management of the Group on 29 April 2016.