National Company "KazMunayGas" JSC

Separate financial statements

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

CONTENTS

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Independent auditors' report

To the Shareholders and Management of "National Company "KazMunayGas" JSC:

We have audited the accompanying separate financial statements of "National Company "KazMunayGas" JSC ("the Company"), which comprise the separate statement of financial position as at 31 December 2015, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the 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 separate financial statements are free from material misstatements.

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

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

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Opinion

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

Consolidated financial statements presented separately

Without modifying our opinion, we draw attention to *Note 1* to the separate financial statements which states that the Company is the parent entity of "National Company "KazMunayGas" JSC group and that the consolidated financial statements of "National Company "KazMunayGas" JSC group, prepared in accordance with International Financial Reporting Standards, have been issued separately. We have audited the consolidated financial statements of "National Company "KazMunayGas" JSC as at 31 December 2015 and for the year then ended and expressed an unqualified opinion thereon in our auditor's report dated 14 March 2016.

Ernst & Young LLP

Alexandr Nazarkulov
Auditor

Auditor qualification certificate
No. МФ-0000059 dated 6 January 2012

Evgeny Zhemaletdinov
General Director
Ernst and Young LLP

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

14 March 2016

SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of tenge	Note	As at 31 December 2015	2014
Assets			
Non-current assets			
Property, plant and equipment	6	**11,082,486**	14,445,712
Exploration and evaluation assets	7	**75,764,660**	60,913,673
Intangible assets		**4,459,706**	5,625,253
Investments in subsidiaries	8	**1,825,875,264**	3,124,199,590
Investments in associates and joint ventures	9	**29,590,810**	29,186,095
Long-term bank deposits	10	**2,005,914**	34,814,504
Due from related parties	23	**466,068,483**	96,277,905
Bonds receivable	23	**37,400,972**	37,145,896
Other non-current assets		**9,032,302**	9,236,264
		2,461,280,597	3,411,844,892
Current assets			
VAT receivable		**2,882,686**	2,436,721
Prepaid corporate income tax		**201,881**	964,620
Due from related parties	23	**139,462,420**	24,077,160
Interest on bonds receivable	23	**4,440,000**	4,440,000
Short-term bank deposits	10	**64,451,052**	64,336,895
Other current assets		**1,071,129**	758,176
Cash and cash equivalents	11	**106,724,178**	369,669,720
		319,233,346	466,683,292
Assets classified as held for sale and disposal		**11,490,080**	12,548,602
Total assets		**2,792,004,023**	3,891,076,786
Capital			
Share capital	12	**696,363,445**	557,072,340
Additional paid-in capital		**15,645,251**	12,126,533
Foreign currency translation reserve		**(4,513)**	(23,686)
(Accumulated loss) / retained earnings		**(321,259,237)**	823,321,261
Total equity		**390,744,946**	1,392,496,448
Non-current liabilities			
Borrowings	13, 23	**2,055,494,388**	1,912,428,835
Due to related parties	23	**–**	1,116,052
Financial guarantee obligations	14	**45,579,965**	34,581,734
Deferred income tax liabilities	22	**3,122**	371,432
Provisions for construction	15	**4,198,022**	3,386,410
Other non-current liabilities		**450,582**	–
		2,105,726,079	1,951,884,463
Current liabilities			
Borrowings	13, 23	**190,923,998**	432,739,824
Due to related parties	23	**76,795,108**	73,295,832
Trade and other accounts payable		**1,549,429**	4,290,874
Financial guarantee obligations	14	**6,730,304**	3,368,628
Provisions for construction	15	**15,764,993**	17,119,493
Other current liabilities		**3,769,166**	15,881,224
		295,532,998	546,695,875
Total equity and liabilities		**2,792,004,023**	3,891,076,786

Managing Director on Economy and Finance _______________ *Kassymbek A.M.*

Chief Accountant _______________ *Orynbayev E.E.*

The accounting policies and explanatory notes on pages 6-39 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

In thousands of tenge	Note	For the years ended 31 December 2015	2014* Reclassified
Management fee revenue		–	4,451,070
Dividend income	17	**270,741,268**	397,441,909
General and administrative expenses	18	**(23,897,673)**	(22,731,837)*
Impairment of investments in subsidiaries	8	**(68,806,097)**	(12,831,215)
Impairment of property, plant and equipment		**(9,004)**	(5,609)
Impairment of due from related parties		**(5,387)**	(2,098,914)
Finance income	19	**144,654,673**	35,069,953
Finance costs	20	**(169,032,128)**	(157,058,504)
Foreign exchange loss, net	21	**(1,243,525,881)**	(286,985,308)
Other operating loss, net		**(5,949,634)**	(1,170,005)
Loss before income tax		**(1,095,829,863)**	(45,918,460)
Income tax expenses	22	**(15,833,743)**	(28,271,745)
Net loss for the year		**(1,111,663,606)**	(74,190,205)
Other comprehensive income/(loss) for the year, net of income tax			
Foreign currency translation		**19,173**	(21,251)
Other comprehensive income/(loss) for the year subject to reclassification to profit or loss in subsequent periods		**19,173**	(21,251)
Total comprehensive loss for the year, net of income tax		**(1,111,644,433)**	(74,211,456)

* *Certain numbers shown here do not correspond to the amounts in 2014 separate financial statements and reflect adjustments made as detailed in Note 5.*

Managing Director on Economy and Finance ____________ *Kassymbek A.M.*

Chief Accountant ____________ *Orynbayev E.E.*

SEPARATE STATEMENT OF CASH FLOWS

In thousands of tenge	Note	For the years ended 31 December 2015	2014
Cash flows from operating activities			
Loss before income tax		**(1,095,829,863)**	(45,918,460)
Adjustments for:			
Depreciation and amortisation		**2,706,761**	2,494,044
Impairment of investments in subsidiaries	8	**68,806,097**	12,831,215
Impairment of property, plant and equipment		**9,004**	5,609
Impairment of due from related parties		**5,387**	2,098,914
Dividend income	17	**(270,741,268)**	(397,441,909)
Finance income	19	**(144,654,673)**	(35,069,953)
Finance costs	20	**169,032,128**	157,058,504
VAT excluded from offset	18	**515,293**	467,189
Unrealized foreign exchange loss		**1,243,525,881**	286,985,308
Other adjustments		**(936,561)**	108,411
Loss from operating activities before changes in working capital		**(27,561,814)**	(16,381,128)
Change in due from related parties		**(53,016)**	(229,010)
Change in inventories, VAT receivable and other current assets		**(1,608,899)**	(1,763,262)
Change in due to related parties		**2,215,450**	1,794,873
Change in trade accounts payable and other current liabilities		**(3,386,195)**	589,836
		(30,394,474)	(15,988,691)
Income tax paid		**–**	–
Dividends received		**212,099,978**	321,788,437
Interest received		**19,063,852**	14,538,623
Interest paid		**(170,828,702)**	(132,355,577)
Net cash flow from operating activities		29,940,654	187,982,792
Cash flows from investing activities			
Acquisition of investments and additional contributions		**(94,102,735)**	(121,985,481)
Placement of bank deposits		**(7,618,651)**	(110,767,364)
Withdrawal of bank deposits		**74,646,223**	231,570,387
Loans provided to related parties		**(268,049,613)**	(57,284,648)
Proceeds from repayment of loans to related parties		**78,122,295**	36,135,725
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets		**(24,989,781)**	(17,381,364)
Proceeds from sale of other non-current assets		**20,271**	29,154
Proceeds from withdrawal of investments		**1,339,772,014**	79,237
Net cash from / (used in) investing activities		**1,097,800,023**	(39,604,354)

The accounting policies and explanatory notes on pages 6-39 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (continued)

In thousands of tenge	Note	For the years ended 31 December 2015	2014
Cash flows from financing activities			
Proceeds from borrowings		**13,001,537**	284,407,792
Repayment of borrowings		**(1,413,330,089)**	(54,678,791)
Proceeds from financial aid	23	**25,400,000**	34,789,567
Repayment of financial aid	23	**(23,000,080)**	(54,032,147)
Issue of shares		**12,700,436**	2
Payments for borrowings arrangement		**(24,617,076)**	–
Dividends paid	12	**(6,768,531)**	(69,577,485)
Net cash (used in) / from financing activities		**(1,416,613,803)**	140,908,938
Effect of changes in foreign exchange rates on cash and cash equivalents		**25,927,584**	5,398,796
Net (decrease)/increase in cash and cash equivalents		**(262,945,542)**	294,686,172
Cash and cash equivalents, beginning of the year	11	**369,669,720**	74,983,548
Cash and cash equivalents, ending of the year	11	**106,724,178**	369,669,720

NON-CASH TRANSACTIONS

Non-cash transactions, including those described below, were excluded from the separate statement of cash flows:

- During 2015 the share capital of the Company was increased by the transfer of the right of demand of payments under Kazakhstan promissory note in the amount of 126,590,669 thousand tenge. Excess of the fair value of a loan as at the date of receipt over the carrying amount of sale in the amount of 3,518,718 thousand tenge was recognised as additional paid-in capital *(Note 12)*.
- The liability on the financial aid to KMG Karachaganak LLP in the total amount of 45,244,019 thousand tenge (2014: 47,908,269 thousand tenge) was offset against KMG Karachaganak LLP liability on dividends payable to the Company *(Note 23)*.
- During 2015 the fair value of issued financial guarantees in the amount of 18,153,912 thousand tenge *(Note 14)* was recognized as increase of investments in KMG Refining and Marketing JSC *(Note 8)*.
- During 2015 the Company contributed to share capital of KazTransGas JSC through the transfer of 100% shares of AstanaGazKMG JSC with a fair value value of 3,751,420 thousand tenge and KMG – Kansu Operating LLP with the carrying amount of 185 thousand tenge *(Note 8)*.
- During 2015 the Company formed a 100% subsidiary KMG – Ustyurt LLP and contributed to the authorised capital exploration and evaluation assets with carrying amount of 515,285 thousand tenge relating to Mertvy Kultuk project *(Note 8)*.
- In 2015 the Company contributed to share capital of KMG Scientific-Research Institute of Production & Drilling Technology LLP estate property with the cost of 3,074,958 thousand tenge *(Note 8)*.

Managing Director on Economy and Finance — *Kassymbek A.M.*

Chief Accountant — *Orynbayev E.E.*

The accounting policies and explanatory notes on pages 6-39 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of tenge	Note	Share capital	Additional paid-in capital	Currency translation reserve	(Accumulated loss) / retained earnings	Total
At 31 December 2013		546,485,470	12,126,533	(2,435)	983,775,275	1,542,384,843
Net loss for the year		–	–	–	(74,190,205)	(74,190,205)
Other comprehensive loss		–	–	(21,251)	–	(21,251)
Total comprehensive loss		–	–	(21,251)	(74,190,205)	(74,211,456)
Dividends	12	–	–	–	(83,114,547)	(83,114,547)
Issue of shares	12	10,586,870	–	–	–	10,586,870
Distributions to Samruk-Kazyna		–	–	–	(3,149,262)	(3,149,262)
At 31 December 2014		557,072,340	12,126,533	(23,686)	823,321,261	1,392,496,448
Net loss for the year		**–**	**–**	**–**	**(1,111,663,606)**	**(1,111,663,606)**
Other comprehensive income		**–**	**–**	**19,173**	**–**	**19,173**
Total comprehensive loss		**–**	**–**	**19,173**	**(1,111,663,606)**	**(1,111,644,433)**
Dividends	12	**–**	**–**	**–**	**(24,335,911)**	**(24,335,911)**
Issue of shares	12	**139,291,105**	**3,518,718**	**–**	**–**	**142,809,823**
Distributions to the Samruk-Kazyna	12	**–**	**–**	**–**	**(8,580,981)**	**(8,580,981)**
At 31 December 2015		**696,363,445**	**15,645,251**	**(4,513)**	**(321,259,237)**	**390,744,946**

Managing Director on Economy and Finance

Kassymbek A.M.

Chief Accountant

Orynbayev E.E.

The accounting policies and explanatory notes on pages 6-39 form an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

National Company "KazMunayGas" JSC (the "Company" or "KazMunayGas") is a wholly owned state oil and gas enterprise of the Republic of Kazakhstan, which was established on 27 February 2002 as a closed joint stock company pursuant to Decree No. 811 of the President of the Republic of Kazakhstan dated 20 February 2002 and the resolution of the Government of the Republic of Kazakhstan No. 248, dated 25 February 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC and National Company Transport Nefti i Gaza CJSC. As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from 8 June 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the Government owned Sustainable Development Fund "Kazyna", thus formed "Samruk-Kazyna National Welfare Fund" JSC ("Samruk-Kazyna"). The Government is the sole shareholder of Samruk-Kazyna. On 7 August 2015 the National Bank of the Republic of Kazakhstan ("NBRK") acquired 10% plus one share of the Company from Samruk-Kazyna.

The Company has its registered office in the Republic of Kazakhstan, Astana, 19, Kabanbay Batyr Avenue.

The principal objective of the Company includes, but is not limited to, the following:

- participation in Government activities relating to the oil and gas sector;
- representation of state interests in subsoil use contracts through equity share participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons, designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

These separate financial statements of the Company were approved for issue by the Managing Director for Economy and Finance and the Chief Accountant of the Company on 14 March 2016.

These separate financial statements were issued in addition to the consolidated financial statements of the Company. The consolidated financial statements were approved for issue by the Managing Director for Economy and Finance and the Chief Accountant of the Company on 14 March 2016. A copy of the consolidated financial statements may be obtained from the head office of the Company.

2. BASIS OF PREPARATION

These separate financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies and the notes to these separate financial statements. The Company maintains its accounting records in Tenge. All values in these separate financial statements are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board (IASB).

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

Foreign currency translation

Functional and presentation currency

These separate financial statements are presented in tenge. Tenge is a functional and presentation currency of these separate financial statements of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency market rate of exchange ruling at the reporting date. All differences are taken to the separate statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Foreign exchange rates

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

The currency exchange rate of KASE as at 31 December 2015 was 340.01 tenge to 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollars at 31 December 2015 (in 2014: 182.35 tenge to 1 US dollar). The currency exchange rate of KASE as at 14 March 2016 was 343.32 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies applied in preparation of these separate financial statements are consistent with those applied in preparation of the separate financial statements for the year ended 31 December 2014, except for the adoption of new Standards and Interpretations.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment becomes effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual improvements cycle – 2010-2012

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

IFRS 2 Share-based Payment

This amendment is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with the method used by the Company for identification any performance and service conditions which are vesting conditions in previous periods. In addition, the Company had not granted any awards during the second half of 2015. Thus, this amendment did not impact the Company's separate financial statements or accounting policies.

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Annual improvements cycle – 2010-2012 (continued)

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

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

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and it clarifies that the holding company (the entity that provides key management personnel services) is the related party and related party disclosure requirements are applied to such entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual improvements cycle – 2011-2013

These amendments are effective from 1 July 2014 and did not have a significant influence on the Company's separate financial statements. The documents comprise the following amendments:

IFRS 3 Business Combinations

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

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

The Company is not a joint arrangement, thus this amendment is not relevant for the Company.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and it clarifies that the exemption with respect to the portfolio within IFRS 13 stipulating the possibility of fair value measurement may be applied not only with respect of financial assets and financial liabilities, but also for other contracts falling within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13, stipulating the possibility of fair value measurement.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment had no impact on the accounting policy of the Company.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the separate financial statements and not yet adopted by the Company early are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company plans to adopt the new standard on the required effective date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and Measurement

The Company does not expect any significant impact on its balance sheet and equity during the application of IFRS 9 requirements for the classification and measurement. The Company expects to continue measuring at fair value all financial assets currently held at fair value.

Borrowings are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company does not expect to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9. The Company will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. The Company plans to adopt the new standard on the required effective date using the full retrospective method. The Company considers the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments are applied both to the acquisition of the initial interest in a joint operation, and to the acquisition of additional interests in the same joint operation, and these amendments are effective prospectively for annual periods beginning on or after 1 January 2016, the earlier application is permitted. It is expected that these amendments will have no impact on the separate financial statements of the Company.

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

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of fruit-bearing plants. Under the amendments, biological assets that meet the definition of fruit-bearing plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, fruit-bearing plants will be measured under IAS 16 at accumulated cost (before ripening) and using either the cost model or revaluation model (after ripening). The amendments also require that output yield of fruit-bearing plants will remain in the scope of IAS 41, and shall be measured at fair value less costs to sell. For government grants related to fruit-bearing plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. It is expected that these amendments will have no impact on the Company's separate financial statements since the Company does not have fruit-bearing plants.

Amendments to IAS 27 Equity Method in Separate Financial Statements

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are deemed to have no impact on the separate financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

Annual improvements 2012-2014 Cycle

These amendments become effective for annual periods beginning after 1 January 2016. The document comprises the following amendments:

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

Assets (or disposal group) generally are disposed through the sale or distribution to owners. The amendment clarifies that transition from one method to another will not be considered as a new disposal method, but as a continuation of the initial plan. Therefore, the application of IFRS 5 requirements is not discontinued. The amendment is to be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

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

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

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

IAS 19 Employees Benefits

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

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. The amendments are deemed to have no impact on the separate financial statements of the Company.

Amendments to IAS 1 Disclosure Initiative

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are deemed to have no impact on the separate financial statements of the Company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

Annual improvements 2012-2014 Cycle (continued)

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are deemed to have no impact on the separate financial statements of the Company.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less accumulated impairment. Return of capital is recorded as reduction of carrying value of investment. As for foreign entities, return of capital is recorded at the exchange rate at the date of return.

Investments in joint ventures and associates

Investments of the Company in its joint ventures and associates are recorded at cost less accumulated impairment. An associated company is a company, which is significantly influenced by the Company but neither a subsidiary nor a joint venture. The Company also has interests in jointly controlled ventures, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities.

Current versus non-current classification

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

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 (twelve) months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

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

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Oil and natural gas exploration and development expenditures

Costs prior to acquisition of subsurface use right (licenses)

Costs incurred prior to the acquisition of full subsurface use rights (licenses) are expensed in the period in which the costs were incurred, apart from those cases when the costs were incurred after the signing of preliminary agreements with the Government of the Republic of Kazakhstan. In such cases, the costs incurred after that date are capitalised.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration and development expenditures (continued)

Subsurface use and property right costs

Subsurface use and corresponding property right acquisition costs are capitalised and classified within exploration and evaluation assets as intangible assets. Each property under exploration and evaluation is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the current amount of the subsurface use exploration rights and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the license and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas exploration assets.

Development costs

Costs of construction, installation or completion of infrastructure facilities such as platforms, pipelines and drilling of producing wells, including non-producing development wells or delineation wells, is capitalized within oil and gas development properties.

Borrowing costs

The future economic benefits from exploration and evaluation assets are not probable. The Company does not capitalise borrowing costs into the cost of exploration and evaluation assets.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets mainly comprise of software applications. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software has an estimated useful life of 5 years.

The current value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Company for impairment when reclassified to development tangible or intangible oil and gas assets or whenever facts and circumstances indicate impairment of assets.

One or more of the following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Company has the right to explore and evaluate in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;

Impairment of exploration and evaluation assets (continued)

- exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale

Assets and disposal groups classified as held for sale are measured at the lower of their current amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their current amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets, except for financial assets at fair value through profit or loss, are recognized initially at fair value, plus directly attributable transaction costs.

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

Financial assets of the Company comprise of loans receivable, bonds receivable, accounts receivable, bank deposits, cash and cash equivalents.

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

Borrowings and trade accounts receivable

Borrowings and trade accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in financial income in the separate statement of comprehensive income. The losses arising from impairment are recognized in the separate statement of comprehensive income within finance costs in case of loans and within general and administrative expenses in case of trade accounts receivable.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the separate statement of comprehensive income. The losses arising from impairment are recognised in the separate statement of comprehensive income in finance costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in separate statements of financial position when:

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

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

Impairment of financial assets

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

For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit and loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the separate statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the separate statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on demand deposits, other short-term highly liquid investments with original maturities of 3 (three) months or less.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other accounts payable, loans and other borrowings and financial guarantee contracts.

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the standalone statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the separate statement of comprehensive income.

Financial guarantee contracts

Financial guarantee agreements issued by the Company represent agreements requiring payments to reimburse for losses incurred by the owner of this agreement due to the inability of the debtor to make a timely payment in accordance with the terms and conditions of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of: the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised in the statement of financial position when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised through the separate statement of comprehensive income.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded at an active market, the fair value is determined by using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the separate statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Value added tax

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT recoverable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Distributions to the Shareholder

The Government of the Republic of Kazakhstan imposes various obligations on the Company associated with sponsorship and financing. The management of the Company believes that in accordance with IAS 37 such obligations are constructive by their nature and should be recognized in accordance with decrees, orders and other decisions of the Government of the Republic of Kazakhstan. Since the Government of the Republic of Kazakhstan is an ultimate shareholder of the Company, the expenses associated with execution of such obligations are recognized in the separate financial statements as distributions to the Shareholder within equity.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Expenses are recognized as incurred and are reported in the separate financial statements in the period to which they relate on the accrual basis.

Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest bearing securities classified as investments available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms and conditions on the financial instrument (for example, the right for early repayment) and fee and commission or additional expenses directly associated with the instrument, which are an integral part of the effective interest rate but it does not take into account future losses on loans issued.

The carrying amount of the financial asset or financial liability is adjusted if the Company reviews estimates of payments or proceeds. The adjusted carrying amount is calculated based on the initial effective interest rate and a change in the carrying amount is recorded as finance income or costs.

In case of decrease in the recorded cost of financial asset or a group of similar financial assets due to impairment, interest income continue to be recognized at initial effective interest rate based on a new carrying amount.

Dividend income

Revenue is recognized when the Company has the right to receive a payment.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted in the Republic of Kazakhstan by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the separate statement of comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the separate statement of comprehensive income.

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources and economic benefits is remote and the amount of liabilities is significant.

Contingent assets are not recognized in the separate financial statements. They are disclosed when inflow of economic benefits is probable.

Subsequent events

The results of post-year-end events that provide additional information on the Company's separate financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at 31 December 2015 unrecognised deferred tax assets amounted to 374,058,171 thousand tenge (2014: 127,330,309 thousand tenge) *(Note 22).*

Fair value of financial instruments

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

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Company for impairment when reclassified to development tangible or intangible oil and gas assets or whenever facts and circumstances indicate impairment of assets. Impairment loss is recognized at the amount by which the current amount of exploration and evaluation assets exceeds its recoverable amount. The recoverable amount is determined as the greater of: fair value of exploration and evaluation assets less selling costs and value in use.

In 2015 and 2014 the Company did not recognize losses from impairment of exploration and evaluation assets.

Impairment of investments

The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, or when annual impairment testing for an investment is required, the Company estimates the investment's recoverable amount. The recoverable amount is determined as the greater of: fair value of the investment less costs to sell and its value in use.

In 2015 the Company recognised an impairment of investments in Kazakhturkmunay LLP, AktauNefteService LLP and AstanaGas KMG JSC totalling 68,806,097 thousand tenge.

5. RECLASSIFICATION

In 2015 the Company reclassified its expenses of monitoring over geological and exploration projects from general and administrative expenses to other expenses. Comparative information was adjusted in these separate financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of tenge	Land	Buildings and constructions	Other	Transportation	Capital construction in progress	Total
Net book value as at 31 December 2013	24,721	3,154,839	1,564,496	25,431	2,233,602	7,003,089
Additions	38,498	7,120,966	899,040	–	2,343	8,060,847
Disposals	–	–	(334,880)	–	–	(334,880)
Depreciation charge	–	(46,431)	(550,522)	(7,188)	–	(604,141)
Depreciation on disposals	–	–	326,921	–	–	326,921
Accumulated impairment on disposals	–	–	6,020	–	–	6,020
Other transfers	–	–	(684)	(5,851)		(6,535)
Impairment provision	–	–	(3,266)	–	(2,343)	(5,609)
Net book value at 31 December 2014	63,219	10,229,374	1,907,125	12,392	2,233,602	14,445,712
Additions	–	**8,225**	**415,061**	–	–	**423,286**
Disposals	**(13,313)**	**(2,475,005)**	**(153,695)**	–	**(2,343)**	**(2,644,356)**
Depreciation charge	–	**(116,823)**	**(582,070)**	**(5,217)**	–	**(704,110)**
Accumulated depreciation on disposals	–	**33,224**	**109,150**	–	–	**142,374**
Accumulated impairment on disposals	–	**2,525**	**32,109**	–	**2,343**	**36,977**
Transfer to assets held-for-sale	**(3,301)**	**(609,873)**	–	–	–	**(613,174)**
Other transfers	–	–	**480**	**4,301**	–	**4,781**
Impairment provision	–	**(2,217)**	**(6,787)**	–	–	**(9,004)**
Net book value at 31 December 2015	**46,605**	**7,069,430**	**1,721,373**	**11,476**	**2,233,602**	**11,082,486**
At cost	**46,605**	**10,118,520**	**6,441,645**	**35,182**	**2,412,923**	**19,054,875**
Accumulated impairment	–	**(1,907,636)**	**(1,100,718)**	–	**(179,321)**	**(3,187,675)**
Accumulated depreciation	–	**(1,141,454)**	**(3,619,554)**	**(23,706)**	–	**(4,784,714)**
Net book value at 31 December 2015	**46,605**	**7,069,430**	**1,721,373**	**11,476**	**2,233,602**	**11,082,486**
At cost	63,219	13,195,173	6,179,153	23,985	2,415,266	21,876,796
Accumulated impairment	–	(1,907,944)	(1,126,038)	–	(181,664)	(3,215,646)
Accumulated depreciation	–	(1,057,855)	(3,145,990)	(11,593)	–	(4,215,438)
Net book value at 31 December 2014	63,219	10,229,374	1,907,125	12,392	2,233,602	14,445,712

7. EXPLORATION AND EVALUATION ASSETS

In thousands of tenge	Exploration and evaluation assets
Net book value at 31 December 2013	46,636,794
Additions	17,450,884
Disposal	(3,174,005)
Net book value at 31 December 2014	60,913,673
Additions	**15,388,962**
Disposal	**(537,975)**
Net book value at 31 December 2015	**75,764,660**

In 2015 the major share of the capitalised costs on exploration and evaluation projects in the amount of 11,241,665 thousand tenge relates to execution of geological and exploration works specified in the working programs of the exploration or production contracts. Geological and exploration works were mainly executed with respect to projects Satpayev and Kansu in the total amount of 8,949,358 thousand tenge.

7. EXPLORATION AND EVALUATION ASSETS (continued)

In 2015 the Company transferred exploration and production rights and other exploration and evaluation assets related to the project Mertvyi Kultuk as a contribution to the share capital of KMG-Ustyurt LLP. The carrying amount of exploration and evaluation assets on this project at the date of contribution was 515,285 thousand tenge.

8. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2015 and 2014, investments in subsidiaries are as follows:

In thousands of tenge	2015	2014
KMG Refining and Marketing JSC	**608,450,343**	590,296,431
Cooperative KazMunayGas U.A.	**406,803,274**	1,675,112,325
KMG Karachaganak LLP	**301,206,898**	301,206,898
KazTransGas JSC	**207,132,793**	189,064,977
KazMunayGas-Service LLP	**60,199,042**	60,199,042
OOC KazMunayTeniz LLP	**41,427,487**	40,453,538
KazakhTurkMunay LLP	**35,960,027**	36,344,445
KazTransOil JSC	**34,719,541**	34,719,541
Urikhtau Operating LLP	**30,025,549**	26,713,982
KMG Drilling & Services LLP	**17,888,200**	15,075,484
KazMunayGas Exploration Production JSC	**16,545,180**	16,545,180
Kazakh-British Technical University JSC	**14,148,003**	14,148,003
Kazmortransflot LLP	**13,990,801**	13,990,801
N Block B.V.	**12,762,135**	10,165,816
KMG Scientific-Research Institute of Production & Drilling Technology LLP	**10,444,256**	6,553,968
KMG Systems & Services LLP	**10,194,640**	14,431,640
KMG-Kumkol LLP	**2,132,080**	2,095,102
KMG – Security LLP	**1,273,000**	1,273,000
KMG-Ustyurt LLP	**556,871**	–
N Operating Company LLP	**13,664**	13,664
BeyneuMunayGaz LLP	**1,150**	1,150
Satpayev Operating LLP	**150**	150
Directorate of assets under construction KMG LLP	**130**	130
KazOilMash LLP	**50**	–
AktauNefteService LLP	**–**	64,657,792
Kazakh Institute of Oil and Gas JSC	**–**	5,686,531
AstanaGasKMG LLP	**–**	5,450,000
	1,825,875,264	3,124,199,590

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN SUBSIDIARIES (continued)

The following table demonstrates activities, country of registration or location of subsidiaries of the Company as well as share of the Company in these subsidiaries:

Company	Type of activity	Country	Ownership share 2015	Ownership share 2014
Exploration and production				
OOC KazMunayTeniz LLP	Exploration and production	Kazakhstan	**99.10%**	99.10%
KazMunayGas Exploration Production JSC	Exploration and production	Kazakhstan	**63.21%**	63.21%
BeyneuMunayGas LLP	Trust management of contract area, oil and gas production	Kazakhstan	**100.00%**	100.00%
N Operating Company LLP	Operator on subsoil use operations	Kazakhstan	**75.50%**	51.00%
Urikhtau Operating LLP	Exploration and production	Kazakhstan	**100.00%**	100.00%
Satpayev Operating LLP	Operator on subsoil use operations	Kazakhstan	**100.00%**	100.00%
KMG-Ustyurt LLP	Operator on subsoil use operations	Kazakhstan	**100.00%**	–
PSA LLP	Competent Body for PSA	Kazakhstan	**100.00%**	100.00%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	**100.00%**	100.00%
N Block B.V.	Exploration and production	Netherlands/ Kazakhstan	**100.00%**	100.00%
KazakhTurkMunay LLP	Exploration and production	Kazakhstan	**100.00%**	100.00%
Refining and Selling				
KMG Refining and Marketing JSC	Refining and trading of crude oil and refined products	Kazakhstan	**100.00%**	100.00%
Transportation of oil and gas and other products				
KazTransOil JSC	Oil transportation	Kazakhstan	**90.00%**	90.00%
KazTransGas JSC	Gas transportation, sale of gas	Kazakhstan	**100.00%**	100.00%
KazMorTransFlot LLP	Marine transportation of oil and other cargo	Kazakhstan	**100.00%**	100.00%
AstanaGasKMG LLP	Transportation and distribution of gas	Kazakhstan	**–**	100.00%
Services				
KMG Systems & Services LLP	Leasing of Northern Caspian Environmental Response to Oil Spill Base	Kazakhstan	**100.00%**	100.00%
KazMunayGas-Service LLP	Services	Kazakhstan	**95.20%**	95.20%
Kazakh-British Technical University JSC	Education services	Kazakhstan	**100.00%**	100.00%
KMG – Security LLP	Security services	Kazakhstan	**100.00%**	100.00%
Cooperative KazMunayGas U.A.	Holding and finance operations	Netherlands	**99.88%**	99.88%
KMG-Kumkol LLP	Holding company	Kazakhstan	**100.00%**	100.00%
Directorate of entities under construction KMG LLP	Implementation of industrial infrastructure and oil and gas exploration projects	Kazakhstan	**100.00%**	100.00%
KMG Drilling & Services LLP	Implementation of the project on construction of jack-up drilling rig	Kazakhstan	**99.00%**	99.00%
AktauNefteService LLP	Oil services	Kazakhstan	**100.00%**	100.00%
KMG Scientific-Research Institute of Production & Drilling Technology LLP	Scientific and research works	Kazakhstan	**100.00%**	100.00%
KazOilMash LLP	Service maintenance of oil and gas equipment	Kazakhstan	**100.00%**	–

8. INVESTMENTS IN SUBSIDIARIES (continued)

Changes in investments to subsidiaries

In 2015 the Company made an additional contribution in cash to the authorised capital of Cooperative KazMunayGas U.A. in the amount of 59,372,859 thousand tenge to finance preparatory works for the Kashagan project. Furthermore, the Company decreased the capital of Cooperative KazMunayGas U.A. in the amount of 1,327,681,910 thousand tenge.

In 2015 the Company increased investments n KMG Refining and Marketing JSC by recognising the fair value of issued guarantees in the amount of 18,153,912 thousand tenge *(Note 14)*. A guarantee in the amount of 14,646,338 thousand tenge was issued to ensure liabilities of Atyrau refinery LLP as part of financing of the project "Construction of the Advanced Oil Processing Plant", a guarantee in the amount of 3,507,574 thousand tenge was issued to ensure liabilities of Pavlodar Oil Chemistry Refinery LLP for designing, supply activity and for implementation of Pavlodar Oil Chemistry Refinery modernisation project.

During 2015 the Company increased investments in KazTransGas JSC through the purchase of additional issue of shares for 15,178,894 thousand tenge. As consideration for KazTransGas JSC shares the Company paid cash in the amount of 11,427,285 thousand tenge and transferred 100% package of shares of AstanaGasKMG JSC with fair value of 3,751,420 thousand tenge, and KMG-Kansu Operating LLP with carrying amount of 185 thousand tenge. In addition, during 2015 the Company provided KazTransGas JSC with the interest-free loan *(Note 23)*, and the discount in the amount of 2,888,922 thousand tenge calculated as the difference between the fair value of this loan and its nominal value was recognised as increase in investments into this subsidiary.

During 2015 the Company made additional contribution in cash to the share capital of N Block B.V. in the amount of 2.596.319 thousand tenge.

During 2015 the Company made additional contribution to the share capital of KMG Scientific-Research Institute of Production & Drilling Technology LLP in the amount of 3,890,288 thousand tenge, in cash in the amount of 815,330 thousand tenge and by estate property in the amount of 3,074,958 thousand tenge.

During 2015 the Company made additional contribution in cash to the share capital of KMG Drilling & Services LLP in the amount of 2,337,945 thousand tenge.

During 2015, the Company made a decision to decrease the share capital of KMG Systems & Services LLP, in order to execute this decision KMG Systems & Services LLP returned cash in the amount of 4,237,000 thousand tenge.

During 2015 the Company formed a 100% subsidiary KMG-Ustyurt LLP, as the contribution to the share capital exploration and evaluation assets were transferred with carrying amount of 515,285 thousand tenge relating to Mertvy Kultuk project.

During 2015 the Company sold 100% shares of Kazakhstan Institute of Oil and Gas JSC shares, transaction price was 7,539,708 thousand tenge.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As at 31 December 2015 and 2014 investments in associates and joint ventures are presented as follows:

In thousands of tenge	2015	2014
Joint ventures		
Kazakhstan Pipeline Ventures LLC	**22,990,449**	22,990,449
Teniz Service LLP	**4,923,088**	4,923,088
Tengizchevroil LLP	**1,012,500**	1,012,500
Professional Geo Services Kazakhstan LLP	**404,715**	-
Caspian Oil and Gas Company LLP	**141,348**	141,348
Kylysh TP	**76,123**	76,123
KazRosGas LLP	**25,000**	25,000
Kazakhoil Aktobe LLP	**884**	884
Neftegazovaya Kompaniya Tsentralnaya LLP	**23**	23
Associates		
Caspian Pipeline Consortium – Kazakhstan JSC (CPC-K JSC)	**10,787**	10,787
Caspian Pipeline Consortium – Russia CJSC (CPC-R CJSC)	**5,675**	5,675
Kazakhoil Ukraine LLP	**218**	218
	29,590,810	29,186,095

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Activities of associates and joint ventures, country of their location and share of the Company in these entities as at 31 December are represented as follows:

Company	Type of activity	Country	% in share capital 2015	% in share capital 2014
Exploration and production				
Kazakhstan Pipeline Ventures LLC	Company – holder of investments in CPC-K JSC and CPC-R CJSC	USA	**49.90%**	49.90%
Tengizchevroil LLP	Exploration and production	Kazakhstan	**20.00%**	20.00%
Caspian Oil and Gas Company LLP	Exploration and production	Russia	**50.00%**	50.00%
Kazakhoil Aktobe LLP	Exploration and production	Kazakhstan	**50.00%**	50.00%
Neftegazovaya Kompaniya Tsentralnaya LLP	Exploration and production	Russia	**50.00%**	50.00%
Marketing of oil and gas				
KazRosGas LLP	Marketing of gas	Kazakhstan	**50.00%**	50.00%
Kylysh TP	Marketing of crude oil	United Kingdom	**50.00%**	50.00%
Services				
Teniz Service LLP	Development of coastal infrastructure	Kazakhstan	**48.99%**	48.99%
Professional Geo Services Kazakhstan LLP	Seismic data processing	Kazakhstan	**50.00%**	–
Transportation of oil and gas and other products				
Caspian Pipeline Consortium – Kazakhstan JSC	Oil transportation	Kazakhstan	**19.00%**	19.00%
Caspian Pipeline Consortium – Russia CJSC	Oil transportation	Russia	**19.00%**	19.00%
Refining and Selling				
Kazakhoil Ukraine LLP	Refining of crude oil	Kazakhstan	**34.04%**	34.04%

10. LONG-TERM BANK DEPOSITS

In thousands of tenge	As at 31 December 2015	As at 31 December 2014
Bank deposits in US dollars	**63,047,017**	67,981,613
Bank deposits in tenge	**3,409,949**	31,169,786
	66,456,966	99,151,399
Less: current portion	**(64,451,052)**	(64,336,895)
Non-current portion	**2,005,914**	34,814,504

As at 31 December 2015 the weighted-average rate for long-term bank deposits in US dollars was 4% (2014: 4%), in tenge – 3.33% (2014: 3.31%). The long-term bank deposits mature in 2019-2024.

As at 31 December 2015 bank deposit in the amount of 1,970,803 thousand tenge (2014: 2,371,024 thousand tenge) was placed with Halyk Bank of Kazakhstan JSC as additional collateral for the program of preferential lending for the Company's employees.

As at 31 December 2015 the weighted-average rate for short-term bank deposits in US dollars was 4.00% (2014: 4.16%), for short-term bank deposits in tenge – 14.95% (2014: 7.32%). All short-term bank deposits mature within the period from 3 (three) to 12 (twelve) months.

As at 31 December 2015 bank deposit in the amount of 62,595,803 thousand tenge (2014: 32,408,041 thousand tenge) is pledged with SB Sberbank Russia JSC until execution of obligations (30 July 2016) by Atyrau Oil Refinery LLP, a subsidiary of KMG Refining and Marketing JSC, on loans received from this bank on construction of the deep oil processing plant at Atyrau Oil Refinery.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

11. CASH AND CASH EQUIVALENTS

In thousands of tenge	As at 31 December 2015	2014
Time deposits with Kazakhstani banks – US dollars	**38,360,110**	50,146,250
Time deposits with Kazakhstani banks – tenge	**31,100,000**	47,937,672
Time deposits with foreign banks – US dollars	**–**	270,073,800
Current accounts with Kazakhstan banks – US dollars	**36,365,427**	793,830
Current accounts with Kazakhstan banks – tenge	**128,489**	704,258
Current accounts with Kazakhstan banks – other currencies	**206**	1,360
Current accounts with foreign banks – US dollars	**760,467**	3,901
Current accounts with foreign banks – other currencies	**9,342**	8,526
Cash on hand	**137**	123
	106,724,178	369,669,720

As at 31 December 2015 the weighted average rates for time deposits in US dollars and tenge were 0.24% and 32%, respectively (2014: 0.37% and 12.66%, respectively).

As at 31 December 2015 the interest rates for current accounts varied from 0.10% to 35.00% (2014: from 0.10% to 0.50%).

12. EQUITY

Share capital

The total number of outstanding, issued and paid shares includes:

	31 December 2013	Issuance of shares (a)	At 31 December 2014	Issuance of shares (b)	At 31 December 2015
Number of issued and paid shares	525,647,776	2,843,247	528,491,023	**55,716,442**	**584,207,465**
Nominal value per share 27,726.63 tenge	–	137,900	137,900	**–**	**137,900**
Nominal value per share 2,500 tenge	7,489,974	2,705,347	10,195,321	**55,716,442**	**65,911,763**
Nominal value per share 2,451 tenge	1	–	1	**–**	**1**
Nominal value per share 1,000 tenge	1	–	1	**–**	**1**
Nominal value per share 500 tenge	458,450,766	–	458,450,766	**–**	**458,450,766**
Nominal value per share 5,000 tenge	59,707,029	–	59,707,029	**–**	**59,707,029**
Nominal value per share 921 tenge	1	–	1	**–**	**1**
Nominal value per share 838 tenge	1	–	1	**–**	**1**
Nominal value per share 858 tenge	1	–	1	**–**	**1**
Nominal value per share 704 tenge	1	–	1	**–**	**1**
Nominal value per share 592 tenge	1	–	1	**–**	**1**
Share capital (tenge thousand)	546,485,470	10,586,870	557,072,340	**139,291,105**	**696,363,445**
Nominal value per share 27,726.63 tenge	–	3,823,502	3,823,502	**–**	**3,823,502**
Nominal value per share 2,500 tenge	18,724,935	6,763,368	25,488,303	**139,291,105**	**164,779,408**
Nominal value per share 2,451 tenge	2	–	2	**–**	**2**
Nominal value per share 1,000 tenge	1	–	1	**–**	**1**
Nominal value per share 500 tenge	229,225,382	–	229,225,382	**–**	**229,225,382**
Nominal value per share 5,000 tenge	298,535,145	–	298,535,145	**–**	**298,535,145**
Nominal value per share 921 tenge	1	–	1	**–**	**1**
Nominal value per share 838 tenge	1	–	1	**–**	**1**
Nominal value per share 858 tenge	1	–	1	**–**	**1**
Nominal value per share 704 tenge	1	–	1	**–**	**1**
Nominal value per share 592 tenge	1	–	1	**–**	**1**

12. EQUITY (continued)

Share capital (continued)

(a) In 2014 within the quantity of authorized shares the Company issued and paid 2,843,247 common shares. As consideration for these shares the Company received administrative, production and other buildings and constructions, gas pipelines of high, medium and low pressure with associated facilities at the territory of Kostanay region in the amount of 6,763,366 thousand tenge, gas pipelines of high, medium and low pressure with associated facilities at the territory of West-Kazakhstan region in the amount of 3,823,502 thousand tenge and cash in the amount of 2 thousand tenge.

(b) In 2015 within the quantity of authorized shares the Company issued 55,716,442 common shares. As consideration for these shares the Company received cash in the amount of 12,700,436 thousand tenge and the right under Kazakhstan promissory note.

The right under Kazakhstan promissory note arose in accordance with a loan agreement dated 16 May 1997 between the Government and CPC-K JSC. Nominal value as at the date of transfer was 126,590,669 thousand tenge.

As at 31 December 2015, 265,352,131 common shares were authorized but not issued (31 December 2014: 321,068,573 common shares).

Additional paid-in capital

Excess of the fair value of the Kazakhstan promissory note over its nominal value as at the date of transfer was 3,518,718 thousand tenge, which was recognised as the additional paid-in capital.

Dividends

During 2015 based on the decision of Samruk-Kazyna, the Company declared dividends for 2014 in the amount of 53.24 tenge per common share in the total amount of 31,104,442 thousand tenge. Also, during 2015, based on the decision of Samruk-Kazyna, the Company decreased the amount of dividends declared for 2013 by 6,768,531 thousand tenge.

As at 31 December 2015, the Company's payables on dividends is 31,104,442 thousand tenge *(Note 23)* (31 December 2014: 13,537,062 thousand tenge).

Distributions to the Shareholder

Based on the resolution of the Government of the Republic of Kazakhstan, the Company commenced works on reconstruction of the trade and exhibition centre in Moscow (Russian Federation). During 2015, the Company adjusted the amount of provision for this reconstruction project by decreasing for 30,365 thousand tenge (in 2014: 4,070,397 thousand tenge) based on reconsidered scope of works.

During 2015, the Company adjusted the amount of provision for construction of kindergarten for 240 places in Astana in accordance with the Shareholder's order based on the order of the President of the Republic of Kazakhstan, by decreasing for 303,146 thousand tenge based on reconsidered scope of works.

In addition, during 2015 the Company provided Samruk-Kazyna with the interest-free loan *(Note 23)*, and the discount in the amount of 4,760,377 thousand tenge calculated as the difference between the fair value of this loan and its nominal value was recognised as the distribution to the Shareholder.

During 2015 the Company has increased investments in PSA JSC in the amount of 4,154,115 thousand tenge, with the use of distributions to the Shareholder.

13. BORROWINGS

As at 31 December 2015 and 2014, loans with fixed interest rates comprised the following:

	Amount of issued bonds / borrowings received	Maturity	Interest rate, per annum	2015	2014
Bonds LFB 2008	1.6 billion US dollar	2 July 2018	9.13%	**537,528,897**	289,708,882
Bonds LFB 2008	1.5 billion US dollar	2 January 2015	11.75%	**–**	287,529,147
Bonds LFB 2009	1.5 billion US dollar	5 May 2020	7.00%	**459,835,697**	271,893,575
Bonds LFB 2010	1.25 billion US dollar	9 April 2021	6.38%	**380,467,835**	227,654,682
Bonds LFB 2013	2 billion US dollar	30 April 2043	5.75%	**169,911,348**	365,138,389
Bonds LFB 2013	1 billion US dollar	30 April 2023	4.40%	**136,531,342**	182,819,127
Bonds LFB 2014	0.5 billion US dollar	7 May 2025	4.88%	**41,220,808**	180,108,347
Bonds LFB 2014	1 billion US dollars	7 November 2044	6.00%	**9,902,685**	92,062,133
Bonds KFB 2010	100 billion tenge	7 November 2017	–	**88,302,174**	82,525,396
Samruk-Kazyna	23,375 billion tenge	25 January 2024	2.00%	**7,527,711**	7,192,220
KazMunaiGas Finance Sub BV	3.11 million US dollar	2 July 2018	8.38%	**1,056,729**	567,633
Kazkommertsbank JSC	1 billion tenge	22 October 2020	12.00%	**1,019,000**	–
Total				**1,833,304,226**	1,987,199,531

As at 31 December 2015 and 2014, loans with floating interest rates comprised the following:

In thousand of tenge	Maturity	Interest rate, per annum	2015	2014
Bonds for 120,000,000 thousand tenge	30 October 2019	6M Libor + 8.5%	**150,176,515**	100,620,033
KazMunayGas Finance Sub B.V.	18 July 2016	Libor + 2.55%	**135,272,166**	145,510,518
KC Kazakh B.V.	until commercial discovery	12M Libor + 1%	**62,827,375**	32,524,830
N Block B.V.	until commercial discovery	12M Libor + 2.5%	**38,546,571**	18,926,409
ONGC Videsh Limited	until commercial discovery	12M Libor + 1.5%	**26,291,533**	6,737,152
MDC (Oil and Gas N Block Kazakhstan) GmbH		12M Libor + 2.5%	**–**	18,100,256
Agip Karachaganak B.V.		(Libor+3%) * 1.25	**–**	11,553,727
BG Karachaganak Limited		(Libor+3%) * 1.25	**–**	11,553,727
Chevron International Petroleum Company		(Libor+3%) * 1.25	**–**	7,109,986
Lukoil Overseas Karachaganak B.V.		(Libor+3%) * 1.25	**–**	5,332,490
Total			**413,114,160**	357,969,128

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

In thousands of tenge	2015	2014
US dollar-denominated borrowings	**2,149,569,501**	2,255,451,043
Tenge denominated borrowings	**96,848,885**	89,717,616
	2,246,418,386	2,345,168,659

Borrowing have the following maturities as at 31 December 2015 and 2014:

In thousands of tenge	2015	2014
Current portion	**190,923,998**	432,739,824
Maturity between 1 and 2 years	**124,391,865**	79,979,140
Maturity between 2 and 5 years	**1,066,665,891**	442,899,553
Maturity over 5 years	**864,436,632**	1,389,550,142
Total long-term portion	**2,055,494,388**	1,912,428,835
	2,246,418,386	2,345,168,659

In January 2015 the Company repaid bonds in the amount of 1,500 million US dollars (equivalent to 276,150,000 thousand tenge at the rate prevailing on the payment date).

13. BORROWINGS (CONTINUED)

In addition, at the end of 2015 the Company performed early redemption of bonds totalling 3,676.2 million US dollars (equivalent to 1,131,690,172 thousand tenge at the rate prevailing on the payment date). As a result of these transactions income in the amount of 54,812,278 thousand tenge was recorded *(Note 19)*.

During 2015 the Company redeemed a portion of bonds issued in the amount of 120,000,000 thousand tenge, to the total amount of 19,682,102 thousand tenge (2014: 17,974,791 thousand tenge).

As at 31 December 2015 MDC (Oil and Gas N Block Kazakhstan) GmbH assigned its 24.50% portion in the project N to the Company. As a result of the transaction the Company recorded a gain in the amount of 36,893,370 thousand tenge due to termination of liabilities on financing related to this project *(Note 19)*.

As at 31 December 2015, loans payable to Agip Karachaganak B.V., BG Karachaganak Limited, Chevron International Petroleum Company, Lukoil Overseas Karachaganak B.V. were repaid.

14. FINANCIAL GUARANTEE OBLIGATIONS

Movements in financial guarantee obligations comprised the following:

In thousands of tenge	2015	2014
As at 1 January	**37,950,362**	20,002,308
Guarantees issued during the year *(Note 8)*	**18,153,912**	18,472,679
Amortisation of financial guarantee obligations *(Note 19)*	**(3,794,005)**	(4,377,017)
Effects of exchange rate changes	**–**	3,852,392
As at 31 December	**52,310,269**	37,950,362
Less: current portion	**(6,730,304)**	(3,368,628)
Non-current portion	**45,579,965**	34,581,734

Financial guarantees represent the Company's expenditures on calculation of fair value of a guarantee that consists of a guarantee issuing fee and the amount of a guarantee exposure fee issued to financial institutions and other third parties relating to financing of activities and significant contracts of its subsidiaries. All of the guarantee agreements are issued at no charge by the Company.

As at 31 December 2015, the total guaranteed debts are 723,185,219 thousand tenge (31 December 2014: 301,601,773 thousand tenge), including the total guaranteed debts on accrued interest in the amount of 20,137,855 thousand tenge (31 December 2014: 6,569,989 thousand tenge).

15. PROVISIONS FOR CONSTRUCTION

In thousands of tenge	2015	2014
As at 1 January	**20,505,903**	36,325,574
Accrued during the year	**–**	2,144,887
Utilized	**(209,377)**	(11,369,045)
Reversed	**(333,511)**	(6,595,513)
As at 31 December	**19,963,015**	20,505,903
Less: current portion	**(15,764,993)**	(17,119,493)
Non-current portion	**4,198,022**	3,386,410

As at 31 December 2014, provision for construction comprise the provision for reconstruction of trade and exhibition centre in Moscow, provision for construction of the golf-club in Schuchinsko – Borovskaya resort area and the provision for the construction of kindergarten in Astana in the amount of 6,134,052 thousand tenge, 13,320,988 thousand tenge and 1,050,863 thousand tenge, respectively where the construction is performed on the basis of the Order of the Government of the Republic of Kazakhstan.

During 2015 the Company adjusted the amount of created provision for reconstruction of trade and exhibition centre in Moscow its decreasing for 30,365 thousand tenge *(Note 12)*, based on reconsidered scope of works. Utilised portion of the provision is 48,871 thousand tenge.

During 2015 the Company adjusted the amount of created provision for the construction of a kindergarten for 240 children in Astana by the amount of 303,146 thousand tenge *(Note 12)*. Utilised portion of the provision is 160,506 thousand tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

16. OTHER CURRENT LIABILITIES

	As at 31 December	
In thousands of tenge	**2015**	2014
Due to employees	**2,752,415**	1,180,849
Income tax liabilities	**449,056**	286,156
Taxes payable other than on income	**1,848**	44,924
Payable in respect of purchase of KazakhTurkMunay LLP	**–**	13,948,903
Other	**565,847**	420,392
	3,769,166	15,881,224

17. DIVIDEND INCOME

	For the years ended 31 December	
In thousands of tenge	**2015**	2014
Tengizchevroil LLP	**89,154,720**	187,027,887
KMG Karachaganak LLP	**45,244,019**	47,908,269
KazTransOil JSC	**41,786,427**	37,732,752
KazRosGas LLP	**40,910,962**	22,335,042
Kazakhoil Aktobe LLP	**27,655,000**	–
Exploration and Production KazMunayGas JSC	**19,014,296**	85,139,924
KMG-Refining and Marketing JSC	**4,000,000**	10,890,556
KMG Systems & Services LLP	**1,700,000**	–
Teniz Service LLP	**489,960**	36,747
EuroAsiaAir JSC	**337,983**	111,245
Kazmortransflot LLP	**308,378**	–
Kazakh Institute of Oil and Gas JSC	**139,523**	6,195,780
Kylysh TP	**–**	63,707
	270,741,268	397,441,909

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended 31 December	
In thousands of tenge	**2015**	2014
Payroll and other employee costs	**7,511,834**	5,034,890
Sponsorship and charity	**5,919,452**	6,770,037
Amortisation of intangible assets	**2,002,651**	1,889,903
Repair and maintenance	**1,711,579**	1,909,175
Professional services	**1,485,922**	2,430,942
Taxes other than income tax	**937,335**	617,874
Depreciation of property, plant and equipment	**704,110**	604,141
VAT excluded from offset	**515,293**	467,189
Project management services	**434,699**	–
Transportation	**397,183**	220,281
Lease	**383,678**	343,149
Recruitment expenses	**336,939**	253,296
Business trip expenses	**315,176**	354,019
Security	**202,724**	147,135
Advertising and image expenses	**134,877**	188,959
Information services	**108,220**	213,779
Personnel development	**86,696**	120,639
Entertainment expenses	**55,231**	53,375
Communication services	**49,062**	52,496
Accrual of allowance for doubtful debts	**6,401**	–
Legal services	**2,867**	350,755
Other	**595,744**	709,803
	23,897,673	22,731,837

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

19. FINANCE INCOME

In thousands of tenge	For the years ended 31 December	
	2015	2014
Income from redemption of bonds	**54,812,278**	–
Income from project N *(Note 13)*	**36,893,370**	–
Unwinding of discount and interest on bonds receivable and loans issued	**33,252,412**	13,405,999
Income from recognition of a discount on financial aid from KMG Karachaganak LLP	**7,841,701**	5,016,896
Interest on bank deposits	**5,934,279**	10,441,261
Amortisation of financial guarantee obligations *(Note 14)*	**3,794,005**	4,377,017
Other income	**2,126,628**	1,828,780
	144,654,673	35,069,953

20. FINANCE COSTS

In thousands of tenge	For the years ended 31 December	
	2015	2014
Interest on borrowings	**150,046,851**	149,461,069
Unwinding of discount on received loans and other liabilities	**16,318,187**	4,286,150
Amortization of loan arrangement costs	**2,639,551**	3,311,285
Other expenses	**27,539**	–
	169,032,128	157,058,504

21. FOREIGN EXCHANGE LOSS, NET

The National Bank of Kazakhstan moved to the policy of inflation targeting. On 20 August 2015, it was decided to cancel the support of tenge exchange rate to the US dollar and other major currencies, in order to decrease the volume of currency interventions and cutting down the interference in the process of tenge exchange rate formation. Prior to devaluation the official exchange rate was 188.38 tenge to 1 US dollar. The official currency exchange rate as at 31 December 2015 was 340.01 tenge to 1 US dollar.

22. INCOME TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2015 and 2014 are as follows:

In thousands of tenge	**2015**	2014
Income tax		
Current withholding tax on dividends and interest received	**15,557,726**	29,672,161
Current corporate income tax	**188,603**	–
Adjustments in respect of current corporate income tax for the previous periods	**–**	(53,660)
Current excess profit tax	**455,724**	(100,577)
Deferred income tax benefit	**(193,515)**	(332,864)
Deferred excess profit tax benefit	**(174,795)**	(913,315)
Income tax expenses	**15,833,743**	28,271,745

22. INCOME TAX EXPENSES (continued)

A reconciliation of income tax expenses applicable to income before income tax at the statutory tax rate of 20%, with the current income tax expenses for the years ended 31 December is set out below:

In thousands of tenge	2015	2014
Loss before income tax	**(1,095,829,863)**	(45,918,460)
Statutory tax rate	**20%**	20%
Theoretical income tax benefit	**(219,165,973)**	(9,183,692)
Change in unrecognised deferred tax assets	**257,161,588**	9,391,518
Tax effect of permanent differences		
Sponsorship and charity	**1,183,890**	1,354,007
Discounting and unwinding of discount on financial assets and financial liabilities	**(2,663,866)**	(2,160,279)
Impairment of investments	**13,761,220**	2,566,243
Excess profit tax	**280,885**	(1,013,848)
Non-taxable or taxed at other rates dividend income	**(40,779,292)**	(51,437,808)
Non-deductible interest	**1,653,653**	1,531,457
Impairment of loans	**(3,911)**	419,783
Income not recognized in accounting	**930,008**	75,342,682
Other permanent differences	**3,475,541**	1,461,682
Income tax expenses	**15,833,743**	28,271,745

Income not recognized in accounting represents the gain from value growth as a result of transfer the right of demand of payments under Kazakhstan promissory note in accordance with a loan agreement dated 16 May 1997 between the Government and CPC-K JSC.

Deferred tax balances, calculated by applying the statutory tax rates in effect at the dates of respective statements of financial position to the temporary differences between the base of assets and liabilities and the amounts reported in the separate financial statements, are comprised of the following as at 31 December:

In thousands of tenge	2015	2014
Deferred tax assets		
Provision for accrued liabilities to employees	**520,503**	216,312
Property, plant and equipment	**28,634**	–
Other	**1,279**	6,007
Deferred tax assets	**550,416**	222,319
Deferred tax liabilities		
Exploration and evaluation assets	**(3,122)**	(252,516)
Property, plant and equipment	**(550,416)**	(341,235)
Deferred tax liabilities	**(553,538)**	(593,751)
Net deferred tax liabilities	**(3,122)**	(371,432)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

As at 31 December 2015 the Company did not recognise deferred tax assets in the amount of 374,058,171 thousand tenge (2014: 127,330,309 thousand tenge) related to non-contract and contract activities that could be offset against future taxable profit in future periods. Tax losses carried forward could be offset against taxable profit during the next ten (10) consecutive years. These deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profit from the Company's other activities. The Company performed an analysis and concluded that the recoverability of these assets is remote. The Company has neither taxable temporary differences, nor any tax planning opportunities available that could partly support the recognition of deferred tax assets. Should the Company be able to recognize all unrecognized deferred tax assets, net loss for 2015 would decrease to 737,605,435 thousand tenge (2014: profit would increase to 53,140,104 thousand tenge).

23. RELATED PARTY TRANSACTIONS

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

In thousands of tenge	2015	2014
Related party transactions		
Management fee and dividend income		
Subsidiaries	**112,530,626**	192,429,596
Joint ventures	**158,210,642**	209,463,383
Acquisition of PPE, goods and services		
Subsidiaries	**8,223,617**	12,630,009
Joint ventures	**294,523**	567,621
Associates	**–**	413,971
Entities under common control of Samruk-Kazyna	**63,737**	72,453
Interest earned on financial assets		
Subsidiaries	**12,097,516**	8,221,953
Associates	**14,778,978**	–
Samruk-Kazyna	**4,731,537**	4,663,220
Interest earned on financial liabilities		
Subsidiaries	**4,866,793**	5,824,413
Samruk-Kazyna	**561,667**	536,877
Companies controlled by the Government of the Republic of Kazakhstan	**10,001,131**	9,447,141
Sponsorships		
Other related parties	**5,200,000**	5,200,000
Compensation to the key management personnel		
Salaries and other short-term benefits	**2,980,749**	1,496,861
Assets		
Accounts receivable		
Subsidiaries	**50,366**	45,715,017
Joint ventures	**88,541,529**	8,072
Associates	**17,390**	23,895
Entities under common control of Samruk-Kazyna	**123**	4,435
Loans and bonds receivable		
Subsidiaries	**291,620,059**	74,603,646
Associates	**193,075,352**	–
Samruk-Kazyna	**74,067,056**	41,585,896
Restricted cash		
The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan	**8,946,516**	8,916,901
Liabilities		
Accounts payable		
Subsidiaries	**9,962,426**	16,991,287
Joint ventures	**768**	–
Associates	**–**	129,553
Samruk-Kazyna	**27,993,998**	13,537,062
Entities under common control of Samruk-Kazyna	**4,320**	5,444
Other related parties	**3,110,444**	–
Financial aid payable		
Subsidiaries	**35,723,152**	43,748,538
Loans and bonds payable		
Subsidiaries	**174,875,466**	165,004,560
Samruk-Kazyna	**7,527,711**	7,192,220
Companies controlled by the Government of the Republic of Kazakhstan	**180,962,155**	119,425,506

23. RELATED PARTY TRANSACTIONS (continued)

Sponsorships

During 2015, the Company has provided sponsorship to "Confederation of combat sports and endurance sports" in the amount of 5,200,000 thousand tenge (2014: 5,200,000 thousand tenge).

Accounts receivable

On 11 July 2013 was signed the agreement on sale and purchase of 8.40% equity interest in North Caspian Production Sharing Agreement ("NCPSA") between the Company (as the buyer) and ConocoPhillips North Caspian Ltd (as the seller). The same day the agreement was signed on sale and purchase of 8.40% equity interest between the Company (as the seller) and KMG Kashagan B.V. LLPC (as the buyer). In 2013, under these agreements on sale and purchase the Company purchased 8.40% equity interest in NCPSA from ConocoPhillips North Caspian Ltd for 5,163,070,283.54 US dollars (equivalent to 796,403,591 thousand tenge at the closing date rate) and sold this equity interest to KMG Kashagan B.V. LLP for the similar consideration.

Besides, as a part of the above transaction the Company purchased from ConocoPhillips North Caspian Ltd receivables of KMG Kashagan B.V. LLP with fair value of 36,925,627 thousand tenge as at the date of acquisition. Fair value of consideration paid was 35,289,964 thousand tenge.

Thus, accounts receivable from joint ventures are mainly represented by receivables from KMG Kashagan B.V. LLPC with the current value of 88,512,853 thousand tenge as at 31 December 2015 (31 December 2014: 45,695,420 thousand tenge).

Loans and bonds receivable

Initially all loans and bonds receivable are recognized at fair value, which is determined using market interest rates as on the date of loan issue or bonds acquisition.

As at 31 December 2015, loans and bonds receivable from subsidiaries are mainly represented by present value of loans issued to KazTransGas JSC, Urikhtau Operating LLP, KMG Drilling & Services LLP in the amount of 169,346,712 thousand tenge, 39,245,762 thousand tenge and 15,754,939 thousand tenge, respectively (2014: 8,189,299 thousand tenge, 10,506,063 thousand tenge and 12,144,463 thousand tenge, respectively).

As at 31 December 2015, loans and bonds from associates are represented by the debt under the Kazakhstan promissory note *(Note 12)*.

As at 31 December 2015, loans and bonds receivable from Samruk-Kazyna are represented by amounts due from the Shareholder on financial aid and its issued bonds held by the Company.

Accounts payable

As at 31 December 2015, accounts payable to subsidiaries comprise the Company's payables in the amount of 6,998,115 thousand tenge (2014: 6,854,879 thousand tenge) to KazMunayTeniz LLP under the agreement on sale and purchase of 100% of interest in KMG Drilling & Services LLP with maturity of two years from the date of signing the agreement of purchase and sale.

As at 31 December 2015 dividend payables to Shareholders amounted to 31,104,442 thousand tenge *(Note 12)* (2014: 13,537,062 thousand tenge).

Loans and bonds payable

Initially all loans and bonds payable are recognized at fair value, which is determined using market interest rates as on the date when loan received or bonds are issued.

Further information on loans and bonds payable is disclosed in *Note 13*.

Financial aid payable

As at 31 December 2015 financial aid payable to subsidiaries in the amount of 35,723,152 thousand tenge (2014: 43,748,538 thousand tenge) is represented by the interest-free financial aid received from KMG Karachaganak LLP with maturity of up to two years for the purpose of repayment of the Company's liabilities under the loan agreement between the Company, Consortium and KMG Karachaganak LLP *(Note 15)*, and by the interest-free financial aid received from KazTransOil JSC with maturity of up to one year.

23. RELATED PARTY TRANSACTIONS (continued)

Compensation to the key management personnel

Key management personnel comprise members of the Management Board and the Board of Directors of the Company, totalling 10 persons as at 31 December 2015 (2014: 13 persons). Total compensation to the key management personnel included in general and administrative expenses in these separate financial statements amounted to 2,980,749 thousand tenge and 1,496,861 thousand tenge for 2015 and 2014, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise borrowings, financial guarantee obligations, trade accounts payable, payable for purchase of interest in subsidiary and due to related parties. The main purpose of these financial liabilities is to raise finance for the Company's investing activities. The Company's financial assets comprise long-term and short-term bank deposits, cash and cash equivalents, receivables from related parties, loans and bonds receivable that arise directly from its operations.

The Company is exposed to market risk, interest rate risk, currency risk credit risk and liquidity risk. The Company's management oversees the management of these risks.

Interest rate risk

The risk associated with changes in interest rates is a risk of fluctuations in the value of financial instruments due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loans with floating interest rates *(Note 13)*.

The Company's policy is to manage its interest rate risk using a mix of fixed and variable rates on borrowings.

The following table demonstrates the sensitivity of the Company's profit before income tax (through the impact on floating rate loans) to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity.

In thousands of tenge	Increase/ decrease in basis points	Effect on profit before income tax
2015		
LIBOR	**+50**	**(2,054,229)**
	-12	**493,015**
2014		
LIBOR	+2	(66,909)
	-2	66,909

Credit risk

Credit risk arising from the default of the counterparties with respect to the Company's financial instruments is generally limited by amounts, if any, the counterparties liabilities exceed the Company's liabilities to these counterparties. It is the Company's policy to enter into financial instrument transactions with creditworthy counterparties. Maximum credit risk exposure equals to the carrying amount of each financial asset, The Company believes that the maximum risk amount is represented by receivables from the related parties *(Note 23)*, bonds receivable *(Note 23)*, long- and short-term bank deposits *(Notes 10)*, cash and cash equivalents *(Note 11)*, net of impairment provisions recorded at the reporting date.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below shows the balances of deposits and cash held in banks at the reporting date using the Standard and Poor's and Moody's Investors Service credit ratings.

		Rating			
Banks	Location	2015	2014	2015	2014
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/negative/Ba2**	BB+/stable/Ba2	**107,586,278**	43,244,781
Sberbank of Russia JSC	Kazakhstan	**Ba2/negative**	Ba2/stable	**62,595,803**	32,408,041
Nurbank JSC	Kazakhstan	**B/stable**	B/stable/B3	**1,221,505**	6,273,333
Citibank London	United Kingdom	**A/positive/A1/ stable**	A+/negative/A3/ positive	**760,467**	270,160,093
Kazkommertsbank JSC	Kazakhstan	**B-/negative**	B/stable/B2	**365,563**	33,914,559
Kazinvestbank JSC	Kazakhstan	**B-/stable/B3**	B-/stable/B3	**345,633**	27
Citibank Kazakhstan JSC	Kazakhstan	**A/positive/A1/ stable**	A/stable/A3/ negative	**211,222**	10,238
Tsesnabank JSC	Kazakhstan	**B+/stable**	B+/stable/Caa1	**50,387**	51,675,882
Eurasian Bank JSC	Kazakhstan	**B/stable**	B+/positive/B1/ negative	**34,027**	12,258,502
Altyn Bank JSC	Kazakhstan	**BB/stable**	AA-/negative/Aa3	**687**	361
Bank CenterCredit JSC	Kazakhstan	**B+/stable/B2**	B+/ stable/B2	**34**	811,419
ForteBank JSC	Kazakhstan	**B/stable**	–	**33**	–
ATF Bank JSC	Kazakhstan	**Caa2/negative**	Caa1/ negative	**26**	5,472,499
Temirbank JSC	Kazakhstan	**–**	C/stable/Ba3	**–**	4,200,383
RBK Bank JSC	Kazakhstan	**B-/stable**	B-/positive	**–**	3,420,731
SB Alfa Bank JSC	Kazakhstan	**B+/negative**	B+/stable/B1	**–**	3,116,307
Capital Bank JSC	Kazakhstan	**B-/stable**	B-/stable	**–**	1,842,242
SB RBS Kazakhstan JSC	Kazakhstan	**BBB-/positive/A3/ positive**	A/stable/A3/ negative	**–**	389
BTA JSC	Kazakhstan	**–**	B-/stable/B3/ positive	**–**	2
Other	–	**–**	–	**9,479**	11,330
				173,181,144	468,821,119

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities, Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Management is addressing the Company's liquidity requirements by implementing the following measures:

- increase of dividend payout ratio for subsidiaries of the Company and for joint ventures, through the distribution of retained earnings of prior years;
- decrease of equity for the subsidiaries of the Group;
- provision of additional inflow of liquidity as a result of the implementation of the asset restructuring program, particularly through sales of non-core assets;
- refinancing of existing debt by long-term loans.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December, based on contractual undiscounted payments.

In thousands of tenge	On demand and less than 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
At 31 December 2015						
Borrowings	95,684,673	30,667	205,665,833	1,646,906,408	1,163,713,596	3,112,001,177
Trade accounts payable	1,549,433	–	–	–	–	1,549,433
Due to related parties	34,073,841	–	75,743,508	–	–	109,817,349
Other current liabilities	167,046	–	204,678	450,582	–	822,306
	131,474,993	30,667	281,614,019	1,647,356,990	1,163,713,596	3,224,190,265

In thousands of tenge	On demand and less than 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
At 31 December 2014						
Borrowings	–	331,607,312	195,391,489	941,788,488	2,260,934,982	3,729,722,271
Trade accounts payable	4,290,874	–	–	–	–	4,290,874
Due to related parties	23,108,437	700,030	52,669,786	1,381,484	–	77,859,737
Other current liabilities	–	1,672,422	14,527,712	–	–	16,200,134
	27,399,311	333,979,764	262,588,987	943,169,972	2,260,934,982	3,828,073,016

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity structure. There were no changes in the Company's approach to capital management as compared to 2014.

Fair value

The current value of financial instruments of the Company as at 31 December 2015 and 2014 is the reasonable approximate their fair value less the following financial instruments:

	2015				
			Fair value measurement with the use of		
In thousands of tenge	Current value	Fair value	Quotation on the active market (Level 1)	The significant observable inputs (Level 2)	The significant unobservable inputs (Level 3)
Bonds receivable	41,840,972	93,722,183	–	93,722,183	–
Fixed interest rate borrowings	1,833,304,226	1,875,814,489	1,867,080,141	8,734,348	–

	2014				
			Fair value measurement with the use of		
In thousands of tenge	Current value	Fair value	Quotation on the active market (Level 1)	The significant observable inputs (Level 2)	The significant unobservable inputs (Level 3)
Bonds receivable	41,585,896	74,754,137	–	74,754,137	–
Fixed interest rate borrowings	1,987,199,531	1,945,094,041	1,937,379,432	7,714,609	–

The fair value of bonds receivable and fixed interest rate borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's operations are carried out primarily in Kazakhstan. Nevertheless, the Company's vast majority of cash inflows and outflows are denominated in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, with all other variables held constant, of the Company's income before income tax. There is no impact on the Company's equity.

In thousands of tenge	Increase/ decrease in US dollar rate	Effect on profit before income tax
2015	**60.00%**	**(936,624,958)**
	-20.00%	**312,208,319**
2014	17.37%	(300,878,547)
	-17.37%	300,878,547

25. FINANCIAL COMMITMENTS AND CONTINGENCIES

Economic environment

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

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

Legal proceedings

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these separate financial statements.

Taxation

Tax legislation and regulatory framework of the Republic of Kazakhstan are subject to constant changes and allow for different interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2015.

As at 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained.

Transfer pricing control

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

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

25. FINANCIAL COMMITMENT AND CONTINGENCIES (continued)

Transfer pricing control (continued)

Due to uncertainties associated with the Kazakh law on transfer pricing it is probable that the tax authorities may take a position on this issue different from that of the Company, which will result in assessment of additional taxes, fines and penalties as at 31 December 2015.

As at 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's transfer pricing position will be sustained.

Commitments under subsoil use contract

According to the terms of subsurface use contracts signed by the Company with the Government of the Republic of Kazakhstan, the Company has certain commitments on fulfilment of minimal work programs related to its oil and gas projects.

As at 31 December 2015, the Company failed to comply with work programs under some of its subsurface use contracts in full. Management believes that the outstanding amounts can be transferred to subsequent years and that such transfer will not result in termination of subsoil use contracts.

Contingent liabilities

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that actual events giving rise to a liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these separate financial statements for any contingent liabilities.

Non-financial contingencies

On 30 April 2013, the Company issued guarantees in favour of participants of NCPSA under the purchase-sale agreement of Kashagan gas between KazTransGas JSC (buyer) and the NCPSA participants (sellers). According to these guarantees the Company unconditionally, absolutely, and irrevocably guarantees Sellers and their successors, in case of non-fulfilment or non-payment by the buyer in respect of any or all obligations or liabilities or non-fulfilment of any or all financial liabilities, to make an immediate payment of any or all financial liabilities of the Seller. The project is in preparation stage for production of oil and petroleum products, The guaranty will be effective from the commencement of Kashagan gas sale.

On 11 November 2013, a preliminary agreement was signed on oil transportation through Kazakhstan and guarantee contract between NC Rosneft OJSC, KazMunayGas and KazTransOil JSC. According to this agreement, the Company irrevocably and unconditionally assumes the obligation to NC Rosneft OJSC that if KazTransOil JSC within the deadline does not repay any amount under the agreement on transportation or in connection thereof (including, but not limited to the payment or return of funds to NC Rosneft OJSC due to the fact that the agreement on transportation for whatever reason was declared invalid or become inoperative), then KazMunayGas immediately on demand will pay this amount as if it was the main party liable. On 27 December 2013, KazTransOil JSC and NC Rosneft OJSC signed agreement on crude oil transportation services, As at 31 December 2015 KazTransOil JSC fulfilled the volumes determined by the contract to be transported in 2015.

During 2014, Tengizchevroil LLP (as the customer) and TenizService LLP (as contractor) signed a contract for the provision of terminal services (the "Contract").

On 13 June 2014, Tengizchevroil LLP, KazMunayGas, Waterford International Holdings Inc, and TenizService LLP signed the indemnity contract. In accordance with the contract of guarantee the Company and Waterford International Holdings Inc, provide a guarantee to Tengizchevroil LLP on the execution of obligation under the Contract in favour of TenizService LLP.

In addition, on 13 June 2014, the Company, Waterford International Holdings Inc, and TenizService LLP concluded an agreement. In accordance with this agreement, in case of breach of significant terms of the Contract, TenizService LLP, Waterford International Holdings Inc, are relieved from obligations under the above indemnity contract and the Company fully receives obligations and responsibility under the Contract.

As at the reporting date, management of the Company believes that there were no cases of non-performance from indemnified parties and, respectively, no liabilities were recognised under the above non-financial obligations of the Company.

26. SUBSEQUENT EVENTS

In January 2016 the Company paid dividends to Shareholders based on the results of 2014 in the amount of 31,104,442 thousand tenge.

In January 2016, in accordance with the Company's resolution to decrease capital of Cooperative KazMunayGas U.A., Cooperative KazMunayGas U.A. returned cash in the amount of 653,000 thousand US dollars (equivalent of 234,851,770 thousand tenge at the date of payment rate).