Consolidated Financial Statements

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Independent Auditor's Report

To the shareholders and management of KazMunaiGas Exploration Production Joint Stock Company

We have audited the accompanying consolidated financial statements of KazMunaiGas Exploration Production Joint Stock Company and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KazMunaiGas Exploration Production Joint Stock Company and its subsidiaries as of 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Jim Ducker
Audit Partner

Adil Syzdykov
Auditor

Auditor Qualification Certificate No. МФ-0000172 dated 24 December 2013

Evgeny Zhemaletdinov
Auditor, 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

24 February 2015

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Consolidated Statement of Financial Position

in million Tenge

	Notes	As at December 31, 2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	156,436	350,675
Intangible assets	6	10,855	12,064
Investments in joint ventures	8	95,177	88,967
Investments in associate	9	116,054	107,095
Receivable from a jointly controlled entity	8	13,808	13,222
Loans receivable from joint ventures	8	25,738	18,402
Other financial assets	7	18,567	21,711
Deferred tax asset	20	84,067	34,356
VAT recoverable	24	42,300	–
Other assets		**15,472**	**19,542**
Total non-current assets		**578,474**	**666,034**
Current assets			
Inventories	10	26,357	27,422
Income taxes prepaid		23,916	43,684
Taxes prepaid and VAT recoverable	24	37,831	72,169
Mineral extraction and rent tax prepaid		2,581	1,967
Prepaid expenses		30,011	22,067
Trade and other receivables	7	56,570	153,219
Receivable from a jointly controlled entity	8	4,658	3,969
Loans receivable from joint ventures	8	7,692	3,933
Other financial assets	7	535,513	482,006
Cash and cash equivalents	7	180,245	119,036
Total current assets		**905,374**	**929,472**
Total assets		**1,483,848**	**1,595,506**
EQUITY			
Share capital	11	163,004	162,969
Other capital reserves		2,355	2,482
Retained earnings		1,098,170	1,185,815
Other components of equity		**75,587**	**22,509**
Total equity		**1,339,116**	**1,373,775**
LIABILITIES			
Non-current liabilities			
Borrowings		4,218	4,291
Deferred tax liability	20	569	881
Provisions	13	**34,929**	**34,203**
Total non-current liabilities		**39,716**	**39,375**
Current liabilities			
Borrowings		3,000	2,503
Provisions	13	8,287	20,067
Income taxes payable		15	29,341
Mineral extraction tax and rent tax payable		**34,200**	**61,956**
Trade and other payables		**59,514**	**68,489**
Total current liabilities		**105,016**	**182,356**
Total liabilities		**144,732**	**221,731**
Total liabilities and equity		**1,483,848**	**1,595,506**

The notes on pages 94 to 121 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

in million Tenge

	Notes	For the year ended December 31, 2014	2013
Revenue	14	845,770	816,712
Share of results of associate and joint ventures	8, 9	60,191	50,866
Finance income	19	**20,762**	**20,577**
Total revenue and other income		**926,723**	**888,155**
Production expenses	15	(211,900)	(162,035)
Selling, general and administrative expenses	16	(102,568)	(92,360)
Exploration expenses		(2,127)	(13,125)
Depreciation, depletion and amortization	5, 6	(59,485)	(47,144)
Taxes other than on income	17	(328,211)	(311,688)
Impairment of property, plant and equipment	18	(256,683)	(60,099)
Loss on disposal of property, plant and equipment		(4,221)	(4,475)
Finance costs	19	(8,952)	(8,085)
Foreign exchange gain, net	2	**108,997**	**11,216**
Profit before tax		**61,573**	**200,360**
Income tax expense	20	(14,535)	(58,531)
Profit for the year		**47,038**	**141,829**
Foreign currency translation difference	2	**53,078**	**4,500**
Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods		**53,078**	**4,500**
Total comprehensive income for the year, net of tax		**100,116**	**146,329**
EARNINGS PER SHARE – Tenge thousands			
Basic and diluted	12	0.69	2.08

The notes on pages 94 to 121 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

in million Tenge

	Notes	For the year ended December 31, 2014	2013
Cash flows from operating activities			
Profit before tax		61,573	200,360
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortization	5, 6	59,485	47,144
Share of results of associate and joint ventures	8, 9	(60,191)	(50,866)
Loss on disposal of property, plant and equipment (PPE)		4,221	4,475
Impairment of PPE	18	256,683	60,099
Dry well expense on exploration and evaluation assets	6	1,263	10,971
Recognition of share-based payments		–	145
Forfeiture of share-based payments		(127)	(137)
Unrealised foreign exchange gain on non-operating activities		(76,188)	(5,533)
Other non-cash income and expense		247	7,898
Add finance costs	19	8,952	8,085
Deduct finance income	19	(20,762)	(20,577)
Working capital adjustments			
Change in other assets		2,129	376
Change in inventories		1,021	(549)
Change in taxes prepaid and VAT recoverable		(12,299)	(16,436)
Change in prepaid expenses		(7,947)	(6,525)
Change in trade and other receivables		96,684	(51,906)
Change in trade and other payables		(8,629)	(20,371)
Change in mineral extraction and rent tax payable and prepaid		(26,570)	11,128
Change in provisions		4,073	(1,805)
Income tax paid		(87,214)	(77,544)
Net cash generated from operating activities		**196,404**	**98,432**
Cash flows from investing activities			
Purchases of PPE		(132,186)	(140,402)
Proceeds from sale of PPE		224	582
Purchases of intangible assets		(2,042)	(8,628)
Loans provided to the joint ventures	8	(3,895)	(11,252)
Dividends received from joint ventures and associate, net of withholding tax	8, 9	73,945	64,138
Interest received from investment in Debt Instruments of NC KMG	7	–	4,734
Proceeds from repayment of investment in Debt Instruments of NC KMG	7	–	135,243
Proceeds from withdrawal/(Purchase of) financial assets held to maturity		23,617	(78,520)
Proceeds from sale of other financial assets		155	–
Repayments of loans receivable from related parties		4,866	4,088
Interest received		14,654	7,130
Net cash used in investing activities		**(20,662)**	**(22,887)**
Cash flows from financing activities			
Repayment of borrowings		(1,093)	(1,079)
Dividends paid to Company's shareholders	3, 11	(128,995)	(109,979)
Net cash used in financing activities		**(130,088)**	**(111,058)**
Net change in cash and cash equivalents		45,654	(35,513)
Cash and cash equivalents at the beginning of the year	7	119,036	154,705
Net foreign exchange difference on cash and cash equivalents		15,555	(156)
Cash and cash equivalents at the end of the year	7	**180,245**	**119,036**

The notes on pages 94 to 121 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in million Tenge

	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
As at December 31, 2012	**263,095**	**(100,143)**	**2,474**	**1,154,335**	**18,009**	**1,337,770**
Profit for the year	–	–	–	141,829	–	141,829
Other comprehensive income	–	–	–	–	4,500	4,500
Total comprehensive income	**–**	**–**	**–**	**141,829**	**4,500**	**146,329**
Recognition of share-based payments (Note 11)	–	–	145	–	–	145
Forfeiture of share-based payments (Note 11)	–	–	(137)	–	–	(137)
Exercise of employee options (Note 11)	–	17	–	–	–	17
Dividends (Note 11)	–	–	–	(110,349)	–	(110,349)
As at December 31, 2013	**263,095**	**(100,126)**	**2,482**	**1,185,815**	**22,509**	**1,373,775**
Profit for the year	–	–	–	47,038	–	47,038
Other comprehensive income	–	–	–	–	53,078	53,078
Total comprehensive income	**–**	**–**	**–**	**47,038**	**53,078**	**100,116**
Forfeiture of share-based payments (Note 11)	–	–	(127)	–	–	(127)
Exercise of employee options (Note 11)	–	35	–	–	–	35
Dividends (Note 11)	–	–	–	(134,683)	–	(134,683)
As at December 31, 2014	**263,095**	**(100,091)**	**2,355**	**1,098,170**	**75,587**	**1,339,116**

The notes on pages 94 to 121 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Tenge million unless otherwise stated

1. Corporate Information and Principal Activities

KazMunaiGas Exploration Production Joint Stock Company (the "Company") is incorporated in the Republic of Kazakhstan and is engaged in the acquisition, exploration, development, production, processing and export of hydrocarbons with its core operations of oil and gas properties located in the Pre-Caspian and Mangistau basins of western Kazakhstan. The Company's direct majority shareholder is Joint Stock Company National Company KazMunayGas ("NC KMG" or the "Parent Company"), which represents the state's interests in the Kazakh oil and gas industry and which holds 63.21% of the Company's outstanding shares as at December 31, 2014 (2013: 63.22%). The Parent Company is 100% owned by Joint Stock Company Samruk-Kazyna Sovereign Welfare Fund ("Samruk-Kazyna SWF"), which is in turn 100% owned by the government of the Republic of Kazakhstan (the "Government").

The Company conducts its principal operations through the wholly owned subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas". In addition the Company has oil and gas interests in the form of other wholly owned subsidiaries, jointly controlled entities, associate and certain other controlling and non-controlling interests in non-core entities. These consolidated financial statements reflect the financial position and results of operations of all of the above interests.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention except for financial instruments. These consolidated financial statements are presented in Tenge and all values are rounded to the nearest million unless otherwise stated.

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

Exchange rates

The official rate of the Kazakhstan Tenge to the US Dollar at December 31, 2014 and December 31, 2013 was 182.35 and 153.61 Tenge to the US Dollar, respectively.

The majority of the foreign currency exchange gain recorded by the Company during 2014 relates to the devaluation of Tenge that occurred on February 11, 2014. The exchange rates before and after devaluation were around 155 Tenge to the US dollar and ranged from 181 to 185 Tenge to the US dollar, respectively.

Adopted accounting standards and interpretations

The Company has adopted the following new and amended IFRS during the year, which did not have any material effect on the financial performance or position of the Company:

IAS 32	Presentation-`Offsetting Financial Assets and Financial Liabilities
IFRIC 21	Levies
IFRS 10, IFRS 12, IAS 27	Investment Entities
IAS 39	Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

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 financial statements listed below, are those that the Company reasonably expects will have an impact on the disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable when they become effective (effective for annual periods beginning on or after):

IFRS 9	Financial Instruments: Classification and Measurement (January 1, 2018)
IFRS 15	Revenue from Contracts with Customers (January 1, 2017)
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments) (January 1, 2016)
IFRS 14	Regulatory Deferral Accounts (January 1, 2016)
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments) (July 1, 2014)
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments) (January 1, 2016)
IAS 27	Equity Method in Separate Financial Statements (Amendments) (January 1, 2016)
Improvements to IFRSs	2010–2012 cycle (July 1, 2014)
Improvements to IFRSs	2012–2014 cycle (July 1, 2016)

2.2. Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Company.

Investment in associates and interests in joint arrangements

The Company's investment in its associates and joint ventures are accounted for using the equity method. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement.

In relation to interest in joint operations the Company recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred jointly.

Under the equity method, the investment in the associate and joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associates and joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Company's investment in associates includes purchase price premium identified on acquisition, which is primarily attributable to the value of the licences based on their proved reserves. The licences are amortised over the proved developed reserves of the associate and joint ventures using the unit-of-production method.

The consolidated statement of comprehensive income reflects the share of the results of operations of each associate and joint venture. Where there has been a change recognised directly in the equity of an associate or joint venture, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate.

The share of profit of associates and joint ventures are shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the associates and joint ventures and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

2. Summary of significant accounting policies (continued)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associates or joint ventures. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Upon loss of joint control and provided the former jointly controlled entity does not become a subsidiary or associate, the Company measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2.3. Foreign currency translation

The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge"), which is the Company's functional and presentation currency. Each subsidiary, associate and joint venture of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. 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 assets and liabilities of foreign operations are translated into Tenge at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the exchange rates at the date of transaction. The exchange differences arising on the translation are recognised in other comprehensive income or loss. On disposal of a foreign entity, the accumulated foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

2.4. Oil and natural gas exploration and development expenditure

Exploration license costs

Exploration license costs are capitalised within intangible assets and amortised on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned. If no future activity is planned, the remaining balance of the licence cost is written off. Upon determination of economically recoverable reserves ("proved reserves" or "commercial reserves"), amortisation ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within other intangible assets. When development is approved internally, and all licences and approvals are obtained from the appropriate regulatory bodies, then the relevant expenditure is transferred to property, plant and equipment (oil and natural gas properties).

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised within intangible assets (exploration and evaluation assets) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, fuel and energy used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development then, the costs continue to be carried as an asset.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment (oil and natural gas properties).

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, except for expenditure related to development or delineation wells which do not find commercial quantities of hydrocarbons and are written off as dry hole expenditures in the period, is capitalised within property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

2.5. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated using a unit-of-production method over proved developed reserves. Certain oil and gas property assets with useful lives less than the remaining life of the fields are depreciated on a straight-line basis over useful lives of 4-10 years.

Other property, plant and equipment principally comprise buildings and machinery and equipment which are depreciated on a straight-line basis over average useful lives of 24 and 7 years, respectively.

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in the statement of comprehensive income in the period the item is derecognised.

2.6. Impairment of non-financial assets

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognsed impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed 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 in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.7. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include capitalsed expenditure for exploration and evaluation and other intangible assets, which are mainly comprised of computer software. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software costs have an estimated useful life of 3 to 7 years and are amortised on a straight line basis over this period.

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

2.8. Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held to maturity investments, available for sale financial assets, loans and trade and other receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

2. Summary of significant accounting policies (continued)

purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 to maturity. After initial measurement held to maturity investments are measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement trade and other receivables are carried at amortised cost using the effective interest method less any allowance for impairment.

Available for sale financial investments

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income or loss until the investment is derecognised or determined to be impaired at which time the cumulative reserve is recognised in profit or loss.

Fair value

Fair value is the price that would be received from sale of 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; or
- 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 Group. 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 categorised 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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the

Notes to the Consolidated Financial Statements (continued)

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probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available for sale financial investments

If an available for sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derecognition of financial assets

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

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

2.9. Inventories

Inventories are stated at the lower of cost determined on a first-in first-out ("FIFO") basis and net realizable value. Cost includes all costs incurred in the normal course of business in bringing each item to its present location and condition. The cost of crude oil is the cost of production, including the appropriate proportion of depreciation, depletion and amortisation ("DD&A") and overheads based on normal capacity. Net realsable value of crude oil is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale. Materials and supplies inventories are carried at amounts that do not exceed the expected amounts recoverable in the normal course of business.

2.10. Value added tax (VAT)

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

If the effect of the time value of money is material, long-term VAT recoverable is discounted using a risk-free rate that reflects, where appropriate, the risks specific to the asset.

2.11. Cash and cash equivalents

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

2.12. Share capital

Share Capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

Treasury Shares

Where the Company or its subsidiaries purchases the Company's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from equity as treasury shares until such time as the shares are cancelled or reissued. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

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

Share-based payment transactions

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some services received by the entity as consideration cannot be specifically identified, the unidentified goods or services

Notes to the Consolidated Financial Statements (continued)

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2. Summary of significant accounting policies (continued)

received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

The cost of equity-settled transactions with employees for awards granted on or after July 1, 2007 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a Black-Scholes-Merton option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit for a period, in the statement of comprehensive income, represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. All cancellations of equity-settled transaction awards are treated equally. Where the share-based award is cancelled on forfeiture any cost previously recognised is reversed through equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.13. Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14. 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. Where 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 statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

2.16. Employee benefits

The Company withholds 10% from the salary of its employees as the employees' contribution to their pension fund. The pension deductions are limited to a maximum of 149,745 Tenge per month in 2014 (2013: 139,950 Tenge per month). Under the current Kazakhstan legislation, employees are responsible for their retirement benefits. Starting from 1 January 2014 the Company is required to contribute an additional 5% of the salary for a majority of its employees to their pension funds.

2.17. Revenue recognition

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

The Company's crude oil sale contracts generally specify maximum quantities of crude oil to be delivered over a certain period. Crude oil shipped but not yet delivered to the customer is recorded as inventory in the statement of financial position.

2.18. Income taxes

Current income tax expense comprises current income tax, excess profit tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Notes to the Consolidated Financial Statements (continued)

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Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation enacted as of January 1, 2009, the Company accrues and pays EPT in respect of each subsurface use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsurface use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsurface use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax 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.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled tand it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant Non-Cash Transactions

During the year ended December 31, 2014 the Company excluded from the consolidated statement of cash flows a non-cash transaction related to the offset of withholding income tax payable against the interest receivable on financial assets in the amount of 1,773 million Tenge (2013: 1,365 million Tenge) and against dividends received from the associate in the amount of 1,499 million Tenge (2013: 1,766 million Tenge).

4. Significant Accounting Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. The most significant estimates are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the Company's computation of DD&A. The Company estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (SPE). In estimating its reserves under SPE methodology, the Company uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices.

Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions, are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

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

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

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The Company has included in proved reserves only those quantities that are expected to be produced during the initial license period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Company's licence periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Notes to the Consolidated Financial Statements (continued)

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4. Significant Accounting Estimates and Judgements (continued)

Recoverability of oil and gas assets

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

An impairment charge of 75 billion Tenge was made in the Consolidated Financial Statements for the year ended December 31, 2012 as a result of a formal assessment of the recoverable amount of JSC Ozenmunaigas carried out by management of the Company. This formal assessment was made due to the presence of impairment indicators. The main indicators were the level of production being materially lower than planned in 2010 and 2011 and the increasing levels of operational and capital expenditure.

In April 2013 management of the Company updated the formal assessment of the recoverable amount of JSC Ozenmunaigas, and an additional impairment charge of 56 billion Tenge was made in the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2013. The additional impairment charge related primarily to the increase in export customs duty from 40 US Dollar per ton to 60 US Dollar per ton that occurred on April 12, 2013.

In April 2014 management of the Company updated its formal assessment of the recoverable amount of JSC Ozenmunaigas, which indicated that the carrying value of JSC Ozenmunaigas assets exceeded the estimated recoverable amount. The impairment charge of 27 billion Tenge was recognised in the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2014. This impairment charge related primarily to increases in employee benefit costs and an increase in export customs duty from 60 US Dollar per ton to 80 US Dollar per ton.

As at December 31, 2014 declining crude oil prices indicated that Company's cash generating units may be impaired. In December 2014 the Parent company also announced that they were retracting their 18.50 USD per GDR offer for the remaining shares. Therefore, for the year ended December 31, 2014 management of the Company has carried out a formal assessment of the recoverable amount of its assets, including subsidiaries, joint ventures and associates. An additional impairment loss of 228 billion Tenge, related to JSC Ozenmunaigas, was recognised in the Consolidated financial statement of comprehensive income and reduced the carrying value of the assets to nil at December 31, 2014.

The Company calculates recoverable amount using a discounted cash flow model. The discount rate of 13.09% was derived from the Company's post-tax weighted average cost of capital. The business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. Various assumptions such as oil prices and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. The projection of cash flows was limited by the date of licence expiry in May 2021. Expenditure cash flows up to 2019 were obtained from the Company's business plan together with management's current assessment of probable changes in operational and capital expenditure. Most of the projections beyond that period were inflated using available inflation estimates, except for capital expenditure projections, which represent management's best available estimate as at the date of impairment assessment.

The key assumptions required for the recoverable amount estimation are the oil prices, production volumes, the foreign exchange rate and discount rate. The sensitivity of the headroom to changes in the key assumptions was estimated.

Brent crude oil price assumptions were based on market expectations together with the expectations of independent industry analysis and research organisations. If Brent crude oil prices had been assumed to be 5% higher than the price assumptions used in the assessment, this would have had the effect of increasing the estimated recoverable amount by 37 billion Tenge. If the domestic price had been assumed to be 5% higher than the price assumptions used in the assessment, this would have had the effect of increasing the estimated recoverable amount by almost 18 billion Tenge.

Estimated production volumes are based on the business plan and take into account development plans as part of the long-term planning process. If the production volume were to be reduced by around 5% for the whole period, this would cause almost nil effect.

An assumed KZT/USD exchange rate of 185 was used to convert US Dollar denominated sales based on the business plan. If the KZT/USD exchange rate had been assumed to be 25% higher for the whole period, it would have had the effect of increasing the recoverable amount by 99 billion Tenge.

Notes to the Consolidated Financial Statements (continued)

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Asset retirement obligations

Under the terms of certain contracts, legislation and regulations the Company has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Company's obligation relates to the ongoing closure of all non-productive wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories. Since the licence terms cannot be extended at the discretion of the Company, the settlement date of the final closure obligations has been assumed to be the end of each licence period.

If the asset retirement obligations were to be settled at the end of the economic life of the properties, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Company's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective contracts and current legislation. Where neither contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the licence term, no liability has been recognised.There is some uncertainty and significant judgement involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice. The Company calculates asset retirement obligations separately for each contract.

The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market. The Company reviews site restoration provisions at each reporting date, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Estimating the future closure costs involves significant estimates and judgements by management. Most of these obligations are several years in the future and, in addition to ambiguities in the legal requirements, the Company's estimate can be affected by changes in asset removal technologies, costs and industry practice. Approximately 16.60% and 15.72% of the provision at December 31, 2014 and 2013 relates to final closure costs. The Company estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the carrying value of obligation at December 31, 2014 were 5.0% and 7.9% respectively (2013: 5.0% and 7.9%). Movements in the provision for asset retirement obligations are disclosed in Note 13.

Environmental remediation

The Company also makes judgements and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on a discounted basis based on management's expectations with regard to timing of the procedures required. The Company's environmental remediation provision represents management's best estimate based on an independent assessment of the anticipated expenditure necessary for the Company to remain in compliance with the current regulatory regime in Kazakhstan. As at the date of these financial statements the Company has changed its estimate for the environmental provision, which relates to certain soil contamination and oil waste disposal, in accordance with a memorandum of cooperation ("MOC") signed by the Parent Company (comprising the Company and JSC Ozenmunaigas) with the Ministry of the Environment and Water Resources and Ministry of Oil and Gas in June 2014. The MOC agrees the scope and timing of the remediation plan to be executed over a period of seven years till 2021.

Further uncertainties related to environmental remediation obligations are detailed in Note 24. Movements in the provision for environmental remediation obligations are disclosed in Note 13.

Taxation

Deferred tax is calculated with respect to both corporate income tax ("CIT") and excess profit tax ("EPT"). Deferred CIT and EPT are calculated on temporary differences for assets and liabilities allocated to contracts for subsoil use at the expected rates. Both deferred CIT and EPT bases are calculated under the terms of the tax legislation enacted in the tax code disclosed in Note 20. Further uncertainties related to taxation are detailed in Note 24.

Notes to the Consolidated Financial Statements (continued)

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5. Property, plant and equipment

	Oil and gas properties	Other assets	Construction work-in-progress	Total
Net book amount at January 1, 2013	**259,086**	**41,302**	**25,132**	**325,520**
Additions	1,417	4,104	132,957	138,478
Change in ARO estimate	(63)	–	–	(63)
Disposals	(4,179)	(1,307)	(2,550)	(8,036)
Transfers from construction work-in-progress	99,996	23,858	(123,854)	–
Internal transfers	182	(1,900)	1,718	–
Depreciation charge	(40,626)	(4,499)	–	(45,125)
Impairment (Note 18)	(49,603)	(5,802)	(4,694)	(60,099)
Net book amount at December 31, 2013	**266,210**	**55,756**	**28,709**	**350,675**
Additions	178	2,673	123,188	126,039
Change in ARO estimate	203	–	–	203
Disposals	(4,182)	(1,083)	(1,025)	(6,290)
Transfers from construction work-in-progress	107,950	13,027	(120,977)	–
Internal transfers	(48)	25	23	–
Depreciation charge	(52,320)	(5,188)	–	(57,508)
Impairment (Note 18)	(222,330)	(16,451)	(17,902)	(256,683)
Net book amount at December 31, 2014	**95,661**	**48,759**	**12,016**	**156,436**
At December 31, 2014				
Cost	749,948	114,640	29,493	894,081
Accumulated depreciation	(309,629)	(28,550)	–	(338,179)
Accumulated impairment	(344,658)	(37,331)	(17,477)	(399,466)
Net book amount	**95,661**	**48,759**	**12,016**	**156,436**
At December 31, 2013				
Cost	654,545	102,441	30,841	787,827
Accumulated depreciation	(267,116)	(25,534)	–	(292,650)
Accumulated impairment	(121,219)	(21,151)	(2,132)	(144,502)
Net book amount	**266,210**	**55,756**	**28,709**	**350,675**

Notes to the Consolidated Financial Statements (continued)

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6. Intangible Assets

	Exploration and evaluation assets	Other intangibles	Total
2013			
Net book amount at January 1, 2013	15,789	3,795	19,584
Additions	4,955	889	5,844
Dry well write-off	(10,447)	–	(10,447)
Disposals	(887)	(11)	(898)
Amortisation charge	(998)	(1,021)	(2,019)
Net book amount at December 31, 2013	**8,412**	**3,652**	**12,064**
Additions	1,440	624	2,064
Dry well write-off	(1,263)	–	(1,263)
Disposals	(17)	(16)	(33)
Amortisation charge	(982)	(995)	(1,977)
Net book amount at December 31, 2014	**7,590**	**3,265**	**10,855**
At December 31, 2014			
Cost	41,897	9,271	51,168
Accumulated amortisation	(22,075)	(5,933)	(28,008)
Accumulated impairment	(12,232)	(73)	(12,305)
Net book amount	**7,590**	**3,265**	**10,855**
At December 31, 2013			
Cost	41,998	8,782	50,780
Accumulated amortisation	(21,267)	(5,025)	(26,292)
Accumulated impairment	(12,319)	(105)	(12,424)
Net book amount	**8,412**	**3,652**	**12,064**

In 2014 the Company recognised dry well expenses related to exploratory wells drilled on its Uzen–Karamandybas and Taisogan blocks. In 2013 the Company recognised dry well expenses related to the exploratory wells drilled on the East Zharkamys and, Karaton–Sarkamys blocks and the White Bear prospect.

7. Financial assets

Other financial assets

	2014	2013
US dollar denominated held to maturity deposits	16,848	12,957
Tenge denominated held to maturity deposits	1,717	8,752
Other	2	2
Total non-current	**18,567**	**21,711**
US dollar denominated term deposits	525,277	406,013
Tenge denominated term deposits	8,632	75,961
Great Britain pound denominated term deposits	1,571	–
Euro denominated term deposits	33	32
Total current	**535,513**	**482,006**
	554,080	**503,717**

The weighted average interest rate on US dollar denominated term deposits in 2014 was 1.9% (2013: 2.2%). The weighted average interest rate on Tenge denominated term deposits in 2014 was 7.9% (2013: 5.0%).

Notes to the Consolidated Financial Statements (continued)

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7. Financial assets (continued)

Trade and other receivables

	2014	2013
Trade receivables	56,633	153,519
Other	1,022	820
Allowance for doubtful receivables	(1,085)	(1,120)
	56,570	**153,219**

As at December 31, 2014 the Company's trade receivables included receivables from sales of crude oil to KazMunayGas Trading AG ("KMG Trading"), a subsidiary of the Parent Company, of 45,133 million Tenge (2013: 148,246 million Tenge). Of this amount none is overdue (2013: 54,992 million Tenge overdue).

Significant decrease of overdue receivables occurred due to amendments into the sales agreement with KMG Trading implemented in April and November 2014. According to these amendments payment terms for the receivables from KMG Trading for the crude oil that was sold subsequently to Rompetrol Refinare S.A. refinery, a related party, were increased from two months to three months. Additionally, under the new payment terms enacted in November 2014 the Company receives fees at the rate of 6 months LIBOR + 3.17% for each calendar day starting from the 31st day from the date of consignment and penalties at the rate of 6 months LIBOR + 3.17% for each delayed day starting from the 91st day from the date of consignment.

As at December 31, 2014 the Company's trade receivables are 80% denominated in USD (2013: 97%).

The ageing analysis of trade and other receivables is as follows as at December 31:

	2014	2013
Current	56,159	97,859
0-30 days overdue	189	40,921
30-60 days overdue	–	14,439
90 and more days overdue	222	–
	56,570	**153,219**

Cash and cash equivalents

	2014	2013
US dollar denominated term deposits with banks	77,519	81,888
Tenge denominated term deposits with banks	29,401	24,431
US dollar denominated cash in banks and on hand	67,355	5,626
Tenge denominated cash in banks and on hand	5,951	5,561
Great Britain pound denominated cash in bank and on hand	19	1,530
	180,245	**119,036**

Cash with banks earns interest based on daily bank deposit rates. Deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective deposit rates.

The weighted average interest rate on Tenge denominated deposits in 2014 was 6.9% (2013: 3.5%). The weighted average interest rate on US dollar denominated deposits in 2014 was 0.4% (2013: 0.3%).

Notes to the Consolidated Financial Statements (continued)

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8. Investments In Joint Ventures And Receivable From A Jointly Controlled Entity

	Ownership share	2014	2013
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	69,052	64,201
Interest in JV Ural Group Limited BVI ("UGL")	50%	26,125	22,627
Interest in JV KS EP Investments BV ("KS EP Investments")	51%	–	2,139
Receivable from jointly controlled entity		18,466	17,191
		113,643	**106,158**

Movement in investment in joint ventures during the reporting period:

	2014	2013
Carrying amount at January 1	88,967	89,252
Share of total comprehensive income and loss	32,996	23,858
Dividends received	(45,464)	(30,570)
Exchange difference and other adjustments	13,217	1,545
Unrecognised loss of KS EP Investments	4,297	–
Share in additional paid in capital	1,164	4,882
Carrying amount at December 31	**95,177**	**88,967**

Kazgermunai, UGL and KS EP Investments are non-listed companies and there is no quoted market price available for their shares. The joint ventures' reporting period is the same as the Company's reporting period.

Kazgermunai

On April 24, 2007 the Company acquired from NC KMG a 50% participation interest in Kazgermunai, which is involved in oil and natural gas production in south central Kazakhstan.

The following table illustrates the summarized financial information of Kazgermunai, based on its IFRS financial statements, and reconciliation with the Company's carrying value of investment:

	2014	2013
Cash and cash equivalents	37,630	27,801
Other current assets	15,425	57,122
Non-current assets	136,167	132,975
	189,222	**217,898**
Current liabilities	27,694	76,845
Non-current liabilities	23,424	12,651
	51,118	**89,496**
Net assets	**138,104**	**128,402**
Proportion of the company's ownership	**50%**	**50%**
Carrying value of the investment	**69,052**	**64,201**

	2014	2013
Revenues	250,694	372,392
Operating expenses	(115,899)	(261,503)
including depreciation and amortisation	(20,964)	(45,435)
Profit from operations	134,795	110,889
Finance incomet	1,053	589
Finance cost	(663)	(604)
Profit before tax	135,185	110,874
Income tax expense	(51,840)	(54,075)
Profit for the year	**83,345**	**56,799**
Other comprehensive income	–	–
Total comprehensive income	**83,345**	**56,799**
Company's share of the comprehensive income for the year	**41,673**	**28,400**

Kazgermunai cannot distribute its profits until it obtains consent from the two venture partners.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

8. Investments In Joint Ventures And Receivable From A Jointly Controlled Entity (continued)

UGL

On April 15, 2011 the Company acquired from Exploration Venture Limited (EVL) 50% of the common shares of UGL. UGL holds 100% equity interest in Ural Oil and Gas LLP (UOG), which is involved in oil and gas exploration in west Kazakhstan. UOG has completed its exploration stage and is currently in the process of obtaining a production license.

The following table illustrates the summarised financial information of UGL and reconciliation with the Company's carrying value of investment:

	2014	2013
Cash and cash equivalents	214	2,539
Other current assets	17	13
Non-current assets	105,155	82,380
	105,386	**84,932**
Current liabilities	515	1,862
Non-current financial liabilities	49,942	35,652
Non-current liabilities	2,680	2,165
	53,137	**39,679**
Net assets	**52,249**	**45,253**
Proportion of the company's ownership	**50%**	**50%**
Carrying value of the investment	**26,125**	**22,627**

	2014	2013
Revenues	88	5
Operating expenses	(1,920)	(2,413)
Loss from operations	(1,832)	(2,408)
Finance income	8	37
Finance cost	(613)	(589)
Loss before tax	(2,437)	(2,960)
Income tax expense	(17)	(14)
Loss for the year	**(2,454)**	**(2,974)**
Other comprehensive income	–	–
Total comprehensive loss	**(2,454)**	**(2,974)**
Company's share of the comprehensive loss for the year	**(1,227)**	**(1,487)**

The operating activities of UGL are dependent upon continued financing in the form of shareholder loans to enable UGL to meet its current obligations and to continue its activities. As a result the Company has provided financing in the form of additional shareholder loans in the amount of 6,100 thousand US dollars (1,093 million Tenge) during the year ended December 31, 2014 (2013: 59,450 thousand US dollars or 9,045 million Tenge). The fair value on initial and additional shareholder loans, which are given on an interest free basis, is determined by discounting future cash flows for the loans using a discount rate of 15%. The carrying amount of these loans at December 31, 2014, amounted to 141,149 thousand US dollars (25,738 million Tenge) (2013: 119,798 thousand US dollars or 18,402 million Tenge).

KS EP Investments

On November 16, 2012 the Company sold 49% share in its 100% subsidiary KS EP Investments to Karpinvest Oil and Gas Ltd. ("Karpinvest"), a subsidiary of MOL Hungarian Oil and Gas Plc. KS EP Investments owns a 100% interest in LLP Karpovskiy Severniy ("KS LLP"), which is a subsoil use right holder under the Contract for Exploration of Oil, Gas and Condensate at Karpovskiy Severniy contract area in western Kazakhstan. Under the terms of a shareholders agreement, joint control has been established over the operations of KS EP Investments and no single shareholder is in a position to control the activity unilaterally, making it a jointly controlled entity for both shareholders.

The following table illustrates the summarised financial information of KS EP Investments and reconciliation with the Company's carrying value of investment:

	2014	2013
Cash and cash equivalents	1,884	409
Other current assets	141	56
Non-current assets	5,491	11,953
	7,516	**12,418**
Current financial liabilities	14,682	7,712
Other current liabilities	1,332	511
	16,014	**8,223**
Net assets	**(8,498)**	**4,195**
Proportion of the company's ownership	**51%**	**51%**
Cumulative unrecognised losses	**4,334**	**–**
Carrying value of the investment	**–**	**2,139**

	2014	2013
Operating expenses	(12,841)	(5,244)
including depreciation and amortisation	(5,884)	(5,184)
Loss from operations	(12,841)	(5,244)
Finance income	8	5
Finance cost	(1,650)	(696)
Loss before tax	(14,483)	(5,935)
Income tax expense	(124)	(55)
Loss for the year	**(14,607)**	**(5,990)**
Other comprehensive income	–	–
Total comprehensive loss	**(14,607)**	**(5,990)**
Company's share of the comprehensive loss for the year	**(7,450)**	**(3,055)**

The operating activities of KS LLP are dependent upon continued financing in the form of shareholder loans to enable KS LLP to meet its current obligations and to continue its activities. As a result the Company has provided financing in the form of additional shareholder loans to KS EP Investments in the amount of 15,646 thousand US dollars (2,802 million Tenge) during the year ended December 31, 2014 (2013:

Notes to the Consolidated Financial Statements (continued)

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14,510 thousand US dollars or 2,207 million Tenge). The fair value of shareholder loans, which are given at an interest rate of 6.5%, is determined by discounting future cash flows for the loans using a discount rate of 15%. Shareholder loans payable by KS EP Investments on December 31, 2014 were extended till December 31, 2015. The carrying amount of these loans at December 31, 2014, amounted to 42,185 thousand US dollars (7,692 million Tenge) (2013: 25,602 thousand US dollars or 3,933 million Tenge).

Receivable from jointly controlled entity CITIC Canada Energy Limited ("CCEL")

In 2007 the Company purchased a 50% interest in a jointly controlled entity, CCEL, whose investments are involved in oil and natural gas production in western Kazakhstan, from its co-investor, State Alliance Holdings Limited, a holding company ultimately belonging to CITIC Group, a company listed on the Hong Kong Stock Exchange.

CCEL is contractually obliged to declare dividends on an annual basis based on available distributable equity. At the same time, for the period until 2020 the Company is contractually obliged to transfer any dividends received from CCEL, in excess of a Guaranteed Amount, to CITIC, up to the Total Maximum Amount, which amounts to 509.5 million US Dollars (92,912 million Tenge) as at December 31, 2014 (2013: 536.3 million US dollars or 82,375 million Tenge). The Total Maximum Amount represents the balance of the Company's share of the original purchase price funded by CITIC plus accrued interest. The Company has no obligation to pay amounts to CITIC unless it receives an equivalent amount from CCEL. Accordingly, the Company recognises in its statement of financial position only the right to receive dividends from CCEL in the Guaranteed Amount on an annual basis until 2020, plus the right to retain any dividends in excess of the total Maximum Guaranteed Amount. The carrying amount of this receivable at December 31, 2014, amounted to 100.5 million US dollars (18,331 million Tenge) (2013: 110.9 million US dollars or 17,033 million Tenge) net of unamortised transaction costs.

Additionally, the Company has the right, subject to certain conditions precedent, to exercise a put option and return the investment to CITIC in exchange for 150 million US Dollars plus annual interest of 8% less the cumulative amount of the guaranteed payments received.

On November 17, 2008, the annual Guaranteed Amount has been increased from 26.2 million US Dollars to 26.9 million US Dollars, payable in two equal installments not later than June 12 and December 12 of each year. After the above amendment the effective interest rate on the receivable from CCEL is 15% per annum.

9. Investments in associate

	Ownership share	2014	2013
Interest in Petrokazakhstan Inc. ("PKI")	33%	116,054	107,095

PKI is a non-listed company and there is no quoted market price available for its shares. PKI is involved in field exploration, and development, oil and gas production, acquisition of oil fields and selling of crude oil and oil products. PKI's main oil and natural gas production assets are located in south central Kazakhstan. The Company acquired a 33 percent stake in PKI in December 2009.

The associate's reporting period of the financial statements is the same as Company's reporting period.

Movement in investment in associate during the reporting period:

	2014	2013
Carrying amount at 1 January	107,095	118,959
Share of the total comprehensive income	18,738	21,215
Dividends received	(29,981)	(35,334)
Exchange difference and other adjustments	20,202	2,255
Carrying amount at December 31	**116,054**	**107,095**

Notes to the Consolidated Financial Statements (continued)

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9. Investments in associate (continued)

The following table illustrates the summarised financial information of PKI, based on its IFRS financial statements, and reconciliation with the Company's carrying value of investment:

	2014	2013
Cash and cash equivalents	23,371	8,241
Other current assets	73,831	98,237
Non-current assets	416,493	391,201
	513,695	**497,679**
Current liabilities	86,751	86,826
Non-current liabilities	75,266	86,323
	162,017	**173,149**
Net assets	**351,678**	**324,530**
Proportion of the company's ownership	**33%**	**33%**
Carrying value of the investment	**116,054**	**107,095**

	2014	2013
Revenues	263,445	295,928
Operating expenses	(174,633)	(220,106)
including depreciation and amortisation	(53,275)	(38,831)
Profit from operations	88,812	75,822
Share in profit of joint ventures	32,527	53,585
Finance income	690	695
Finance cost	(4,065)	(3,344)
Profit before tax	117,964	126,758
Income tax expense	(52,100)	(59,709)
Profit for the year	**65,864**	**67,049**
Other comprehensive income	(9,084)	(2,761)
Total comprehensive income	**56,780**	**64,288**
Company's share of the comprehensive income for the year	**18,738**	**21,215**

10. Inventories

	2014	2013
Crude oil	13,783	13,999
Materials	12,574	13,423
	26,357	**27,422**

As at December 31, 2014 the Company had 324,311 tons (2013: 303,157 tons) of crude oil in storage and transit.

11. Share Capital

	Shares outstanding	
	Number of shares	Tenge million
As at January 1, 2013	**68,157,702**	**162,952**
Reduction of treasury stock due to exercise of share options	1,607	17
As at December 31, 2013	**68,159,309**	**162,969**
Reduction of treasury stock due to exercise of share options	3,326	35
As at December 31, 2014	**68,162,635**	**163,004**

Notes to the Consolidated Financial Statements (continued)

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11.1 Share capital

Authorised shares

The total number of authorised shares is 74,357,042 (2013: 74,357,042). 70,220,935 of authorised shares are ordinary share (2013: 70,220,935) and 4,136,107 are non-redeemable preference shares (2013: 4,136,107). 43,087,006 of the outstanding shares are owned by the Parent Company as at December 31, 2014 (2013: 43,087,006). The shares of the Company have no par value.

Dividends

In accordance with Kazakhstan legislation, dividends may not be declared if the Company has negative equity in its Kazakh statutory financial statements or if the payment of dividends would result in negative equity in the statutory financial statements. Total dividends per share recognised as distributions to equity holders during 2014 amounted to 1,976 Tenge per share (2013: 1,619 Tenge per share) for both the outstanding ordinary and preferred shares as at May 23, 2014, the date of record.

11.2 Employee share option plans

There was no expense for share option plans related to employee services received during the year (2013: 145 million Tenge).

Employee option plans

Under the employee option plan 1 ("EOP 1"), an award of global depositary receipt ("GDR") options with an exercise price equal to the market value of GDRs at the time of award was made to executives. The exercise of options is not subject to performance conditions and 1/3 vests each year over 3 years and is exercisable till the fifth anniversary from the vesting date.

Under the employee option plan 2 ("EOP 2"), share options are granted to incentivise and reward key employees, senior executives and members of the Board of Directors of the Company, except for independent directors. The exercise price of the options is equal to the market price of GDRs on the date of grant. The exercise of these options is not subject to the attainment of performance conditions. Options granted on or after July 1, 2007 vest on the third anniversary of the date of the grant and are exercisable till the fifth anniversary from the vesting date.

Movement in the year

The following table illustrates the number of GDR's (No.) and weighted average exercise prices in US dollars per GDR (WAEP) of and movements in share options during the year:

	2014		2013	
	No.	WAEP	No.	WAEP
Outstanding at January 1	1,354,307	19.61	1,677,948	19.47
Exercised during the year	(19,954)	14.16	(8,867)	13.00
Forfeited during the year	(197,830)	20.51	(314,774)	19.01
Outstanding at December 31	1,136,523	19.54	1,354,307	19.61
Exercisable at December 31	1,136,523	19.54	1,346,462	19.59

The weighted average remaining contractual life for share options outstanding as at December 31, 2014 is 2.87 years (2013: 3.76 years). The range of exercise price for options outstanding at December 31, 2014 was 13.00 US Dollars – 26.47 US dollars per GDR (2013: 13.00 US Dollars – 26.47 US Dollars). The EOP 1 and EOP 2 are equity settled plans and the fair value is measured at the grant date.

11.3 Kazakhstan Stock Exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on October 11, 2010 a requirement for disclosure of the total equity less other intangible assets (Note 6) per shares outstanding as at year end. As at December 31, 2014 the amount per share outstanding is 19,598 Tenge (December 31, 2013: 20,102 Tenge).

12. Earnings per share

	2014	2013
Weighted average number of all shares outstanding	68,160,405	68,158,471
Profit for the year	47,038	141,829
Basic and diluted earnings per share	0.69	2.08

The above presentation includes both ordinary and preferred shares as preferred shareholders equally share distributable profits, which results in identical earnings per share for both classes of shares.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

13. Provisions

	Environmental remediation	Taxes	Asset retirement obligation	Other	Total
At January 1, 2013	**17,304**	**12,945**	**15,119**	**8,878**	**54,246**
Additional provisions	–	9,937	791	–	10,728
Unused amounts reversed	–	(2,215)	–	(2,445)	(4,660)
Unwinding of discount	1,372	–	1,199	–	2,571
Changes in estimate	(260)	–	(63)	–	(323)
Used during the year	(896)	(6,042)	(851)	(503)	(8,292)
At December 31, 2013	**17,520**	**14,625**	**16,195**	**5,930**	**54,270**
Current portion	3,703	14,625	1,035	704	20,067
Non-current portion	13,817	–	15,160	5,226	34,203
Additional provisions	–	1,481	422	2,928	4,831
Unused amounts reversed	–	–	(64)	–	(64)
Unwinding of discount	1,097	–	1,268	–	2,365
Changes in estimate	1,110	–	(284)	–	826
Used during the year	(2,277)	(15,174)	(924)	(637)	(19,012)
At December 31, 2014	**17,450**	**932**	**16,613**	**8,221**	**43,216**
Current portion	5,912	932	502	941	8,287
Non-current portion	11,538	–	16,111	7,280	34,929

As at December 31, 2014 the tax provision in the amount of 12,136 million Tenge was offset with the income tax prepayment in order to reflect the Cassation panel procedure requirement on full repayment of tax assessment to have a right to file an appeal to the Supreme Court (Notes 20, 24).

14. Revenue

	2014	2013
Export:		
Crude oil	706,940	712,343
Gas products	2,586	2,628
Domestic (Note 24):		
Crude oil	109,169	76,049
Gas products	10,993	10,315
Refined products	2,863	3,514
Other sales and services	13,219	11,863
	845,770	**816,712**

15. Production Expenses

	2014	2013
Employee benefits	130,367	92,318
Repairs and maintenance	26,781	22,619
Materials and supplies	20,050	16,920
Energy	16,706	15,908
Transportation services	5,875	5,633
Change in crude oil balance	1,373	727
Processing expenses	1,205	1,099
Change in estimate of environmental remediation obligation (Note 13)	1,110	–
Other	8,433	6,811
	211,900	**162,035**

Notes to the Consolidated Financial Statements (continued)

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16. Selling, general and administrative expenses

	2014	2013
Transportation expenses	68,687	61,810
Employee benefits	16,758	12,986
Management fees and commissions	4,451	3,750
Fines and penalties	3,592	5,191
Consulting and audit services	2,188	1,354
Repairs and maintenance	1,023	1,093
Sponsorship	933	1,681
Other	4,936	4,495
	102,568	**92,360**

17. Taxes Other Than On Income

	2014	2013
Rent tax	151,861	165,307
Mineral extraction tax	89,840	84,433
Export customs duty	74,227	48,981
Property tax	6,204	5,473
Environmental tax	1,312	4,893
Other taxes	4,767	2,601
	328,211	**311,688**

18. Impairment of Property, Plant And Equipment

	2014	2013
Impairment (Note 4)	255,375	56,275
Social objects impairment	942	2,285
Other	366	1,539
	256,683	**60,099**

19. Finance Income/Costs

19.1. Finance income

	2014	2013
Interest income on deposits with banks	13,499	10,489
Interest income on receivable from jointly controlled entities	7,108	5,163
Interest income on Debt Instrument of NC KMG (Note 21)	–	4,557
Interest income on held to maturity financial assets	–	330
Other	155	38
	20,762	**20,577**

19.2. Finance costs

	2014	2013
Interest expense	6,662	5,261
Unwinding of discount on ecology remediation obligation	1,097	1,372
Unwinding of discount on asset retirement obligation	1,083	1,199
Other	110	253
	8,952	**8,085**

Notes to the Consolidated Financial Statements (continued)

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20. Income Taxes

Income tax expense comprised the following for the years ended December 31:

	2014	2013
Corporate income tax	52,727	51,695
Excess profit tax	11,831	8,343
Current income tax	**64,558**	**60,038**
Corporate income tax	(49,152)	(6,494)
Excess profit tax	(871)	4,987
Deferred income tax	**(50,023)**	**(1,507)**
Income tax expense	**14,535**	**58,531**

The following table provides a reconciliation of the Kazakhstan income tax rate to the effective tax rate of the Company on profit before tax.

	2014	2013
Profit before tax	61,573	200,360
Income tax	14,535	58,531
Effective tax rate	**24%**	**29%**
Statutory income tax	20%	20%
Increase / (decrease) resulting from		
Withholding tax	2%	1%
Excess profit tax	5%	7%
Income tax of prior years	15%	–
Share of result of associate and joint ventures	(20%)	(5%)
Non-taxable income	(1%)	(1%)
Tax provisions	–	1%
Asset retirement obligation and environmental remediation	(11%)	–
Non-deductible expenses	14%	6%
Effective tax rate	**24%**	**29%**

In 2013 excess profit tax relates mainly to the current excess profit tax of JSC Embamunaigaz, as well as deferred excess profit tax asset write-off for JSC Ozenmunaigaz. Non-deductible expenses include dry-well write-off expenses and environmental tax and related fines and penalties.

During 2014 the Company reassessed corporate income tax and excess profit tax and submitted additional tax returns for 2009-2012.

The movements in the deferred tax assets and liabilities relating to CIT and EPT were as follows:

Deferred tax assets:

	Fixed and Intangible assets	Provisions	Taxes	Other	Total
At January 1, 2013	**11,382**	**2,162**	**13,971**	**4,453**	**31,968**
Recognised in profit and loss	3,503	(1,234)	(348)	467	2,388
At December 31, 2013	**14,885**	**928**	**13,623**	**4,920**	**34,356**
Recognised in profit and loss	48,171	7,337	(5,754)	(43)	49,711
At December 31, 2014	**63,056**	**8,265**	**7,869**	**4,877**	**84,067**

Notes to the Consolidated Financial Statements (continued)

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Deferred tax liabilities:

	Fixed and Intangible assets	Provisions	Taxes	Other	Total
At January 1, 2013	–	–	–	–	–
Recognised in profit and loss	(943)	68	1	(7)	(881)
At December 31, 2013	**(943)**	**68**	**1**	**(7)**	**(881)**
Recognised in profit and loss	305	1	1	5	312
At December 31, 2014	**(638)**	**69**	**2**	**(2)**	**(569)**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

21. Related party transactions

The category 'entities under common control' comprises entities controlled by the Parent Company. The category 'other state controlled entities' comprises entities controlled by Samruk-Kazyna SWF. Starting from 2014 BTA Bank, Kazkommertsbank and Alliance Bank are no longer related parties to the Company since these banks are no longer controlled or significantly influenced by Samruk-Kazyna SWF.

Sales and purchases with related parties during the twelve months ended December 31, 2014 and 2013 and the balances with related parties at December 31, 2014 and December 31, 2013 are as follows:

	2014	2013
Revenue and other income (Note 14)		
Entities under common control	849,240	796,817
Other state controlled entities	45	26
Parent company	155	–
Joint ventures	6,023	2,866
Purchases of goods and services (Note 15 and 16)		
Entities under common control	39,882	33,120
Other state controlled entities	18,069	18,032
Parent Company	4,451	3,750
Interest earned on financial assets		
Interest earned on Debt Instrument	–	4,557
Effective interest rate on Investments in Debt Instrument of NC KMG – indexed USD/KZT	–	7.00%
Interest earned on loans to Joint ventures	403	183
Average interest rate on loans to Joint ventures	1.11%	0.76%
Fair value loss on loans provided		
Joint ventures	1,185	4,814
Salaries and other short-term benefits		
Members of the Board of Directors	157	109
Members of the Management Board	337	247
Share-based payments		
Members of the Management Board	–	2

	December 31, 2014	December 31, 2013
Trade and other receivables (Note 7 and Note 8)		
Entities under common control	58,305	155,473
Joint ventures	52,677	40,175
Other state controlled entities	2,274	1,248
Trade payables		
Entities under common control	1,907	1,734

Notes to the Consolidated Financial Statements (continued)

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21. Related party transactions (continued)

	December 31, 2014	December 31, 2013
Other state controlled entities	454	482

Sales and receivables

Sales to related parties comprise mainly export and domestic sales of crude oil and oil products to subsidiaries of NC KMG. Export sales to related parties represented 5,571,211 tons of crude oil in 2014 (2013: 6,017,228 tons). The sales of crude oil are priced by reference to Platt's index quotations and adjusted for freight, trader's margin and quality differentials. For these exports of crude oil the Company received an average price per ton of approximately 130,608 Tenge in 2014 (2013: 121,340 Tenge).

In addition, the Company supplies oil and gas products to the local market through JSC "KazMunaiGas Refinery and Marketing", a subsidiary of the Parent Company, at the directive of the Kazakhstan government, the ultimate controlling shareholder of the Parent Company. These supplies to the domestic market represented 1,912,000 tons of crude oil production in 2014 (2013: 1,900,000 tons). Prices for the local market sales are determined by agreement with the Parent Company. For deliveries to the local market in 2014 the Company received an average price per produced crude oil ton of around 48,000 Tenge (2013: 40,000 Tenge). Trade and other receivables from related parties principally comprise amounts related to export sales transactions.

Sales to 'entities under common control' also include revenue from the counter sale of 447 thousand tons of crude oil (2013: null) to the Russian Federation (Note 24) through JSC "KazMunaiGas Refinery and Marketing". The sales of crude oil are priced by reference to Platt's index quotations and adjusted for spreads between Brent and Urals, and less Russian export customs duty, trader's margin, differential and difference between transportation expenses to the Russia-Belarus border and to the Russia-Kazakhstan border. For these counter deliveries of crude oil the Company received an average price per ton of approximately 38,871 Tenge in 2014 (2013: nil).

Purchases and payables

Management fees to the Parent Company amounted to 4,451 million Tenge in 2014 (2013: 3,750 million Tenge). Transportation services related to the shipment of 6,033,932 tons of crude oil (2013: 6,061,163 tons) and transshipment of 1,991,256 tons of crude oil to the Caspian Pipeline Consortium collection point in 2014 (2013: 1,956,043 tons) were purchased from a subsidiary of the Parent Company for 32,472 million Tenge in 2014 (2013: 26,485 million Tenge). The remaining services purchased from subsidiaries of NC KMG include primarily payments for security services and processing.

Share based payments to members of the Management Board

Share based payments to members of the Management Board represents the amortisation of share based payments over the vesting period. During 2014 the Company granted no options (2013: no options).

22. Financial risk management objectives and policies

The Company has various financial liabilities such as borrowings, trade and other payables. The Company also has various financial assets such as trade receivables, short- and long-term deposits and cash and cash equivalents.

The Company is exposed to interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity price risk. The Company's Finance Committee assists management in the oversight of the monitoring and where it is deemed appropriate, mitigation of these risks in accordance with approved policies such as the treasury policy.

Interest rate risk

As of December 31, 2014 the Company has no floating interest rate borrowings and no exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar 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).

	Increase/decrease in Tenge to US dollar exchange rate	Effect on profit before tax
2014		
US dollar	+25.00%	150,804
US dollar	-5.00%	(30,161)
2013		
US dollar	+20.00%	149,879
US dollar	-20.00%	(149,879)

Credit risk

The Company is exposed to credit risk in relation to its trade receivables. The vast majority of the Company's sales are made to an affiliate of the Parent and the Company has a significant concentration risk of the receivable from this affiliate (Notes 7, 21). An additional number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Notes to the Consolidated Financial Statements (continued)

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The Company is also exposed to credit risk in relation to its investing activities. The Company places deposits with Kazakhstan and foreign banks.

Credit risk from balances with financial institutions is managed by the Company's treasury department in accordance with the Company's treasury policy, which is approved by the Company's Board of Directors. The Company's maximum exposure to credit risk arising from default of the financial institutions is equal to the carrying amounts of these financial assets.

The table below shows the balances of the financial assets held in banks at the reporting date using Standard and Poor's credit ratings, unless otherwise stated.

Banks	Location	Rating[1]			
		2014	2013	2014	2013
Halyk Bank	Kazakhstan	BB+ (stable)	BB (stable)	134,632	137,173
Deutsche Bank	UK	A (negative)	A (stable)	110,518	72,686
BNP Paribas	UK	A+ (negative)	A+ (negative)	88,756	74,359
Kazkommertsbank	Kazakhstan	B (stable)	B (stable)	83,245	78,826
Citi Bank N.A.	UK branch	A (stable)	A (stable)	81,378	25,403
ING Bank	Netherlands	A (negative)	A- (stable)	61,177	51,619
Eurasian Bank	Kazakhstan	B+ (positive)	B+ (positive)	47,623	27,327
Tsesna Bank	Kazakhstan	B+ (stable)	B (positive)	36,578	–
HSBC Plc	UK	AA- (negative)	AA- (negative)	33,186	27,868
Sberbank	Kazakhstan	Ba2 (negative)	BBB- (stable)	19,603	11,847
ATF Bank (Fitch)	Kazakhstan	B- (stable)	B- (stable)	12,309	36,128
Citi Bank Kazakhstan	Kazakhstan	Not available	Not available	12,104	44,087
Credit Suisse	Switzerland	A (negative)	A (stable)	11,439	8,206
RBS NV	UK	Baa2 (negative)	A- (negative)	1,571	–
BankCenterCredit (Moody's)	Kazakhstan	B2 (stable)	B2 (stable)	79	6,300
Alliance Bank (Moody's)	Kazakhstan	Caa2	CCC (negative)	2	212
HSBC Kazakhstan	Kazakhstan	Not available	Not available	–	15,285
RBS Kazakhstan	Kazakhstan	Not available	Not available	–	4,821
NurBank	Kazakhstan	B (stable)	BB+ (stable)	–	530
Other				125	76
				734,325	622,753

[1] Source: official sites of the banks and rating agencies as at December 31 of the respective year.

Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long-term deposits in local banks.

The table below summarises the maturity profile of the Company's financial liabilities at December 31, 2014 based on contractual undiscounted payments:

Year ended December 31, 2013	On demand	Less than 3 months	3-12 months	1-5 years	more than 5 years	Total
Borrowings	–	276	2,228	4,723	1,023	8,250
Trade and other payables	68,489	–	–	–	–	68,489
	68,489	276	2,228	4,723	1,023	76,739
Year ended December 31, 2014	On demand	Less than 3 months	3-12 months	1-5 years	more than 5 years	Total
Borrowings	–	361	2,944	4,752	778	8,835
Trade and other payables	59,513	–	–	–	–	59,513
	59,513	361	2,944	4,752	778	68,348

Commodity price risk

The Company is exposed to the effect of fluctuations in the price of crude oil, which is quoted in US dollars on international markets. The Company prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

22. Financial risk management objectives and policies (continued)

Capital management

Capital includes total equity. 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 maximise shareholder value.

As at December 31, 2014 the Company had a strong financial position and a conservative capital structure. Going forward, the Company intends to maintain a capital structure which allows it the flexibility to take advantage of growth opportunities as and when they arise.

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, policy or processes during the years ended December 31, 2014 and 2013.

23. Financial instruments

Fair values of financial instruments such as short-term trade receivables, trade payables and fixed interest rate borrowing approximate their carrying value.

24. Commitments and contingencies

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 the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2014 the Kazakhstan economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Russian Federation market obligation

According to an inter-governmental agreement between Kazakhstan and the Russian Federation, Kazakhstan fulfills counter deliveries to the Russian Federation. JSC "KazMunaiGas Refinery and Marketing", a related party, was determined as an operator and the Company was determined as one of the suppliers through governmental quotas. Based on this inter-governmental agreement in September 2014 the Company concluded a contract with JSC "KazMunaiGas Refinery and Marketing" to supply crude oil to the Russian Federation (Note 21). The contract was valid till December 31, 2014 without pre-determined volumes. Under this contract the Company has supplied 447 thousand tons of crude oil. A contract for the year 2015 is not yet concluded. These supplies are additional to the obligation of the Company to supply crude oil to the local market.

Local market obligation

The Kazakhstan government requires oil producers to supply a portion of their crude oil production to meet domestic energy requirements. While the price for such supplies of crude oil is agreed with the Parent Company, this price may be materially below international market prices and may even be set at the cost of production (Note 21). If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Company, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Company's business, prospects, financial condition and results of operations.

During 2014 the Company's subsidiaries delivered 2,014,377 tons of oil (2013: 1,993,861 tons) to the domestic market. The Company's share in the delivery of oil to the domestic market of its joint venture Kazgermunai comprised 971,250 tons in 2014 (2013: none). The Company's share in the delivery of oil to the domestic market of its associate PetroKazakhstan Inc. comprised 946,081 tons in 2014 (2013: 353,256 tons).

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 unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2014.

The Company's management believes its interpretations of the tax legislation are appropriate and that the Company has justifiable arguments for its tax positions.

As a result of the limited scope tax audit conducted in February 2014 the final notification of the 2006-2008 tax audit was issued by the Tax Committee of the Ministry of Finance in March 2014. Total tax assessments have amounted to 12,136 million Tenge, including 4,568 million Tenge of principal, 4,645 million Tenge of administrative fines and 2,923 million Tenge of late payment interest.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

Cassation panel procedure required the Company to pay 12,136 million Tenge in order to have the right to appeal to the Supreme Court by July 2015. The Company is planning to appeal to the Supreme Court of the Republic of Kazakhstan within the stated period and correspondingly paid the above amount in October of 2014.

In September 2014 a complex tax audit covering the period 2009-2012 was started. On December 26, 2014 and December 30, 2014 the Company received notifications for the above mentioned period with respect to local taxes related to "Ozenmunaigas" and "Embamunaigas" Production Branches, respectively. The tax authorities have claimed to pay 496 million Tenge of various local taxes and 437 million Tenge of administrative fines and late payment fees. As of the date of these financial statements the Company has not received final notification, yet.

Mineral extraction tax (MET)

On July 2, 2013 the Tax Committee of Yessil district of Astana provided a notification to the Company of 8,785 million Tenge for alleged discrepancies between data reported in the Company's MET tax returns and data supplied by the Ministry of Oil and Gas of the Republic of Kazakhstan for the period from 2009 to 2012. These alleged discrepancies were caused by the fact that the sliding rates of tax in 2012 MET tax returns were determined based on volumes of production for the period when subsoil use contracts belonged to the Company (when the Company carried out its activities on the licence area through its production branches), whereas the information provided by the Ministry of Oil and Gas of the Republic of Kazakhstan included production volumes of the Company and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined.

According to the tax authorities, for the purposes of determination of the sliding tax rate the Company should have included production volumes of JSC "Ozenmunaigas" and JSC "Embamunaigas" as well, even though transfer of subsoil use contracts took place during 2012. However, based on norms stipulated in the Kazakh tax legislation the Company believes that the MET rate should be determined based upon production for the period when it directly owned the subsoil use contracts.

The Company disagrees with the above notification and has provided the written explanations of its position. The tax authorities have not yet audited the Company on this matter and hence no tax assessment has yet been made. Should the tax authorities audit the Company and assess additional MET liabilties, the Company will appeal such an assessment. As management believes that it is more likely than not that the Company will be successful in its appeal, no provisions in relation to this matter have been made in the consolidated financial statements as at December 31, 2014.

Value-added-tax (VAT) recoverability

In 2012 as part of the creation of new subsidiaries on the basis of the production branches of the Company the Company's production assets were sold to JSC "Ozenmunaigas" and JSC "Embamunaigas". This sale was subject to VAT according to Kazakh tax legislation. The VAT paid to the tax authorities upon completion of the reorganisation was recorded as VAT recoverable in the financial accounts of both JSC "Ozenmunaigas" and JSC "Embamunaigas". Upon various tax audits of the subsidiaries' accounts the tax authorities determined that the amounts paid were non recoverable.

The Company disagreed with this interpretation of the VAT law and filed a complaint with the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan. On August 27, 2014 the Company received final notification from the State Revenue Committee of the Ministry of Finance that the decision to not refund the VAT was upheld.

The Company disagreed with the final decision of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan and in November 2014 appealed to the Specialized Interdistrict Economic Courts Mangistau and Atyrau region.

Upon consideration of the complaint by JSC "Ozenmunaigas", on January 29, 2015 Specialized Interdistrict Economic Court of Mangistau region made a positive decision on the complaint of the Company. However, as a result of a complaint by the JSC "Embamunaigas" on January 21, 2015 Specialized Interdistrict Economic Court of Atyrau region was ruled to dismiss the complaint in its entirety. Upon receipt of the decision of the court of the first instance, "Embamunaigas" is planning to appeal the above decision in the higher courts. Management believes that the Company will be successful in recovering the VAT and has not provided for any allowances on these amounts as at December 31, 2014.

Total recoverable VAT related to the sale of assets to JSC "Ozenmunaigas" and JSC "Embamunaigas" in the amount of 46 558 million Tenge was reclassified from current assets to long-term asset and discounted at 7.93% for the period of 18 months being the average time during which tax issues were resolved historically.

Turgai Petroleum comprehensive tax audits

In September to December 2013, Kyzylorda Tax department of the Tax Committee of the Ministry of Finance (the "Tax department") conducted a complex tax audit of Turgai Petroleum (50% joint venture of PKI) for 2009-2012. As a result of the complex tax audit the Tax department assessed additional corporate income tax of 3,562 million Tenge including transfer pricing effect of 2,733 million Tenge, additional excess profit tax of 8,793 million Tenge including transfer pricing effect of 5,275 million Tenge, additional other

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

24. Commitments and contingencies (continued)

taxes of 117 million Tenge and aggregate late payment interest of 5,228 million Tenge.

Turgai Petroleum disagreed with the complex tax audit results and filed a claim with the Tax Committee of the Ministry of Finance. Management of PKI believes that Turgai Petroleum has a strong position on this issue except for the transfer pricing effect of 8,008 million Tenge and related late payment interest of 3,568 million Tenge. Therefore PKI recognised a provision of 5,788 million Tenge (50% of tPKI's share of 8,008 million Tenge transfer pricing and related late payment interest of 3,568 million Tenge) in its 2013 consolidated financial statements. No significant changes occurred up to December 31, 2014.

PetroKazakhstanKumkolResources JSC (PKKR) comprehensive tax audit

In September 2013 the Tax department initiated a complex tax audit for 2009-2012 of PKKR (100% subsidiary of PKI). On April 16, 2014 the Tax department issued the Act and notification on the result of the complex tax audit. As a result of the complex tax audit the Tax department assessed additional corporate income tax of 2,676 million Tenge, additional excess profit tax of 4,775 million Tenge, additional other taxes of 66 million Tenge and aggregate penalty of 2,521 million Tenge, wherein the amount of the mineral extraction tax is reduced by 499 million Tenge. After several claims and counterclaims the Tax department decreased the assessment by excluding corporate income tax, excess profit tax and related penalties.

As part of complex tax audit for 2009-2012, on January 13, 2014 the Tax department issued a separate notification for environmental emissions for 10,665 million Tenge and related fines and penalties for 8,758 million Tenge.

PKKR disagreed with the thematic tax audit results and filed a claim with the Tax Committee of the Ministry of Finance. PKI management assessed the risk of unfavourable outcome of this claim as probable and recognised a provision for 19,423 million Tenge in its 2013 consolidated financial statements. In October 2014 PKKR received notification decreasing the initial assessment for 4,222 million Tenge including 1,027 million Tenge of penalty. As a result PKKR reversed 4,222 million Tenge and related fine in amount of 1,598 million Tenge from general and administrative expenses in 2014.

Environment

Environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Other than those amounts provided for in provisions (Note 13) management believes that there are no probable environmental liabilities which could have a material adverse effect on the Company's financial position, statement of comprehensive income or cash flows.

Ozenmunaigas environmental audit 2012–2013

On January 24, 2014 JSC Ozenmunaigas received a notification from the Department of Ecology of Mangystau Region to pay a fine of 212,625 million Tenge for environmental damage caused by the disposal of excessive waste to the environment in 11 waste collectors. The total amount was determined as a result of an inspection that covered 2012 and 2013. However, these wastes have historical origins. According to the current legislation of the Republic Kazakhstan, the environmental permit is issued for newly formed and disposed waste.

In accordance with the above, on February 7, 2014 JSC "Ozenmunaigas" filed a claim and on February 21, 2014 Specialized Administrative Court of Mangystau region satisfied in full in favor of the Company. This decision is not appealable, but may be challenged by the General Prosecutor offices.

In addition, on February 19, 2014 the Department of Ecology of Mangystau Region claimed an administrative fine for environmental damage of 327,880 million Tenge.

JSC "Ozenmunaigas" appealed the claim in the Specialized Interdistrict Economic Court of Mangystau Region that concluded on March 6, 2014 that the act of inspection was illegal and the administrative fine was fully cancelled. On April 22, 2014 the Judicial Panel of Appeals of Mangystau Regional Court rejected an appeal of the Department of Ecology of Mangystau Region against the decision of the Specialized Interdistrict Economic Court of Mangystau Region.

On June 25, 2014 by the resolution of the Judicial Panel of Cassation of Mangystau Regional Court, decisions of Specialized Administrative Court of Mangystau region dated on March 6, 2014 and the Judicial Panel of Appeals of Mangystau Regional Court dated April 22, 2014, were upheld.

Management of the Company believes that JSC "Ozenmunaiga" will successfully defend its position in further appeals by the Ecology Department on this matter, and therefore no provision has been accrued for this matter as at December 31, 2014.

Embamunaigas Gas flaring

On January 23, 2014 the Company received a notification from the Department of Ecology of Atyrau Region to pay a fine of 37,150 million Tenge for environmental damage caused by violations of enviromental law, including associated gas flaring. The total amount was determined as a result of an inspection that covered the period 2008 to 2013.

The Company disagreed with this notification and appealed the claim of the Department of Ecology of Atyrau Region. On June 3, 2014 the Company received the final assessment with reduced amount of enviromental damages and the liability to pay 1,959 million Tenge. The amount was accrued and paid in June 2014.

Notes to the Consolidated Financial Statements (continued)

Tenge million unless otherwise stated

Oilfield licenes

The Company is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses and related subsoil use contracts. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties, licence limitation, suspension or revocation. The Company's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Company's financial position, statement of income or cash flows.

The Company's oil and gas fields are located on land belonging to the Mangistau and Atyrau regional administrations. Licences are issued by the Ministry of Oil and Gas of Kazakhstan and the Company pays mineral extraction and excess profits tax to explore and produce oil and gas from these fields.

The principle licences of the Company and their expiry dates are:

Field	Contract	Expiry date
Uzen (8 fields)	No. 40	2021
Emba (1 field)	No. 37	2021
Emba (1 field)	No. 61	2017
Emba (23 fields)	No. 211	2018
Emba (15 fields)	No. 413	2020

Commitments arising from oilfield and exploration licenses

Year	Capital expenditures	Operational expenditures
2015	90,890	6,309
2016	62,847	3,397
2017	52,720	3,317
2018	494	3,317
2019-2024	–	6,633
	206,951	22,973

Crude oil supply commitments

The Company has obligations to supply oil and oil products to the local market under government directives (Note 21).

Contact information

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Republic of Kazakhstan
Telephone: +7 (7172) 975 433
Fax: +7 (7172) 975 445
www.kmgep.kz

Commitments of Kazgermunai

The Company's share in the commitments of Kazgermunai is as follows as at December 31, 2014:

Year	Capital expenditures	Operational expenditures
2015	9,100	4,965

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at December 31, 2014:

Year	Capital expenditures	Operational expenditures
2015	12,350	324

Commitments of KS EP Investments

The Company's share in the commitments of KS EP Investments is as follows as at December 31, 2014:

Year	Capital expenditures	Operational expenditures
2015	1,056	32
2016	3,386	62
	4,442	94

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at December 31, 2014:

Year	Capital expenditures
2015	1,562

These consolidated financial statements have been signed below by the following persons on behalf of the Company and in the capacities indicated on February 24, 2015:

Chief Executive Officer — Nurseitov A. A.

Chief Financial Officer — Abdulgafarov D. Y.