

KazTransOil JSC

Separate financial statements

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

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Independent auditors' report

Separate financial statements

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INDEPENDENT AUDITORS' REPORT

To the shareholders of KazTransOil JSC:

We have audited the accompanying separate financial statements of KazTransOil JSC ("the Company"), which comprise the separate statement of financial position as at 31 December 2015, and the separate statement of comprehensive income, separate statement of changes in equity and separate cash flow statement 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 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 misstatement, whether due to fraud or error.

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 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 misstatement.

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

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



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Opinion

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

Consolidated financial statements presented separately

Without modifying our opinion, we draw attention to Note 2 to the separate financial statements which states that the Company is the parent entity of "KazTransOil" JSC group and that the consolidated financial statements of "KazTransOil" JSC group, prepared in accordance with International Financial Reporting Standards, have been issued separately. We have audited the consolidated financial statements of "KazTransOil" JSC as at 31 December 2015 and for the year then ended and expressed an unqualified opinion thereon in our auditor's report dated 23 February 2016.

Ernst & Young LLP

Gulmira Turmagambetova
Auditor



Auditor qualification certificate
No. 0000374 dated 21 February 1998

23 February 2016

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP



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

SEPARATE STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	At 31 December 2015	At 31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	5	430,345,045	387,584,884
Intangible assets	6	1,478,896	1,307,502
Investments in subsidiaries	7	28,208,864	28,208,864
Investments in joint ventures	8	7,404,945	7,404,945
Advances to suppliers for property, plant and equipment	9	7,061,456	10,714,631
Bank deposits	15	4,487,436	3,729,880
Other non-current assets		16,632	10,341
		479,003,274	438,961,047
Current assets			
Inventories	10	2,549,716	2,316,435
Interest-free loans	17	18,735,079	–
Trade and other accounts receivable	11	2,677,840	5,132,826
Advances to suppliers	12	1,992,063	674,842
Prepayment for corporate income tax		–	5,814,078
VAT recoverable and other prepaid taxes	13	3,615,591	3,057,461
Other current assets	14	5,830,596	3,295,466
Bank deposits	15	12,446,837	32,111,695
Cash and cash equivalents	16	44,010,416	39,248,732
		91,858,138	91,651,535
Assets classified as held for sale		–	1,261
		91,858,138	91,652,796
Total assets		570,861,412	530,613,843

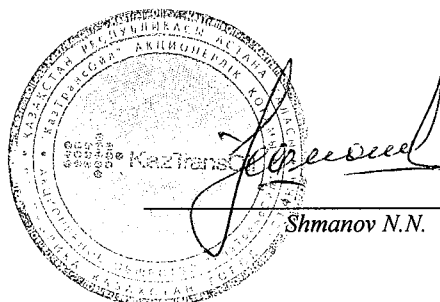
The accounting policy and explanatory notes on pages 7 through 48 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Note	At 31 December 2015	At 31 December 2014
Equity and liabilities			
Equity			
Share capital	17	61,937,567	61,937,567
Asset revaluation reserve		98,847,414	108,539,359
Other capital reserves	17	(3,813,636)	(1,810,510)
Retained earnings		286,399,082	244,927,026
Total equity		443,370,427	413,593,442
Non-current liabilities			
Employee benefits liability	18	15,098,686	11,204,603
Deferred tax liabilities	31	37,516,962	39,801,492
Provision on asset retirement and land recultivation obligation	22	21,999,701	20,631,009
		74,615,349	71,637,104
Current liabilities			
Employee benefits liability	18	435,024	408,757
Trade and other accounts payable	19	16,495,346	15,293,796
Advances received	20	17,422,223	16,651,614
Corporate income tax payable		698,462	-
Other taxes payable	21	1,056,377	886,648
Provisions	22	41,125	94,692
Other current liabilities	23	16,727,079	12,047,790
		52,875,636	45,383,297
Total liabilities		127,490,985	117,020,401
Total equity and liabilities		570,861,412	530,613,843
Book value per ordinary share (in Tenge)	17	1,149	1,072

Signed and approved for issue on 23 February 2016.

General Director



Shmanov N.N.

Chief Accountant



Sarmagambetova M.K.

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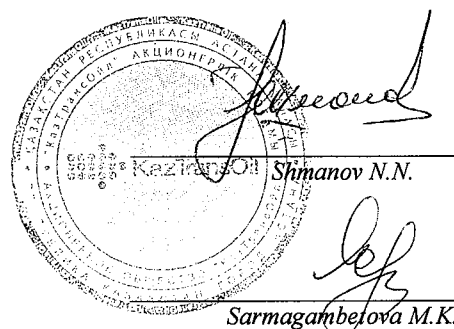
SEPARATE STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Note	For the year ended 31 December	
		2015	2014
Revenue	24	193,617,592	186,996,455
Cost of sales	25	(109,130,474)	(104,111,671)
Gross profit		84,487,118	82,884,784
General and administrative expenses	26	(10,031,684)	(11,371,158)
Other operating income	27	1,242,068	1,406,706
Other operating expenses	28	(1,264,789)	(529,856)
Loss on impairment of property, plant and equipment	5	(1,330,882)	(294,384)
Operating profit		73,101,831	72,096,092
Net foreign exchange gain	16	24,930,255	1,014,930
Dividends income		2,759,120	717,897
Finance income	29	2,957,496	4,395,019
Finance costs	30	(2,171,000)	(1,615,566)
Profit before tax		101,577,702	76,608,372
Income tax expense	31	(21,934,973)	(18,910,200)
Profit for the year		79,642,729	57,698,172
Earnings per share (in Tenge)	17	207	150
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent events			
Actuarial loss from employee benefit of the Company	18	(2,503,907)	(992,599)
Income tax effect	31	500,781	198,520
		(2,003,126)	(794,079)
Revaluation and impairment of property, plant and equipment, net	5	(893,921)	(19,748,198)
Income tax effect	31	178,784	3,949,639
		(715,137)	(15,798,559)
Provision on asset retirement obligation and land recultivation	22	1,157,829	(1,678,425)
Income tax effect	31	(231,565)	335,685
		926,264	(1,342,740)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax		(1,791,999)	(17,935,378)
Total other comprehensive loss for the year, net of tax		(1,791,999)	(17,935,378)
Total comprehensive income for the year, net of tax		77,850,730	39,762,794

Signed and approved for issue on 23 February 2016.

General Director

Chief Accountant



KazTransOil Shimanov N.N.

Sarmagambelova M.K.

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SEPARATE STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Note	For the year ended 31 December	
		2015	2014
Cash flows from operating activities			
Profit before income tax		101,577,702	76,608,372
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and amortization	25, 26	31,285,990	30,663,438
Provision for allowance for doubtful debts, net	26	107,656	3,251
Charge of provisions, net	22	11,079	53,560
Finance costs	30	2,171,000	1,615,566
Finance income	29	(2,957,496)	(4,395,019)
Employee benefits, current service costs	18	1,070,515	802,461
Net loss on disposal of property, plant and equipment and intangible assets	28	1,159,443	160,452
Expenses of liquidation of idle production facilities	28	26,538	89,126
Net loss/(income) from disposal of assets held for sale	27, 28	14,676	(61,090)
Net income on disposal of inventory	27, 28	(44,193)	(248,512)
Impairment of property, plant and equipment	5	1,330,882	294,384
(Income)/expenses from revision of estimates on asset retirement and land recultivation obligation	22, 27, 28	(443,410)	275,965
Income from write-off of payables	27	(41,920)	(74,793)
Amortization of deferred income	27	(260,305)	(312,366)
Charge/(reversal) of provision for slow-moving inventories, net	26	6,644	(5,342)
Operating cash flows before working capital changes		135,014,801	105,469,453
(Increase)/decrease in operating assets			
Inventories		(503,557)	3,494,034
Trade and other accounts receivable		2,303,079	(1,054,214)
Advances to suppliers		(1,317,140)	21,611
VAT recoverable and other prepaid taxes		(137,092)	(3,295,369)
Other current assets		(5,272,883)	(115,284)
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		(2,797,519)	2,727,048
Advances received		721,742	(380,186)
Taxes payable		169,729	(209,764)
Other current and non-current liabilities and employee benefits liability		4,396,580	(4,530,330)
Cash generated from operations		132,577,740	102,126,999
Income tax paid		(16,850,829)	(18,964,514)
Interest received		2,729,303	5,878,926
Net cash flow from operating activities		118,456,214	89,041,411

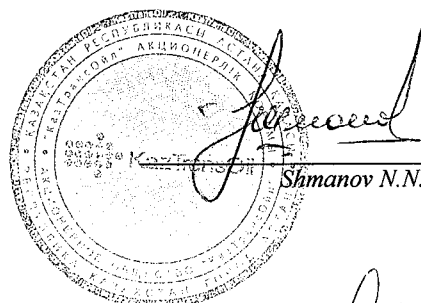
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SEPARATE STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Note	For the year ended 31 December	
		2015	2014
Cash flows from investing activities			
Withdrawal of bank deposits		71,739,062	128,557,876
Placement of bank deposits		(41,427,048)	(81,978,050)
Dividends received		2,759,945	979,800
Purchase of property, plant and equipment		(68,635,483)	(79,681,571)
Purchase of intangible assets		(135,491)	(213,862)
Granting of interest-free loan		(20,000,000)	-
Proceeds from disposal of property, plant and equipment, intangible assets and assets classified as held for sale		44,138	350,813
Net cash flow used in investing activities		(55,654,877)	(31,984,994)
Cash flows from financing activities			
Dividends paid	17	(46,429,363)	(41,925,280)
Net cash flow used in financing activities		(46,429,363)	(41,925,280)
The effects of changes in foreign exchange rates		(11,610,290)	(280,747)
Net change in cash and cash equivalents		4,761,684	14,850,390
Cash and cash equivalents at the beginning of the year		39,248,732	24,398,342
Cash and cash equivalents at the end of the year	16	44,010,416	39,248,732

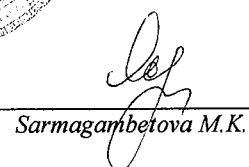
Signed and approved for issue on 23 February 2016.

General Director



Shmanov N.N.

Chief Accountant



Sarmagambetova M.K.

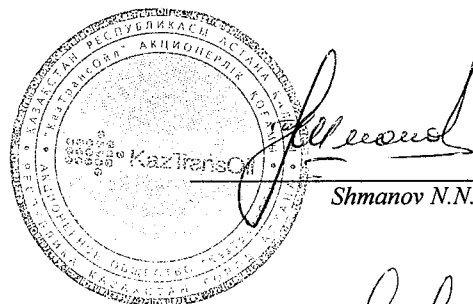
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SEPARATE STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2014	61,937,567	108,539,359	(1,810,510)	244,927,026	413,593,442
Profit for the year	-	-	-	79,642,729	79,642,729
Other comprehensive (loss)/ income	-	211,127	(2,003,126)	-	(1,791,999)
Total comprehensive (loss)/ income for the year	-	211,127	(2,003,126)	79,642,729	77,850,730
Depreciation transfer of revalued property, plant and equipment	-	(9,903,072)	-	9,903,072	-
Dividends (Note 17)	-	-	-	(46,429,363)	(46,429,363)
Other (Note 17)	-	-	-	(1,644,382)	(1,644,382)
As at 31 December 2015	61,937,567	98,847,414	(3,813,636)	286,399,082	443,370,427
As at 31 December 2013	61,937,567	138,931,685	(1,016,431)	215,903,107	415,755,928
Profit for the year	-	-	-	57,698,172	57,698,172
Other comprehensive loss	-	(17,141,299)	(794,079)	-	(17,935,378)
Total comprehensive (loss)/ income for the year	-	(17,141,299)	(794,079)	57,698,172	39,762,794
Depreciation transfer of revalued property, plant and equipment	-	(13,251,027)	-	13,251,027	-
Dividends (Note 17)	-	-	-	(41,925,280)	(41,925,280)
As at 31 December 2014	61,937,567	108,539,359	(1,810,510)	244,927,026	413,593,442

Signed and approved for issue on 23 February 2016.

General Director



Shmanov N.N.

Chief Accountant



Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 48 form an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**1. GENERAL**

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

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

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

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

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

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

The Company operates network of main oil pipelines of 5,373 km and water pipelines of 1,975 km within the Republic of Kazakhstan. Also the Company is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Subsidiary BTL provides services for transshipment and storage of crude oil, oil products and liquefied petroleum gas, as well as services for dry cargo transshipment through Batumi oil terminal and Batumi Sea Port in Georgia. BTL owns Batumi Oil Terminal LLC (hereinafter "BOT") and Petrotrans Limited Company. BOT has the exclusive right to operate 100% of the shares of Batumi Sea Port LLC (hereinafter "BSP").

The Company is a natural monopolist and, accordingly, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter "CRNMandPC"). CRNMandPC is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation within the Republic of Kazakhstan.

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

From 1 October 2015 order of CRNMandPC dated on 21 August 2015 approving the maximum tariffs for pumping oil on the domestic market for the 2015-2019 years shall come into force in the amount of:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL (continued)

- in 2019 – 4,721.72 Tenge per ton for 1,000 km without VAT.

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation in the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the cost of the expenditure required to provide services, and consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

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

2. BASIS OF PREPARATION

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

These separate financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts. The separate financial statements are presented in Tenge and all values are rounded to the nearest thousands, except when otherwise indicated.

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

These separate financial statements were issued in addition to the consolidated financial statements of the Company. These consolidated financial statements were signed and approved for issue by the General Director and the Chief Accountant of the Company on 23 February 2016. A copy of the consolidated financial statements may be obtained from the head office of the Company (*Note 1*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 Investments in subsidiary**

Investments in subsidiary is accounted for at cost less any impairment in value in these separate financial statements.

The Company assesses at each reporting date whether there is any objective evidence that an investment in a subsidiary may be impaired. If any such indication exists, the Company makes an estimate of the recoverable amount on investment. Recoverable amount on investment is higher than its fair value less costs to sell and its value in use; recoverable amount on investment is determined for an individual investment.

Where the cost of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the investments. In determining fair value less costs to sell several methods are applied. These calculations, if applicable, are corroborated by valuation multipliers, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment loss is recognized as current expenses in the period when impairment is recognized.

3.2 Interest in joint ventures

Investments in joint ventures are accounted for in these separate financial statements at initial cost less impairment. As discussed in *Note 1*, the Company participates in two jointly controlled entities: KCP and MunaiTas (*Note 8*).

3.3 Foreign currency translation

These separate financial statements are presented in Tenge, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate prevailing at the date of the transaction first qualified for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Foreign currency translation (continued)***Transactions and balances (continued)*

All currency differences, related to settlement and translation of monetary items, 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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Exchange rates

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

From 20 August 2015, the National Bank of the Republic of Kazakhstan decided to abandon the maintenance of the exchange rate of the Tenge against the US Dollar and other major currencies on the same level, to reduce the volume of currency interventions and reduce interference in the formation of the exchange rate of Tenge. The exchange rate before and after the devaluation of the Tenge was 188.38 Tenge and 255.26 Tenge per 1 US Dollar, respectively.

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

<i>Tenge</i>	2015	2014
US Dollar	340.01	182.35
Russian Ruble	4.61	3.17
Euro	371.46	221.97

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

<i>Tenge</i>	For the year ended 31 December	
	2015	2014
US Dollar	222.68	179.12
Russian Ruble	3.62	4.75
Euro	246.89	238.03

At the issue date of these separate financial statements the exchange rate of the Tenge against the US Dollar rose to 348.69 Tenge per 1 US Dollar.

3.4 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 Current versus non-current classification (continued)**

- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

3.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company and its external valuers also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of the fair value of property, plant and equipment and additional information on methods of its determining are provided in *Note 4*.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.6 Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations**

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

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

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

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

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

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

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

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

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

3.7 Property, plant and equipment

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

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

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.7 Property, plant and equipment (continued)**

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the asset retirement and land recultivation obligation (Note 4).

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

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

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

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

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

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

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

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

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

3.9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.9 Impairment of non-financial assets (continued)**

recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (hereinafter "CGU") fair value less costs to sell and its value in use and is determined for an individual asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventory, are recognised in the separate statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Financial assets**Initial recognition and measurement**

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter "EIR"), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the separate statement of comprehensive income. The losses arising from impairment are recognised in the separate statement of comprehensive income in finance costs for loans and in cost of sales or general and administrative expenses for accounts receivable.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial assets (continued)

Subsequent measurement (continued)

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 them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Company had deposits held-to-maturity during the years ended 31 December 2015 and 2014.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (or excluded from Company separate statement 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 it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.11 Impairment of financial assets

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

- Disclosures for significant assumptions (*Note 4*);
- Advances to suppliers for property, plant and equipment (*Note 9*);
- Trade receivables (*Note 11*);
- Advances to suppliers (*Note 12*);
- Other current assets (*Note 14*).

The 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 are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.11 Impairment of financial assets (continued)***Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the 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 been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the 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 of comprehensive income.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the 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 and general and administrative expenses in the separate statement of comprehensive income.

3.12 Financial liabilities**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Loans and borrowings

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the separate statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.12 Financial liabilities (continued)****Subsequent measurement (continued)***Financial guarantee contracts (continued)*

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 amortization.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.14 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined using the FIFO method.

3.15 Cash and cash equivalents

Cash and cash equivalents in the separate statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.16 Provisions

Provisions are recognised 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. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the separate statement of comprehensive income net of any reimbursement.

The Company records a provision on asset retirement and land reclamation obligation. Asset retirement and land reclamation obligation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provisions for asset retirement and land reclamation obligation. The unwinding of the discount is expensed as incurred and recognised in the separate statement of comprehensive income as a finance cost. The estimated future costs of asset retirement and land reclamation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset (*Note 4*).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17 Employee benefits**

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

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

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

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

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

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

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

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

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

3.18 Revenue and other income recognition

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, except for transportation expedition contract where the Company is acting as an agent. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of transportation services

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

Rendering of other services

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.18 Revenue and other income recognition (continued)***Interest income*

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the separate statement of comprehensive income.

Dividends

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

Fees for undelivered oil volumes

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

3.19 Taxes*Current income tax*

Corporate income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the Republic of Kazakhstan, where the Company operates and generates taxable income.

Corporate income tax relating to items recognized directly in other comprehensive income is recognised in equity and not in the profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.19 Taxes (continued)***Deferred tax (continued)*

longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

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

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

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

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

Receivables and payables are stated including VAT.

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

3.20 Equity*Share capital*

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

Dividends

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

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss and other comprehensive income. 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 authorized for issue.

3.21 Changes in accounting policies and disclosures

The Accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as at 1 January 2014:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.21 Changes in accounting policies and disclosures (continued)****New and amended standards and interpretations applied by the Company for the first time**

The Company applied, for the first time, certain standards and amendments:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the separate financial statements of the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.21 Changes in accounting policies and disclosures (continued)****Standards issued but not yet effective (continued)***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests (continued)*

for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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

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

These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

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 adoption permitted. These amendments will not have any impact on the Company's separate financial statements, as the Company will continue accounting for investments in subsidiaries under the historical cost less impairment.

Annual improvements 2010-2012 cycle

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

IFRS 2 Share-based Payment (Amendment)

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

- performance condition must contain a service condition;
- performance target must be met while the counterparty is rendering service;
- performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- performance condition may be a market or non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.21 Changes in accounting policies and disclosures (continued)****Standards issued but not yet effective (continued)***Annual improvements 2010-2012 cycle (continued)**IFRS 3 Business Combinations (Amendment)*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 39.

IFRS 8 Operating Segments (Amendment)

The amendment is applied retrospectively and clarifies that:

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

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)

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

IAS 24 Related Party Disclosures (Amendment)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the separate financial statements of the Company as it does not receive any management services from other entities.

Improvement to IFRS 2011-2013 cycle

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

IFRS 3 Business Combinations (Amendment)

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

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

IFRS 13 Fair Value Measurement (Amendment)

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

IAS 40 Investment Property (Amendment)

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.21 Changes in accounting policies and disclosures (continued)****Standards issued but not yet effective (continued)***Improvement to IFRS 2011-2013 cycle (continued)**IAS 40 Investment Property (Amendment) (continued)*

(i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Annual improvements 2012-2014 cycle

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

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

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

*IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

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

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

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

IAS 19 Employee Benefits

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

IAS 34 Interim Financial Reporting

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

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

Amendments to IAS 1 Disclosure Initiative

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- That Companies have flexibility as to the order in which they present the notes to separate 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. These amendments are not expected to have any impact on the Company.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

- financial risk management and policies (*Note 34*);
- sensitivity analyses disclosures (*Note 34*), estimates and assumptions (*Note 4*).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

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

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

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

Also test on assets return was performed as part of the revaluation. In addition assets return cost was calculated using

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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

Estimates and assumptions (continued)

Revaluation of property, plant and equipment (continued)

assessment of the value in use. Following assumptions were used in calculation of the value in use:

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

The assessment of the value in use is sensitive to the forecasted volumes of services rendered, tariffs for the services rendered, the amount of capital repair and operating costs.

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

Revaluation of technological oil

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

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

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

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

Taking into account all these factors, the management concluded that the most appropriate price to reflect fair value for the technological oil in pipeline that would be determined by informed market participant as at 31 December 2015 in the amount 84.71 US Dollars (28,802 Tenge) per tons (as at 31 December 2014: 164.52 US Dollars (30,000 Tenge) per tons). The effect of the change in oil price is equal to 2,759,330 thousand Tenge, in addition it was recognized additional evaluation of oil surpluses in the amount of 2,921,212 thousand Tenge (*Note 5*).

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

Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Impairment of property, plant and equipment (continued)*

of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of items of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Asset retirement and land recultivation obligation

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

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

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

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

	2015	2014
Discount rate as at 31 December	6.73%	6.2%
Inflation rate as at 31 December	6.0%	6.0%
Period of fulfillment of obligations	10 years	14 years

The discount rate is based on the risk-free government bonds of the Republic of Kazakhstan. As at 31 December 2015 the carrying amount of the asset retirement and land recultivation obligation was 21,999,701 thousand Tenge (as at 31 December 2014: 20,631,009 thousand Tenge) (*Note 22*).

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Asset retirement and land recultivation obligation (continued)*

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

Allowances for doubtful debts

The Company accrues allowances for doubtful accounts receivable, advances to suppliers and other assets. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the separate financial statements. As at 31 December 2015 and 2014 allowances for doubtful accounts have been created for the amount of thousand 790,332 thousand Tenge and 738,100 thousand Tenge, respectively (*Notes 9, 11, 12 and 14*).

Tax provisions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of tax inspections by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2015 was 8,175,916 thousand Tenge (as at 31 December 2014: 7,525,200 thousand Tenge) (*Note 31*). As at 31 December 2015 and 2014 the Company did not have unrecognized deferred tax assets.

Employee benefits

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

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Employee benefits (continued)*

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

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

Sensitivity analysis of employee benefit obligation for the change insignificant assumptions as at 31 December 2015 is as follows:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**5. PROPERTY, PLANT AND EQUIPMENT**

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At cost as at 31 December 2014	3,905,170	147,474,455	6,279,383	59,315,573	101,311,191	69,238,572	14,269,705	27,625,768	429,419,817
Additions	26	3,131	1,938,243	52,332	1,503,954	-	1,010,513	71,783,342	76,291,541
Recognition of asset retirement and land reclamation obligation (Note 22)	-	1,674,849	-	-	-	-	-	-	1,674,849
Disposals	(13,414)	(1,592,467)	(224,365)	(187,081)	(618,593)	(140,123)	(426,128)	(237,588)	(3,439,759)
Devaluation (asset revaluation reserve)	-	-	-	-	-	(2,759,330)	-	-	(2,759,330)
Revaluation of excess oil (asset revaluation reserve)	-	-	-	-	-	2,921,212	-	-	2,921,212
Transfer to non-current assets, held for sale	(2,443)	-	-	(27,573)	-	-	-	-	(30,016)
Transfer from construction-in-progress	46,275	30,335,502	6,430	5,254,159	10,846,917	-	250,517	(46,739,800)	-
Transfer to intangible assets (Note 6)	-	-	-	-	-	-	-	(448,716)	(448,716)
Transfers and reclassifications	-	3,329,020	75,651	(186,312)	(2,472,105)	-	159,814	(906,068)	-
At cost as at 31 December 2015	3,935,614	181,224,490	8,075,342	64,221,098	110,571,364	69,260,331	15,264,421	51,076,938	503,629,598
Depreciation and impairment as at 31 December 2014	-	(14,327,030)	(1,546,897)	(7,116,726)	(14,601,608)	-	(4,222,557)	(20,115)	(41,834,933)
Depreciation charge	-	(10,245,282)	(1,204,066)	(4,943,046)	(11,503,849)	-	(2,994,353)	-	(30,890,596)
Disposals	-	194,239	222,431	153,001	607,195	70,058	417,457	155,238	1,819,619
Impairment (asset revaluation reserve)	-	(697,404)	-	(74,850)	(60,242)	(195,867)	(346)	(27,094)	(1,055,803)
Impairment (through profit and loss)	-	(951,986)	-	(68,763)	(100,868)	(73,731)	(5,095)	(130,439)	(1,330,882)
Transfer to non-current assets, held for sale	-	-	-	8,042	-	-	-	-	8,042
Transfers and reclassifications	-	(16,469)	-	4,472	25,593	-	(13,596)	-	-
Depreciation and impairment as at 31 December 2015	-	(26,043,932)	(2,528,532)	(12,037,870)	(25,633,779)	(199,540)	(6,818,490)	(22,410)	(73,284,553)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At cost as at 31 December 2013	3,899,931	97,334,066	4,959,367	55,900,255	78,321,789	89,188,248	11,916,998	35,677,946	377,198,600
Additions	926	-	1,678,498	10,586	1,090,951	-	709,409	69,087,643	72,578,013
Recognition of asset retirement and land reclamation obligation (Note 22)	-	962,826	-	-	-	-	-	-	962,826
Disposals	(8,993)	(158,670)	(71,707)	(318,781)	(234,484)	(212,857)	(189,282)	(24,227)	(1,219,001)
Impairment (asset revaluation reserve)	-	-	-	-	-	(19,585,387)	-	-	(19,585,387)
Impairment (through loss)	-	-	-	-	-	(151,432)	-	-	(151,432)
Transfer to non-current assets, held for sale	-	-	(2,270)	-	-	-	-	(834)	(3,104)
Transfer from construction-in-progress	13,306	49,332,447	95,409	3,715,657	21,943,330	-	1,654,036	(76,754,185)	-
Transfer to intangible assets (Note 6)	-	-	-	-	(123)	-	-	(360,575)	(360,698)
Transfers and reclassifications	-	3,786	(379,914)	7,856	189,728	-	178,544	-	-
At cost as at 31 December 2014	3,905,170	147,474,455	6,279,383	59,315,573	101,311,191	69,238,572	14,269,705	27,625,768	429,419,817
Depreciation and impairment as at 31 December 2013	-	(4,240,358)	(486,794)	(2,119,082)	(4,184,306)	-	(1,169,753)	-	(12,200,293)
Depreciation charge	-	(10,084,580)	(1,145,468)	(5,206,935)	(10,609,944)	-	(3,231,665)	-	(30,278,592)
Disposals	-	107,510	67,519	222,954	221,796	146,540	179,903	2,484	948,706
Impairment (asset revaluation reserve)	-	(44,865)	-	(7,453)	(5,345)	(101,186)	-	(3,962)	(162,811)
Impairment (through loss)	-	(64,898)	-	(6,172)	(7,891)	(45,354)	-	(18,637)	(142,952)
Transfer to non-current assets, held for sale	-	-	1,009	-	-	-	-	-	1,009
Transfers and reclassifications	-	161	16,837	(38)	(15,918)	-	(1,042)	-	-
Depreciation and impairment as at 31 December 2014	-	(14,327,030)	(1,546,897)	(7,116,726)	(14,601,608)	-	(4,222,557)	(20,115)	(41,834,933)
As at 31 December 2015									
At cost	3,935,614	181,224,490	8,075,342	64,221,098	110,571,364	69,260,331	15,264,421	51,076,938	503,629,598
Accumulated impairment and depreciation	-	(26,043,932)	(2,528,532)	(12,037,870)	(25,633,779)	(199,540)	(6,818,490)	(22,410)	(73,284,553)
Net book value	3,935,614	155,180,558	5,546,810	52,183,228	84,937,585	69,060,791	8,445,931	51,054,528	430,345,045
As at 31 December 2014									
At cost	3,905,170	147,474,455	6,279,383	59,315,573	101,311,191	69,238,572	14,269,705	27,625,768	429,419,817
Accumulated impairment and depreciation	-	(14,327,030)	(1,546,897)	(7,116,726)	(14,601,608)	-	(4,222,557)	(20,115)	(41,834,933)
Net book value	3,905,170	133,147,425	4,732,486	52,198,847	86,709,583	69,238,572	10,047,148	27,605,653	387,584,884

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

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

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

As at 31 December 2015 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment were 4,104,796 thousand Tenge (31 December 2014: 2,981,191 thousand Tenge).

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

As at 31 December 2015 construction in progress included materials and spare parts in the amount of 496,573 thousand Tenge (31 December 2014: 2,489,518 thousand Tenge), which were acquired for construction works. This decrease is mainly due to usage of them in 2015 for interstate “Kazakhstan-China” oil pipeline construction project.

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2015	928,067	118,066,342	5,056,019	32,827,318	72,663,916	1,165,495	5,945,536	50,923,576	287,576,269
As at 31 December 2014	885,361	97,829,484	4,392,954	30,461,554	66,280,665	1,168,388	7,131,531	25,698,188	233,848,125

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**6. INTANGIBLE ASSETS**

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

<i>In thousands of Tenge</i>	Licenses	Software	Other	Total
Net book value as at 31 December 2014	145,451	1,129,545	32,506	1,307,502
Additions	9,388	121,937	4,166	135,491
Disposals	(5,749)	(47,888)	-	(53,637)
Amortization charge	(90,854)	(316,786)	(5,173)	(412,813)
Accumulated amortization on disposals	5,749	47,888	-	53,637
Transfer from construction-in-progress (Note 5)	1,118	447,598	-	448,716
Transfers and reclassifications	(1,830)	1,830	-	-
Net book value as at 31 December 2015	63,273	1,384,124	31,499	1,478,896
Net book value as at 31 December 2013	146,430	995,600	28,414	1,170,444
Additions	-	168,119	6,762	174,881
Disposals	(3,712)	(30,799)	(528)	(35,039)
Amortization charge	(68,307)	(325,506)	(4,708)	(398,521)
Accumulated amortization on disposals	3,712	30,799	528	35,039
Transfer from construction-in-progress (Note 5)	49,949	308,711	2,038	360,698
Transfers and reclassifications	17,379	(17,379)	-	-
Net book value as at 31 December 2014	145,451	1,129,545	32,506	1,307,502
As at 31 December 2015				
At cost	468,182	4,493,753	88,486	5,050,421
Accumulated amortization and impairment	(404,909)	(3,109,629)	(56,987)	(3,571,525)
Net book value	63,273	1,384,124	31,499	1,478,896
As at 31 December 2014				
At cost	465,256	3,970,277	84,321	4,519,854
Accumulated amortization and impairment	(319,805)	(2,840,732)	(51,815)	(3,212,352)
Net book value	145,451	1,129,545	32,506	1,307,502

7. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as at 31 December 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
BTL	47,074,550	47,074,550
Less: impairment of investments in BTL	(18,865,686)	(18,865,686)
Total	28,208,864	28,208,864

8. INVESTMENTS IN JOINT VENTURES

Investments in joint venture as at 31 December 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
KCP	6,500,000	6,500,000
MunaiTas	904,945	904,945
Total	7,404,945	7,404,945

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**9. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT**

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Advances to third parties for property, plant and equipment	7,114,714	10,814,157
Less: allowance for doubtful debts	(53,258)	(99,526)
Total	7,061,456	10,714,631

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

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	99,526	99,330
Reversal/(charge) for the year (Note 26)	(197)	196
Used in write-off of advances	(46,071)	–
As at 31 December	53,258	99,526

Advances issued to suppliers for property, plant and equipment are denominated in Tenge.

10. INVENTORIES

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Spare parts	1,388,979	1,371,518
Fuel	515,616	589,785
Goods	140,887	93,138
Construction materials	111,722	107,620
Overalls	98,406	78,892
Chemical reagents	90,812	35,575
Others	221,157	63,184
	2,567,579	2,339,712
Less: provision for slow-moving and obsolete inventory	(17,863)	(23,277)
Total	2,549,716	2,316,435

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

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	23,277	34,082
Charge/(reversal) for the year (Note 26)	6,644	(5,342)
Used in write-off of inventories	(12,058)	(5,463)
As at 31 December	17,863	23,277

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Trade accounts receivable from related parties (Note 32)	1,394,939	1,902,654
Trade accounts receivable from third parties	1,000,631	1,489,130
Other accounts receivable from third parties	982,238	2,273,771
Other accounts receivable from related parties (Note 32)	36,122	102,156
	3,413,930	5,767,711
Less: allowance for doubtful debts	(736,090)	(634,885)
Total	2,677,840	5,132,826

Other receivables mainly represent receivables from fines and penalties for nominated and non-delivered crude oil volumes under oil transportation contracts on “ship or pay” terms.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**11. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)**

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

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	634,885	630,921
Charge for the year (Note 26)	107,934	3,964
Used in write-off of receivable	(6,729)	-
As at 31 December	736,090	634,885

As at 31 December 2015 and 2014 the ageing analysis of trade receivables is as follows:

<i>In thousands of Tenge</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2015	2,677,840	2,532,905	45,204	57,883	26,380	15,468	-
2014	5,132,826	4,957,436	15,409	73,093	50,919	35,969	-

The current amounts of the Company's trade and other accounts receivables are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Tenge	2,676,647	5,131,578
Foreign currencies	1,193	1,248
Total	2,677,840	5,132,826

12. ADVANCES TO SUPPLIERS

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Advances to related parties (Note 32)	1,841,099	447,876
Advances to third parties	151,948	228,039
	1,993,047	675,915
Less: allowance for doubtful debts	(984)	(1,073)
Total	1,992,063	674,842

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

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	1,073	1,982
Reversal for the year (Note 26)	(81)	(909)
Used in write-off of advances	(8)	-
As at 31 December	984	1,073

13. VAT RECOVERABLE AND OTHER PREPAID TAXES

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
VAT recoverable	3,403,826	2,890,385
Other taxes prepaid	211,765	167,076
Total	3,615,591	3,057,461

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**14. OTHER CURRENT ASSETS**

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Due for oil transportation coordination services	5,767,898	3,245,840
Prepaid insurance	49,092	42,498
Due from employees	12,302	9,610
Deferred expenses	213	134
Others	1,091	-
	5,830,596	3,298,082
Less: allowance	-	(2,616)
Total	5,830,596	3,295,466

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

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	2,616	2,616
Used in write-off of other current assets	(2,616)	-
As at 31 December	-	2,616

15. BANK DEPOSITS

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Short-term bank deposits	12,322,761	31,984,190
Long-term bank deposits	4,487,436	3,729,880
Accrued interest on deposits	124,076	127,505
Total	16,934,273	35,841,575

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

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

16. CASH AND CASH EQUIVALENTS

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Time deposits with banks – US Dollar	33,783,170	19,451,877
Time deposits with banks – Tenge	10,126,290	19,311,501
Current accounts with banks – Tenge	86,613	471,928
Current accounts with banks – Russian Ruble	780	347
Current accounts with banks – US Dollar	23	80
Other current accounts with banks	12,871	11,542
Cash in transit	27	-
Cash on hand	642	1,457
Total	44,010,416	39,248,732

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**16. CASH AND CASH EQUIVALENTS (continued)**

(as at 31 December 2014: from 0.3% to 1.77% per annum).

Due to change of exchange rate of US Dollar towards Tenge (*Note 3.3*) Company accrued forex exchange gain, related mainly to recalculation of cash and cash equivalents in foreign currency (in US Dollars), on current bank accounts, time deposits less than 3 months, short-term and long-term deposits in second-tier banks. Net foreign exchange gain for the year ended 31 December 2015 was 24,930,255 thousand Tenge (for the year ended 31 December 2014 – 1,014,930 thousand Tenge).

17. EQUITY**Share capital**

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

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

Distributions to the shareholder*Dividends*

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

Earnings per share

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

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

<i>In thousands Tenge</i>	2015	2014
Net profit for the period attributable to ordinary equity holders of the Parent for basic earnings	79,642,729	57,698,172
Weighted average number of ordinary shares for basic earnings per share	384,635,599	384,635,599
Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company (in Tenge)	207	150

Book value of ordinary shares

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

<i>In thousands Tenge</i>	31 December 2015	31 December 2014
Total assets	570,861,412	530,613,843
Less: intangible assets (<i>Note 6</i>)	(1,478,896)	(1,307,502)
Less: total liabilities	(127,490,985)	(117,020,401)
Net assets for calculation of book value of ordinary shares	441,891,531	412,285,940
Number of ordinary shares	384,635,599	384,635,599
Book value per ordinary share (in Tenge)	1,149	1,072

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**17. EQUITY (continued)****Other capital reserves**

As at 31 December 2015 reserve amounted 3,813,636 thousand Tenge (as at 31 December 2014: loss in amount of 1,810,510 thousand Tenge). Decrease in reserve is due to accrual of actuarial re-measurement of defined benefit plans in the amount of 2,503,907 thousand Tenge (*Note 18*), income tax effect of which amounted 500,781 thousand Tenge (*Note 31*).

Other

On 5 November 2015 the Company provided to KMG interest-free loan based on the decision made on 14-15 October 2015 by the Board of Directors in the amount of 20 billion Tenge with the maturity until 30 June 2016. Discount on loans given in the amount of 1,644,382 thousand Tenge was recognized by the Company through retained earnings and during 2015 year the amortization of the discount amounted to 379,461 thousand Tenge (*Note 32*).

18. EMPLOYEE BENEFITS LIABILITY

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

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

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

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

<i>In thousands Tenge</i>	2015	2014
Employee benefit liabilities at the beginning of the year	11,613,360	9,655,180
Interest cost (<i>Note 30</i>)	832,855	579,311
Current services cost (<i>Note 25, 26</i>)	1,070,515	802,461
Actuarial losses (<i>Note 17</i>)	2,503,907	992,599
Benefits paid	(486,927)	(416,191)
Employee benefit liabilities at the end of the year	15,533,710	11,613,360

19. TRADE AND OTHER ACCOUNTS PAYABLE

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Accounts payable to third parties for goods and services	15,250,927	14,427,444
Accounts payable to related parties for goods and services (<i>Note 32</i>)	801,849	672,626
Other payables to third parties	441,898	193,726
Other payables to related parties (<i>Note 32</i>)	672	-
Total	16,495,346	15,293,796

Trade and other accounts payables included payables to related and third parties, related to the construction-in-progress in the amount of 13,454,045 thousand Tenge (as at 31 December 2014: 9,412,619 thousand Tenge).

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Tenge	16,454,586	15,258,129
US Dollar	23,152	20,458
Euro	15,038	8,990
Russian Ruble	2,570	6,219
Total	16,495,346	15,293,796

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**20. ADVANCES RECEIVED**

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Advances received from related parties (Note 32)	11,330,298	10,615,166
Advances received from third parties	6,091,925	6,036,448
Total	17,422,223	16,651,614

21. OTHER TAXES PAYABLE

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Social tax	574,333	412,145
Personal income tax	413,631	434,951
Property tax	23,773	5,004
VAT payable	20,045	12,823
Other taxes	24,595	21,725
Total	1,056,377	886,648

22. PROVISIONS

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

Short-term portion of provisions

<i>In thousands of Tenge</i>	Environmental provision	Other provisions	Total
As at 31 December 2014	41,125	53,567	94,692
Charge for the year	11,079	-	11,079
Used provision	(11,079)	(53,567)	(64,646)
As at 31 December 2015	41,125	-	41,125
As at 31 December 2013	41,642	-	41,642
Charge/(reversed) for the year	(7)	53,567	53,560
Used provision	(510)	-	(510)
As at 31 December 2014	41,125	53,567	94,692

Long-term portion of provisions*Asset retirement and land reclamation obligation*

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**22. PROVISIONS (continued)****Long-term portion of provisions (continued)***Asset retirement and land recultivation obligation (continued)*

Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount rate are reflected in *Note 4*.

<i>In thousands of Tenge</i>	2015	2014
As at 1 January	20,631,009	16,677,538
Charged for the year through asset (<i>Note 5</i>)	1,674,849	962,826
Revision of estimates through other comprehensive income	(1,157,829)	1,678,425
(Gain)/loss from revision of estimates through profit and loss and write-off of provision (<i>Note 27, 28</i>)	(443,410)	275,965
Unwinding of discount on asset retirement and land recultivation obligation (<i>Note 30</i>)	1,295,082	1,036,255
As at 31 December	21,999,701	20,631,009

23. OTHER CURRENT LIABILITIES

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

<i>In thousands of Tenge</i>	31 December 2015	31 December 2014
Salaries and wages	5,979,200	5,589,818
Accounts payable for oil transportation coordination services for related parties (<i>Note 32</i>)	5,923,268	2,871,849
Accounts payable for oil transportation coordination services for third parties	4,035,988	2,464,587
Accounts payable to pension funds	693,938	659,667
Current portion of deferred income from related parties (<i>Note 32</i>)	-	260,305
Other accruals	94,685	201,564
Total	16,727,079	12,047,790

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

24. REVENUE

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

<i>In thousands of Tenge</i>	2015	2014
Crude oil transportation	176,036,600	164,393,577
Pipeline operation services	8,918,816	8,230,639
Water transportation	6,603,736	6,860,568
Fees for undelivered oil volumes	1,294,978	6,714,971
Oil transportation coordination services	594,761	639,557
Oil storage services	58,222	91,553
Other	110,479	65,590
Total	193,617,592	186,996,455

For the year ended 31 December 2015 the revenue from the three major customer amounted to 49,586,658 thousand Tenge, 24,980,450 thousand Tenge and 14,828,129 thousand Tenge, respectively (for the year ended 31 December 2014 revenue from the three major customers: 45,143,090 thousand Tenge, 23,386,961 thousand Tenge and 14,414,475 thousand Tenge, respectively).

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**25. COST OF SALES**

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

<i>In thousands of Tenge</i>	2015	2014
Personnel cost	41,717,985	38,215,396
Depreciation and amortization	30,565,239	29,989,638
Electric energy	6,818,036	6,141,079
Materials and fuel	6,283,694	5,650,290
Taxes other than corporate income tax	5,125,659	4,593,362
Repair and maintenance	4,436,374	5,209,063
Security services	3,955,479	4,202,648
Gas expense	2,559,678	2,435,270
Air services	1,608,525	1,474,160
Post-employment benefits (Note 18)	1,004,841	754,969
Business trip expense	857,037	870,894
Diagnostics of pipelines	843,692	624,316
Environmental protection	473,387	952,258
Insurance	441,544	430,429
Communication services	253,619	248,990
Operating lease	105,763	9,930
Other	2,079,922	2,308,979
Total	109,130,474	104,111,671

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

26. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In thousands of Tenge</i>	2015	2014
Personnel cost	6,082,875	5,702,229
Depreciation and amortization	720,751	673,800
Consulting	515,084	449,441
Office services	461,243	370,071
Write off of VAT recoverable	240,830	293,703
Business trip expenses	188,036	218,201
Social sphere expenses	182,983	193,888
Taxes other than corporate income tax	174,596	154,171
Repair and maintenance	170,780	132,865
Training	145,541	134,055
Materials and fuel	136,250	124,680
Bank costs	123,716	130,459
Provision for allowance for doubtful debt, net (Notes 9,11 and 12)	107,656	3,251
Communication services	104,524	106,217
Post-employment benefits (Note 18)	65,674	47,492
Charge/(reversal) of provision for slow-moving and obsolete inventories, net (Note 10)	6,644	(5,342)
Charity expense	-	2,013,569
Other	604,501	628,408
Total	10,031,684	11,371,158

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**27. OTHER OPERATING INCOME**

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

<i>In thousands of Tenge</i>	2015	2014
Income from revision of estimates for provision on asset retirement obligation and land recultivation (Note 22)	443,410	-
Income from fines and penalties	387,504	604,660
Amortization of deferred income from related parties (Note 32)	260,305	312,366
Income on disposal of inventory	60,500	248,512
Income from write-off of payables	41,920	74,793
Management services fees	3,039	13,688
Net income on disposal of assets held for sale	-	61,090
Other income	45,390	91,597
Total	1,242,068	1,406,706

28. OTHER OPERATING EXPENSES

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

<i>In thousands of Tenge</i>	2015	2014
Net loss on disposal of property, plant and equipment and intangible assets	1,159,443	160,452
Expenses of liquidation of idle production facilities	26,538	89,126
Expenses from disposal of inventory	16,307	-
Net expenses on disposal of assets held for sale	14,676	-
Expenses from revision of estimates for provision on asset retirement obligation and land recultivation (Note 22)	-	275,965
Other expenses	47,825	4,313
Total	1,264,789	529,856

29. FINANCE INCOME

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

<i>In thousands of Tenge</i>	2015	2014
Interest income on bank deposits and accounts	2,549,552	4,380,727
Discounting of interest-free loans (Note 32)	379,461	-
Employees and related party loans: unwinding of discount	28,483	14,292
Total	2,957,496	4,395,019

30. FINANCE COSTS

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

<i>In thousands of Tenge</i>	2015	2014
Unwinding of discount on asset retirement and land recultivation obligation (Note 22)	1,295,082	1,036,255
Employee benefits: interest cost (Note 18)	832,855	579,311
Other financial costs	43,063	-
Total	2,171,000	1,615,566

31. INCOME TAX EXPENSE

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

<i>In thousands of Tenge</i>	2015	2014
Current income tax expense	22,595,962	13,390,137
Expense/(benefit) for the past periods	1,175,541	(33,207)
Deferred income tax (benefit)/expense	(1,836,530)	5,553,270
Income tax expense	21,934,973	18,910,200

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**31. INCOME TAX EXPENSE (continued)**

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

<i>In thousands of Tenge</i>	2015	2014
Profit before income tax	101,577,702	76,608,372
Statutory rate	20%	20%
Income tax expense on accounting profit	20,315,540	15,321,674
Tax effect of the previous year adjustments	1,175,541	(33,207)
Tax effect of permanent differences		
Non-deductible gain from dividends	(551,824)	(143,579)
Gain on surplus of technological oil	605,683	1,142,794
Non-recognized income of foreign subsidiary in countries with preferential tax treatment	403,648	2,133,390
Other (non-taxable income)/non-deductible expenses	(13,615)	489,128
Income tax expense reported in the separate statement of comprehensive income	21,934,973	18,910,200

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

<i>In thousands of Tenge</i>	31 December 2015	Charged to profit and loss	Charged to other comprehensive income	31 December 2014	Charged to profit and loss	Charged to other comprehensive income	1 January 2014
Deferred tax assets							
Employee benefits and other employee compensation and related costs	3,481,748	(108,108)	500,781	3,089,075	(131,432)	198,520	3,021,987
Allowance for doubtful debts	158,066	10,446	-	147,620	650	-	146,970
Provision for slow-moving and obsolete inventory	3,573	(1,082)	-	4,655	(2,161)	-	6,816
Taxes payable	124,364	27,002	-	97,362	(156,528)	-	253,890
Provision on environmental protection and other provisions	49,656	979	-	48,677	(2,191)	-	50,868
Provision on asset retirement and land reclamation obligation	4,358,509	504,324	(231,565)	4,085,750	457,097	335,685	3,292,968
Employees and related party loans	-	-	-	-	(5,083)	-	5,083
Income from foreign entities under control	-	-	-	-	(1,796,407)	-	1,796,407
Deferred income from related parties	-	(52,061)	-	52,061	(62,473)	-	114,534
	8,175,916	381,500	269,216	7,525,200	(1,698,528)	534,205	8,689,523
Deferred tax liabilities							
Investments in joint ventures	(176,032)	-	-	(176,032)	-	-	(176,032)
Property, plant and equipment	(45,516,846)	1,455,030	178,784	(47,150,660)	(3,854,742)	(3,949,639)	(47,245,557)
	(45,692,878)	1,455,030	178,784	(47,326,692)	(3,854,742)	(3,949,639)	(47,421,589)
Net deferred income tax liabilities	(37,516,962)	1,836,530	448,000	(39,801,492)	(5,553,270)	4,483,844	(38,732,066)

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

In 2014, according to the tax legislation of the Republic of Kazakhstan the Company changed its estimates for recoverable tax assets on income of controlled foreign companies, received in countries with preferential tax treatment. Accordingly, the Company discontinued recognition of assets for deferred income tax in the amount of 1,796,407 thousand Tenge.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**32. RELATED PARTY TRANSACTIONS**

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

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

The following tables 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.

Trade and other accounts receivables from related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 December 2015	31 December 2014
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint venture		719,246	1,261,676
Trade accounts receivable from entities under common control of KMG		675,470	640,772
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		223	206
Total trade and other accounts receivable from related parties	11	1,394,939	1,902,654
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	11	36,122	102,156
Total trade and other accounts receivable		1,431,061	2,004,810

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 December 2015	31 December 2014
Advances paid to related parties			
Advances paid to entities under common control of KMG		1,684,777	361,049
Advances paid to entities under common control of Samruk-Kazyna Group		156,322	86,746
Advances paid to other related parties		-	81
Total advances issued to related parties	12	1,841,099	447,876

Interest-free loans to related parties are as follows:

<i>In thousands of Tenge</i>	Note	2015	2014
Interest-free loans to related parties			
Interest-free loans to KMG		18,735,079	-
Total interest-free loans to related parties	17	18,735,079	-

Accounts payables and other payables to related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 December 2015	31 December 2014
Accounts payables to related parties for goods and services			
Accounts payables to entities under common control of KMG		546,793	628,994
Accounts payables to entities under control of Samruk-Kazyna Group		255,056	43,632
	19	801,849	672,626
Other payables to entities under control of Samruk-Kazyna Group	19	672	-
Total trade and other accounts payable to related parties		802,521	672,626

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**32. RELATED PARTY TRANSACTIONS (continued)**

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 December 2015	31 December 2014
Advances received from related parties			
Advances from entities under common control of KMG		10,845,082	10,117,534
Advances from entities under common control of Samruk-Kazyna Group		485,209	497,617
Advances from joint ventures		7	15
Total advances received from related parties	20	11,330,298	10,615,166

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 December 2015	31 December 2014
Accounts payable for oil transportation coordination for related parties			
Accounts payable for oil transportation coordination for entities under common control of KMG		5,923,268	2,871,849
	23	5,923,268	2,871,849
Employee benefits			
Employee benefits of key management personnel		8,062	6,155
		8,062	6,155
Current portion of deferred income from related parties			
Current portion of deferred income from entities under common control of KMG		-	260,305
	23	-	260,305
Total other current liabilities to related parties		5,931,330	3,138,309

During years ended 31 December the Company had the following transactions with the related parties:

<i>In thousands of Tenge</i>	2015	2014
Sales to related parties		
Revenue from main activities with entities under common control of KMG	111,540,478	104,948,037
Revenue from main activities with joint ventures	7,612,064	7,048,142
Revenue from main activities with entities under common control of Samruk-Kazyna Group	5,361,313	6,724,720
Revenue from other activities with entities under common control of KMG	28,096	19,852
Revenue from other activities with entities under common control of Samruk-Kazyna Group	-	8
Total	124,541,951	118,740,759
Purchases from related parties		
Purchases of services from entities under common control of KMG	9,143,656	8,234,819
Purchases of services from entities under common control of Samruk-Kazyna Group	2,691,546	1,250,632
Purchases of property, plant and equipment and inventory from entities under common control of KMG	477,324	1,107,080
Purchases of property, plant and equipment and inventory from entities under common control of Samruk-Kazyna Group	550,760	174,016
Purchases of services from joint ventures	-	17,758
Total	12,863,286	10,784,305

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**32. RELATED PARTY TRANSACTIONS (continued)**

Other operating income of the Company from related parties is as follows:

<i>In thousands of Tenge</i>	Note	2015	2014
Other operating income from related parties			
Amortization of deferred income from related parties	27	260,305	312,366
Total		260,305	312,366

Finance income from related parties is as follows:

<i>In thousands of Tenge</i>	Note	2015	2014
Finance income from related parties			
Discounting of interest-free loans provided to KMG	29	379,461	-
Total		379,461	-

Dividend income of the Company's transactions with related parties is as follows:

<i>In thousands of Tenge</i>	2015	2014
Dividend income from related parties		
Dividend income from joint ventures	1,735,020	637,620
Total	1,735,020	637,620

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

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

33. CONTINGENT LIABILITIES AND COMMITMENTS**Operating environment**

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

33. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws is 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 as at 31 December 2015.

As at 31 December 2015 the 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 price determined in accordance with the "arm's length" principle.

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

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

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

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Company's financial position or results of operations, except as provided for or otherwise disclosed in these separate financial statements (*Notes 4, 22*).

Insurance issues

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Company's operations.

Contractual commitments

As at 31 December 2015, the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 41,288,864 thousand Tenge (as at 31 December 2014: 29,152,744 thousand Tenge).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The Company is exposed to market risk that comprises of credit risk, currency risk and liquidity risk.

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

Credit risk

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

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

The table below shows the balances of bank accounts and deposits at the separate statement of financial position date using the "Moody's" and "Standard and Poor's" credit ratings.

In thousands of Tenge	Location	Rating		2015	2014
		2015	2014		
Bank					
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	BB+/Negative	BB/Stable	47,532,496	43,355,993
"Sberbank Russia" SB JSC	Kazakhstan	BB+/Negative	BB+/Negative	6,897,362	2,000,951
"Tsesnabank" JSC	Kazakhstan	B+/Stable	B+/Stable	3,408,853	8,787,871
"Delta Bank" JSC	Kazakhstan	B/Stable	–	3,104,623	985,401
"NBK-Bank" JSC	Russia	BB+/Negative	–	495	–
"Sberbank Russia" JSC	Russia	BB+/Negative	BB+/Negative	73	180
"RBS Kazakhstan" JSC	Kazakhstan	A3/Positive	A3/Negative	58	12
"Kazkommertsbank" JSC	Kazakhstan	B-/Negative	B/Stable	30	19,958,265
"GasBank CJSC" JSCB	Russia	B3/Stable	–	30	167
"Citibank Kazakhstan" JSC	Kazakhstan	–	A2/Stable	–	10
Total				60,944,020	75,088,850

Liquidity risks

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

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

<i>In thousands of Tenge</i>	On demand	<1 year	1 to 2 years	2 to 5 years	>5 years	Total
As at 31 December 2015						
Trade and other payable	-	16,456,906	1,951	31,572	4,917	16,495,346
Total	-	16,456,906	1,951	31,572	4,917	16,495,346
As at 31 December 2014						
Trade and other payable	-	15,073,298	47,929	172,569	-	15,293,796
Total	-	15,073,298	47,929	172,569	-	15,293,796

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Currency risk**

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

<i>In thousands of Tenge</i>	US Dollar	Russian Ruble	Euro	Other currencies	Total
As at 31 December 2015					
Assets	46,182,339	6,655	-	-	46,188,994
Liabilities	23,826	49,778	15,038	-	88,642
As at 31 December 2014					
Assets	51,545,997	5,791	-	-	51,551,788
Liabilities	37,492	53,998	8,990	-	100,480

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations.

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

<i>In thousands of Tenge</i>	Increase/ decrease in exchange rate	Effect on profit before tax
2015	+60.00%	27,695,108
US Dollar	-20.00%	(9,231,703)
2015	+40.00%	(17,249)
Russian Ruble	-29.00%	12,506
2014	+17.37%	8,947,416
US Dollar	-17.37%	(8,947,416)
2014	+33.54%	(16,168)
Russian Ruble	-33.54%	16,168

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

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

Fair value of financial instruments

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