



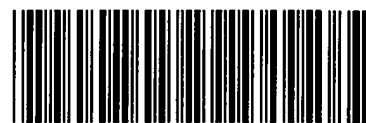
**KAZPHOSPHATE LIMITED**

**Consolidated Financial Statements and  
Independent Auditor's Report**

**For the year ended 31 December 2014**

**Company registration number: 06007551**

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## **KAZPHOSPHATE LIMITED** **STRATEGIC REPORT OF THE DIRECTORS**

The directors present their strategic report with the audited financial statements of the Group for the year ended 31 December 2014.

### **PRINCIPAL ACTIVITY**

The Group's principal trading activities are the extraction and processing of phosphoric ore, concentration and processing of raw minerals, production of mineral fertilisers, yellow phosphorous and phosphorous-containing products at mine pits and plants located in Southern Kazakhstan. These products are primarily exported from this region.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The following review relates to the group's only trading subsidiary Kazphosphate LLP, which operates in Kazakhstan. The functional currency of the Kazakh subsidiaries is Kazakhstan Tenge.

The core business of Kazphosphate LLP (hereinafter referred to as the "Company") includes prospecting, mining, extraction, and processing of phosphate rock, production and sale of yellow phosphorus and its derivatives, phosphate mineral fertilizers, and feed phosphates. The Company has a large supply of phosphates with proven reserves of 1.6 billion tons, including 0.42 billion tons that can be extracted through surface mining.

The Company operates in Jambyl Region and South Kazakhstan Region, including the single-industry towns of Karatau, Chulaktau, Stepnogorsk, and provides employment opportunities to 6,000 people.

Currently, the Company produces 20 product types. The products are sold in 27 countries.

#### **Sales and Markets**



#### **Europe and CIS**

- Yellow Phosphorus, Sodium Tripolyphosphate, Sodium hexametaphosphate Monoammonium Phosphate (MAP), Tricalcium Phosphate, Terephthalic acid, Raw Phosphate, Slag

#### **Asia**

- Monoammonium Phosphate (MAP), Ferrophosphorus, Sodium Tripolyphosphate, Raw Phosphate, Terephthalic acid

#### **North America**

- Yellow Phosphorus, Sodium hexametaphosphate

The management team is committed to the following business philosophy:

- Direct sales to end users to make the most of sales of phosphorus-containing products and investments into production of products with higher added value.
- Maximum use of the existing business relations.

**KAZPHOSPHATE LIMITED**  
**STRATEGIC REPORT OF THE DIRECTORS (Continued)**

- Active work in new markets.
- Study of current and potential requirements with the aim of ensuring customer satisfaction.
- Boosting the occupational prestige in the chemical and mining industry.

The Company has developed an operating program with projected investments into mining complexes from 2015 to 2040 amounting to \$200 million.

The investments will be channelled into:

- Purchase of modern mining equipment;
- Improvement of the production management system;
- Introduction of energy-efficiency and other environmental measures;
- Support and development of social services in mining;
- Construction of a flotation dressing mill and modernization of the slurry dressing mill;
- Construction of a furnace gas recovery system and a computerized process control system in Shops No. 7,8 at the Novodzhambul Phosphorus Plant;
- Reconstruction of the fertilizer plant feed phosphates production line with the aim of production of phosphates with increased nutritional content (granulated tricalcium phosphate);
- Design and construction of a facility for the production of ethanol using furnace gas, as part of energy-efficiency measures;
- Feasibility study for the construction of a Monoammonium Phosphate and Diammonium Phosphate plant.
- Reconstruction of the existing Mineral Fertilizers Plant at the Taraz Branch of Kazphosphate LLP that shall produce up to 1 million tons of mineral fertilizers in 2020.

Spending in Kazakhstan.

Kazphosphate LLP is a major consumer of goods and services in Kazakhstan. Annually the company subcontracts up to 25 companies in Zhambyl Region.

**Current market conditions for products and market forecasts**

The company is budgeting to be able to increase the prices on its products lines in 2015 in \$ US dollars at rates of up to 15.4% and is budgeting for an overall total revenue decrease of only 2.3% on a reduced volume of production of 24.1%.

**PRINCIPAL RISKS AND UNCERTAINTIES**

**Country risk**

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

**Financial risk**

The Group's principal financial instruments are non-derivative and comprise of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's trading activities.

The group has exposure to credit, liquidity and market risk. Note 34 explains the Group's objectives, policies and processes for measuring and managing these risks.

**EMPLOYEES**

The Group is committed to a policy of equal opportunities in employment by which the Group continues to ensure that all aspects of selection and retention are based on merit and suitability for the job without considerations of sex, marital status, nationality, colour, race, ethnicity, sexual orientation or any disability. The Group aims to maintain a diverse workforce free from discrimination. Persons who have or develop a disability are, where possible, given practical assistance and training to seek to overcome their disability in the performance of their work.

**KAZPHOSPHATE LIMITED**  
**STRATEGIC REPORT OF THE DIRECTORS (Continued)**

**PAYMENT POLICY**

The Group does not have a formal code that it follows with regard to payments to suppliers. Members of the Group generally agree payment terms with their suppliers when they enter into binding contracts for the supply of goods and services. Suppliers are, in that way, made aware of these terms.

Group companies seek to abide by these payment terms when they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At 31 December 2014 the amount of trade payables shown in the Group balance sheet represented 50 days (2013: 58 days) of purchases.

**KEY PERFORMANCE INDICATORS**

The following is a summary of key performance indicators:

	2014	2013
Sales revenue growth	3%	9%
Gross profit margin	30%	19%
Return on equity	44% - 2%	<del>39%</del> 8%

**ON BEHALF OF THE BOARD:**

  
.....  
Y. Nurgozhayev - Director

Date: - 25<sup>th</sup> of September 2015

## **KAZPHOSPHATE LIMITED** **REPORT OF THE DIRECTORS**

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2014.

### **DIRECTORS**

The directors who have held office during the period to the date of this report are as follows:

Y. Nurgozhayev  
R. Pshtayev(resigned on 19 December 2014)  
S H Landes (appointed on 24 December 2014)  
G Yessenov (appointed on 24 August 2015)

### **REGISTERED OFFICE**

3<sup>rd</sup> Floor, Fairgate House, 78 New Oxford Street, London, WC1A 1HB

### **RESULTS AND DIVIDENDS**

The consolidated statement of comprehensive income for the period is set out on page ~~14~~ 9

The directors do not recommend payment of an ordinary dividend.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

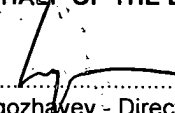
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

### **ON BEHALF OF THE BOARD:**

  
Y. Nurgozhayev - Director

Date: - 25<sup>th</sup> of September 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED**

We have audited the financial statements of Kazphosphate Limited for the year ended 31 December 2014, which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Statements of Cash Flows, the Group and Parent Company Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS**

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit and to identify any information which is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **BASIS FOR QUALIFIED OPINION ON FINANCIAL STATEMENTS**

With respect to recoverability of loans issued to Bloomtrade International Limited, a related party having a carrying amount of USD 23,213 thousand at 31 December 2014, the audit evidence available to us was limited because we could not access to certain financial information in respect of this related party. As a result, we were unable to determine whether adjustments might have been required to reflect the recognition or recoverability of these items making up the Statement of Financial Position as at 31 December 2014 and related elements making up the Statements of Profit or Loss and other comprehensive income and changes un equity for the year then ended.

### **QUALIFIED OPINION ON FINANCIAL STATEMENTS**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company and group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted for the use in the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS  
OF KAZPHOSPHATE LIMITED**

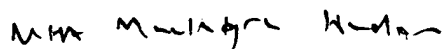
**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.



Yogan Patel FCA (Senior statutory auditor)

for and on behalf of  
**MHA MacIntyre Hudson**

Chartered Accountants

New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

Date: 30 September 2015

**KAZPHSOPHATE LIMITED**  
**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION**

	Note	Group 31 December 2014	Company 31 December 2014	Group 31 December 2013 (Restated)	Company 31 December 2013
<i>In thousands of US dollars</i>					
<b>ASSETS</b>					
Property, plant and equipment	5	386,952	-	443,069	-
Intangible assets	6	40,616	-	46,009	-
Investments in associate & joint venture	7	1,316	-	1,620	-
Other non-current assets	8	311	-	924	-
Restricted cash	8	332	-	236	-
Investments	9	-	143,504	-	143,504
Loan receivable	12	23,213	-	-	-
<b>Total non-current assets</b>		<b>452,740</b>	<b>143,504</b>	<b>491,858</b>	<b>143,504</b>
<b>Current assets</b>					
Inventories	10	86,929	-	90,685	-
Trade and other receivables	11	25,069	63	25,188	77
Prepayments		1,509	-	2,249	-
Loans receivable	12	4	-	50,009	-
Taxes receivable	13	12,891	-	15,952	-
Current income tax		868	-	276	-
Cash and cash equivalents	14	286	6	4,920	30
<b>Total current assets</b>		<b>127,556</b>	<b>69</b>	<b>189,279</b>	<b>107</b>
<b>TOTAL ASSETS</b>		<b>580,296</b>	<b>143,573</b>	<b>681,137</b>	<b>143,611</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	19	95,740	-	120,253	-
Deferred income tax liability	16	61,661	-	68,979	-
Provision for asset retirement obligations	17	4,963	-	5,199	-
Provision for social development of the region	32	132	-	251	-
Employee benefits	18	592	-	596	-
<b>Total non-current liabilities</b>		<b>163,088</b>	<b>-</b>	<b>195,278</b>	<b>-</b>
<b>Current liabilities</b>					
Borrowings	19	143,712	118,906	167,999	129,969
Trade and other payables	20	37,253	-	48,977	40
Advances received		1,783	-	2,195	-
Accruals		114	114	169	119
Provision for unused vacation & bonuses		2,609	-	2,716	-
Employee benefits	18	119	-	164	-
Provision for social development	32	92	-	116	-
Current income tax liability		-	-	-	-
Other taxes payable	21	2,900	-	3,409	-
<b>Total current liabilities</b>		<b>188,582</b>	<b>119,020</b>	<b>225,745</b>	<b>130,128</b>
<b>TOTAL LIABILITIES</b>		<b>351,670</b>	<b>119,020</b>	<b>421,023</b>	<b>130,128</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>580,296</b>	<b>143,573</b>	<b>681,137</b>	<b>143,611</b>

The financial statements were authorised for issue on 25/09/15 and signed on its behalf.

Y. Nurgozhayev - Director

S. Landes - Director

Company registration number: 06007551

The notes on pages 12 to 54 form an integral part of these financial statements.

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**KAZPHOSPHATE LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of US dollars</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>CONTINUING OPERATIONS</b>			
			<b>Restated</b>
Revenue	22	391,631	379,558
Cost of sales	23	(271,491)	(307,541)
Impairment of property, plant and equipment	5	16	40
<b>Gross profit</b>		<b>120,156</b>	<b>72,057</b>
Other operating income	24	1,348	42,052
Distribution costs	25	(41,935)	(47,460)
General and administrative expenses	26	(32,781)	(22,153)
Other operating expenses	27	(448)	(1,903)
<b>Operating profit</b>		<b>46,340</b>	<b>42,593</b>
Finance income	28	26,173	5,891
Finance costs	28	(65,379)	(17,560)
Share of loss under equity method	7	(49)	(286)
Loss on disposal of subsidiary	40	(6,247)	-
<b>Profit before income tax</b>		<b>838</b>	<b>30,638</b>
Income tax expense	29	(6,061)	(8,604)
<b>(Loss) / profit for the year</b>		<b>(5,223)</b>	<b>22,034</b>
<b>Other comprehensive income</b>			
Land revaluation		(233)	24,565
Actuarial pension gain	18	(63)	2
Foreign exchange translation		(32,225)	(3,248)
<b>Other comprehensive income / (expenditure) for the year</b>		<b>(32,521)</b>	<b>21,319</b>
<b>TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR</b>		<b>(37,744)</b>	<b>43,353</b>

The notes on pages 12 to 53 form an integral part of these financial statements.

**KAZPHOSPHATE LIMITED**  
**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY**

*In thousands of US Dollars*

GROUP	Share Capital	Foreign exchange translation reserve	Actuarial gains/ losses on pension liability	Revaluation reserve on property plant & equipment	Retained earnings	Total equity
Balance 1 January 2013	98	(26,277)	(610)	182	243,368	216,761
Loss for the year	-	-	-	-	22,034	22,034
Other comprehensive income	-	(3,248)	2	24,565	-	21,319
Total comprehensive income for the year	-	(3,248)	2	24,565	22,034	43,353
Balance 1 January 2014 (as restated)	98	(29,525)	(608)	24,747	265,402	260,114
Balance 1 January 2014 (as previously reported)	98	(29,525)	(608)	56,044	234,105	260,114
Impact of restatement-note 41	-	-	-	(31,297)	31,297	-
Balance 1 January 2014 (as restated)	98	(29,525)	(608)	24,747	265,402	260,114
Loss for the year	-	-	-	-	(5,223)	(5,223)
Other comprehensive income	-	(32,225)	(63)	(233)	-	(32,521)
Foreign exchange differences recycled to income statement on disposal of subsidiary		6,256	-	-	-	6,256
Total comprehensive income for the year		(25,969)	(63)	(233)	(5,223)	(31,488)
Balance 31 December 2014	98	(55,494)	(671)	24,514	260,179	228,626

COMPANY	Share capital	Retained earnings	Total equity
Balance at 1 January 2013	98	13,603	13,701
Total comprehensive income	-	(218)	(218)
Balance as at 31 December 2013	98	13,385	13,483
Total comprehensive income	-	11,070	11,070
Balance at 31 December 2014	98	24,455	24,553

The notes on pages 12 to 53 form an integral part of these financial statements.

**KAZPHOSPHATE LIMITED**  
**CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS**

<i>In thousands of US Dollars</i>	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
<b>Cash flow from operating activities</b>				
Proceeds from sales	396,684	-	379,365	-
Value added tax refund	16,901	10	21,616	(11)
Cash return from suppliers	247	-	110	-
Other	367	-	191	-
Payments to suppliers and contractors	(288,621)	(180)	(279,858)	(134)
Payroll Expense	(28,636)	-	(30,836)	-
Budget settlements	(19,064)	-	(26,185)	-
Other mandatory payments	(5,602)	-	(5,409)	-
Interest paid	(14,854)	-	(8,465)	-
Rebate for short delivered goods	(2,565)	-	-	-
Others	(3,880)	-	(1,084)	-
Tax paid	(9,603)	-	(4,059)	-
<b>Net Cash received / (used in) from operating activities</b>	<b>41,374</b>	<b>(170)</b>	<b>45,386</b>	<b>(145)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	-	-	-
Repayment of loan receivable	-	-	-	-
Dividend received	(242)	10,000	-	138
Acquisition of property, plant and equipment	(15,384)	-	(51,069)	-
Loan disbursed and financial aid provided by related parties	(64)	146	(110)	-
Proceeds from loan receipts	8,328	-	1	-
<b>Net Cash (used in) / received from investing activities</b>	<b>(7,362)</b>	<b>10,146</b>	<b>(51,178)</b>	<b>138</b>
<b>Cash flow from financing activities</b>				
Proceeds from loans and borrowings	167,765	-	233,428	-
Repayment of loans and borrowings	(205,572)	(10,000)	(228,303)	(2,128)
Restricted cash	(136)	-	(67)	-
<b>Net cash received from / (used in) financing activities</b>	<b>(37,943)</b>	<b>(10,000)</b>	<b>5,058</b>	<b>(2,128)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(3,931)</b>	<b>(24)</b>	<b>(734)</b>	<b>(2,135)</b>
Cash and cash equivalents at the beginning of the year	4,920	30	5,731	2,165
Exchange loss on currency movement	(703)	-	(77)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>286</b>	<b>6</b>	<b>4,920</b>	<b>30</b>

The notes on pages 12 to 53 form an integral part of these financial statements.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**1. The Group and its Operations**

Kazphosphate Limited is a company incorporated in England and Wales. Its registered office address is 3<sup>rd</sup> Floor, Fairgate House 78 New Oxford Street London WC1A 1HB. The group financial statements consolidate those of the company and its subsidiaries (together referred to as a group). The parent company financial statements present information about the company as a separate entity and not as a group.

**2. Basis of Preparation and Significant Accounting Policies**

***Basis of preparation***

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) "As adopted by the EU". In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in S408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") "As adopted by the EU" under the historical cost convention, as modified by revaluation of some financial instruments and land. The main accounting policies used in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless stated otherwise. All amounts have been rounded to the nearest \$1,000 except as otherwise indicated.

Preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following standards amendments to standards and interpretations became effective on 1 January 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- amendments to IFRS10, IFRS 12 and IAS 27 Investment Entities

The application of these standards and amended standards had no significant impact on the group's or parent's financial statements.

***Going concern***

The financial statements have been prepared on a going concern basis even though at the year end the Group had net current liabilities amounting to US\$ 61,026,000 (2013: US\$ 36,466,000). The net current liability position arises as a result of parent company borrowings of US\$ 99,449 (2013: US\$ 109,448) thousand from a related party. There are no fixed repayment terms for these borrowings and they have therefore been classified as repayable within one year. However the directors have obtained confirmation from the lender that they will not request repayment of these loans until the Group has sufficient funds and no repayment will be sought within the 12 months from approval of these financial statements. Given this assurance and having reviewed cash flow forecasts and trading expectations for the next 12 months from approval of these financial statements, the directors are confident that the Group will be able to meet its current liabilities and are satisfied that there is no material uncertainty in relation to the going concern basis of accounting.

The parent company financial statements are prepared on a going concern basis based on the assurance received above and the fact that group companies have agreed to continue to provide such financial support as will be required for the parent company to meet its obligations as they fall due for at least the next 12 months from the approval of these financial statements.

***Basis of consolidation***

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when group controls an entity when the group 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 power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control cease.

All intra-group transactions, balances income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the group companies to ensure consistency.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Functional and presentation currency***

The functional and presentation currency of the company is US dollars ("USD"). All amounts in these group financial statements are presented in thousands of USD except where stated otherwise. The functional currency of the company's Dutch subsidiaries is Euros and the functional currency of the Kazakh subsidiaries is Kazakhstan Tenge.

***Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value into a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit and loss. Non-monetary items are measured based on historical cost in a foreign currency are not translated.

***Foreign operations***

The assets and liabilities of foreign operations, are translated into US \$ at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US \$ at the exchange rates at the dates of transactions. Foreign currency difference are recognised in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of an associate or joint venture while retaining influence or joint control, the relevant proportion of the cumulative is reclassified to profit or loss.

***Associates***

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit and loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately. However, when the Group's share in losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

***Joint ventures***

The group has applied IFRS11 to all the joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint venture are accounted for using the equity methods. Under the equity methods of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of post – acquisition profits and losses and movement in other comprehensive income.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Joint ventures (continued)***

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. The Group's share of joint venture's other comprehensive income or loss is recognised in other comprehensive income in the Group's financial statements.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's policy is to eliminate unrealised gains against the carrying amount of the investment in joint venture. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

***Disposals of subsidiaries, associates or joint ventures.***

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit and loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate.

**Property, plant and equipment**

Property, plant and equipment except for land is stated at purchase price less accumulated depreciation and impairment losses. The land is stated at fair value determined in accordance with periodic revaluations conducted by independent appraisers.

The cost includes all expenses directly related with the purchase of a relevant asset. The cost of assets constructed using its own resources includes the cost of used materials, direct labour costs, other expenses directly related with asset delivery and put it into operation for the intended use, and expenses on asset dismantling and transfer and site restoration. The software purchase cost inseparably associated with functionality of corresponding equipment is capitalised in the cost of this equipment.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss for the year during the reporting period in which they are incurred.

Recognised as an item of property, plant and equipment are specialised spare parts and servicing equipment with the cost of above US\$ 2,790 and useful life of more than one year. Other spare parts and servicing equipment are recognised within inventories in the statement of profit or loss and other comprehensive income as used.

Minor repair and maintenance costs are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part which is retired.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is written off.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

**Land revaluation**

Land is subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land in equity is transferred directly to retained earnings on the retirement or disposal of the asset.

**Depreciation**

The depreciation is charged to the statement of profit or loss and other comprehensive income. Depreciation is calculated using the straight-line method to allocate their cost to revalued amounts to their residual value over their estimated useful lives of the item of property, plant and equipment. Land and construction in progress are not depreciated.

The expected useful lives of property, plant and equipment in the reporting and comparative periods are as follows:

	Useful lives in years
Buildings and structure	3-50
Machinery and equipment	7-20
Other assets	8-14
Land	Indefinite
Vehicles	6-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment loss, where required. Intangible assets include software licenses, development costs, mining rights, rent entitlements and capitalised costs on social program financing, which periods vary from 2015 to 2025.

The cost includes all expenses on acquisition and implementation of intangible assets. Intangible assets are amortised using the straight-line method over their useful lives, as follows:

	Useful lives in years
Licenses and rights for subsurface use and rights for groundwater extraction	3-25
Software	5-6

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Stripping costs***

Stripping costs incurred to access the mineral resources prior to the commencement of commercial production and are amortised over the period of production using a unit-of-production method.

Stripping costs, incurred during the production are capitalised only if they result in future benefits from access to reserves, the amount of such additional reserves may be reliably measured and such costs can be improved exactly determined and correlated with additional reserves. Such stripping assets are subsequently amortised using a unit-of-production method during production of additional reserves, to which the access has been obtained as a result of stripping works. If it is not practically possible to separate exactly the stripping works into the works related to current production and those related to the improvement of the access to specific components of an ore body, such costs are allocated on the basis of the expected stripping rate of the remaining reserves. The stripping assets subsequently are amortised using unit-of-production method over the period of production the remaining reserves.

***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventories is based on the first-in first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

***Financial instruments***

The group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available-for-sale financial assets.

The group classifies non-derivative financial liabilities into the other financial liabilities category.

***Non-derivative financial assets and financial liabilities – recognition and derecognition***

The group initially recognises loans and issued debt securities receivables and deposits on the date that they are originated/issued. All other financial assets and liabilities are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Financial assets at fair value through profit or loss***

A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

***Loans and receivables***

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (Note 12). Loans and receivables category comprises the following classes of financial assets: trade and other receivables as presented in Note 11 and cash and cash equivalents as presented in Note 14.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. Restricted cash balances are excluded from cash and cash equivalents for the purpose of statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets, which were intentionally classifying to the specified category or which were classified to none of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 11) are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

***Non-derivative financial liabilities-- measurement***

The group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables.

***Finance income and finance costs***

Finance income and costs comprise interest expense on borrowings and loans payable, deposits, loans issued by the group to its employees, interest income/expense from unwinding of discount on provision for asset retirement obligations and other financial assets and liabilities, net foreign exchange gains/(losses) related to respective financial assets and liabilities on gross basis

***Trade payables***

Trade payables are accrued when the counterparty performed its obligations under the contract, and are recorded at amortised cost using the effective interest method.

***Share capital***

Assets contributed to share capital are recognised at fair value at the date of contribution. Any excess of the fair value of contributed assets over the par value of contribution to share capital at the legal registration is recorded as share premium in equity.

***Impairment***

***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss, including the participation interest in investees, accounted by equity accounting method, is assessed to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Impairment (continued)***

Objective evidences of financial assets impairment (including equity securities) may include:

- failure to pay or other failure to perform the liabilities by the debtors, debt restructuring to the group on the terms, which otherwise would not be considered by the group,
- the evidences of future bankruptcy of the debtor or issuer,
- negative changes of the borrower's payment status or group's issuers,
- economic terms, correlated with defaults,
- disappearing of the active market for any security, or
- observable data, showing measurable decrease of expected cash flows from the group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

***Financial assets at amortised value***

The group considers evidence of such assets at both an individual asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss is calculated as the difference between its carrying amount of an asset, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an impairment allowance account. When the group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

***Equity accounted investments***

Impairment with respect to equity accounted investments is assessed by comparing the recoverable cost of investments and its carrying amount. Impairment losses are recognised in profit or loss and reversed if there has been a favorable change in the estimates used to determine the recoverable amount. The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Impairment (continued)***

***Non-financial assets***

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The group's corporate assets do not generate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the cases, when the carrying amount of an asset or CGU, to which this asset relates to, exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Prepayments***

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the group. Prepayments paid for future supplies of inventories are recorded within other current assets. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. Prepayments denominated in foreign currencies for goods and services are non-monetary items, and are recorded by the market rate ruling at the date of the prepayment, and are not subject to translation at the reporting date. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

***Provision for asset retirement and site restoration obligations***

Asset retirement and site restoration obligations for fields under development are recognised when it is highly probable that the cost would be incurred and those costs can be measured reliably. Site restoration costs related to fields under development include the costs of rehabilitation and costs of liquidation (dismantling or demolition of infrastructure facilities, removal of residual materials and restoration of disturbed land).

Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment in the reporting period when the obligation arises based on net present value of estimated future costs.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

Provisions for asset retirement obligations do not include any additional obligations expected to arise from future disturbance and damage. The costs are estimated on the basis of a closure and restoration plan. The costs are estimated annually during the course of operations to reflect known developments, e.g. updated cost estimates and revised estimated useful life of an asset or the estimated terms of operations, and are subject to regular formal reviews.

The group estimates its costs based on feasibility and engineering studies using the current restoration standards and techniques for conducting restoration and remediation works.

The amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to the statement of profit or loss and other comprehensive income in each reporting period. The amortisation of the discount is shown as finance costs. Other changes in the provisions for site restoration obligations, resulting from updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets. Where restoration and rehabilitation works are conducted systematically over the term of the operations, rather than at the time of closure, provision is made for the estimated outstanding continuous restoration work at each reporting date and the costs are charged to profit or loss.

***Loans and borrowings***

Loans and borrowings are recorded at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

***Capitalisation of borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January of the financial year or later.

The commencement date for capitalisation is when (a) the group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

***Operating leases***

The company and its subsidiaries are parties to a number of operating lease. An operating lease is one which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option

***Value added tax (VAT)***

Value-added tax related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statement of financial position on a net basis.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Income tax***

Income taxes have been provided for in the individual financial statements in accordance with applicable local tax legislation. The income tax charge comprises current (corporate and excess profit) taxes and deferred taxes, and is recognised in profit or loss, except for where it is recognised in the same or a different period in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the individual financial statements are authorised prior to the filing of the relevant tax returns. Taxes, other than income tax, are recorded within operating expenses.

Deferred tax is recognised using the balance sheet method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with the initial recognition exception, the deferred income tax is not recognised in respect of temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the corporate tax rates and excess profit tax rates that enacted or substantively enacted at the reporting date and that are expected to be applied to the period when the temporary differences are reversed or the tax loss carry-forwards are utilised.

Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of the group's were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

***Excess profit tax***

In accordance with Kazakhstani tax code effective since 1 January 2009, excess profit tax assessment method using the ratio of annual income to annual allowed deductions under contract has been changed. However, the allowed deductions can include the capitalised costs. Contractual income is determined based on the rules of separate accounting established by the tax accounting policies of the group's. Taxable basis for excess profit tax is the taxable income determined for the corporate income tax purposes reduced by the amount of corporate income tax as well as amount of 25 percent of allowed deductions including the capital expenditures. Excess profit tax should be paid in the years when the ratio of the annual income and the annual deductions exceeds 1.25.

***Revenue recognition***

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenue from services is recognised in the same reporting period in which these services were performed by applying the proportion of actual services performed to date from total services to be provided under the contract.

Revenues are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time-proportion basis using the effective interest method.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**2. Basis of Preparation and Significant Accounting Policies (continued)**

***Payroll expenses and related charges***

The expenses for salaries, social tax, social insurance fund contributions, annual paid vacations and sick leaves, bonuses and non-cash benefits in kind are accrued as the respective services are provided by the Group's employees.

In compliance with Kazakhstan legislation the Group withholds pension contributions from employees' salaries and remits them to pension funds selected by employees. When an employee retires, all the related payments are made by the respective pension fund.

***Employee benefits***

The group provides long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The Collective Labour Agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistently with an unfunded defined plan in accordance with IAS 19, Employee Benefits.

The group's net obligation in respect of long-term employee benefits, different from the payments on pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods and usually depends on the employee's minimum period of service. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Revaluations are recognised in profit or loss in the period in which they arise. The employee obligations are valued periodically.

***Provisions for liabilities and charges***

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

***Regional social development liabilities***

Provisions for regional social investment are community social investment liabilities in the Zhambyl Region of the Republic of Kazakhstan, which are mandatory pursuant to acquisition of subsurface use rights. These social expenses are recognised as part of acquisition cost after initial recognition, and relevant liabilities are recognised at present value of future social expenses during exploration and extraction stage.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

***Useful lives of property, plant and equipment***

Estimation of useful lives of property, plant and equipment is a matter of judgement based on previous experience with similar assets. The future economic benefits embodied in the assets are mainly consumed through the use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

***Subsurface use contracts***

The group has several subsurface use contracts that expiry during 2015-2034. The group complies with contractual obligations and believes that extension of the subsurface use contract is probable and mining operations will continue in the long run. In 2013-2014 the group was inspected by the state authorities for compliance with the subsurface use contract requirements. No material violations were detected. Subsurface use contract term is considered when determining useful lives of property, plant and equipment and when estimating provision for asset retirement and site restoration obligations. If case the contracts are not renewed, the group shall need to accelerate depreciation of property, plant and equipment and unwinding of provision.

***Provisions for asset retirement and site restoration obligations***

In accordance with the environmental legislation and the contracts on subsurface use, the group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its assets and restore a landfill site after its closure. Provision is made based on net present values for site restoration and rehabilitation costs as soon as the obligation arises from past activities. The provision is estimated based on the group's interpretation of current environmental legislation in the Republic of Kazakhstan and the group's related program for liquidation of subsurface use consequences on the contractual area and other operations supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)**

Estimations of the restoration costs are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for site restoration obligations are recognised when they are probable and can be measured reliably.

At 31 December 2014, the carrying amount of the provision for asset retirement and restoration of phosphate ore fields was USD 4,447 thousand (2013: USD 4,602 thousand) (Note 17).

At 31 December 2014, the carrying amount of the provision for asset retirement and restoration of groundwater fields was USD 516 thousand (2013: USD 597 thousand).

***Revaluation of land***

Fair value of land of USD 83,796 thousand and USD 99,881 thousand as at 31 December 2014 and 31 December 2013, respectively, was determined using Level 2 inputs and are based such as quotations of similar assets in the active markets (method of comparable sales) or quotations on the identical or similar assets in the non-active markets (method of the normative (cadastral) value). The cadastral value, in its turn, represents the historic data on property valuation performed by the state authorities for a certain period of time for all lands of the territory of the Republic of Kazakhstan. The latest changes in the cadastral values were made during 2008; no significant changes in the cadastral values are anticipated.

Valuation of the land fair value, for which the independent valuers were commissioned, was performed as at 1 November 2013 (Note 5).

***Related party transactions***

In the normal course of business the group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

***Employee benefits***

The most significant assumptions applied for accounting of these non-current liabilities are discount rate and estimated staff turnover. The discount rate is used to determine a present value of the benefit obligation of future liabilities, and each year unwinding of discount for such liabilities is recognised in profit or loss as interest expenses. The assumption on staff turnover is used to forecast future benefit payment flow which is discounted to receive net present value of the obligations. Please refer to Note 18 for more detailed information on assumptions used for calculation of actuarial liabilities.

***Measurement of fair values***

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer of the group. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)**

For the significant issues, related to the assessment, the valuation team reports to the management of the group.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Any further information on the assumptions, made during the assessment of the fair value is contained in the (Note 5) property, plant and equipment.

**Assessment of excess profit tax**

Assessment of the excess profit tax (EPT) depends on the effective EPT rate that would be applied during the periods when deductible and taxable temporary differences are refunded or settled. As the EPT rate to be applied in future depends on the rate of return on the subsurface use operations, the assessment of an effective EPT rate as at reporting date requires professional judgment with relation of assessment of future taxable income and respective deductions on the subsurface use operations; expected mechanism of capex amortisation; expected useful lives of the items of property, plant and equipment and other assumptions affecting the estimates of amounts and periods during which the deductible and taxable temporary differences existing as at the reporting date shall be refunded and settled.

**4. New Accounting Pronouncements**

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these individual financial statements.

- IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.
- IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**5. Property, Plant and Equipment**

**GROUP**

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of US Dollars</i>	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
<b>Cost or revalued amount at 1 January 2013</b>	<b>31,317</b>	<b>242,382</b>	<b>135,855</b>	<b>41,187</b>	<b>67,423</b>	<b>518,164</b>
Additions	-	2	3,757	4,227	40,791	48,777
Disposals	(6)	(1,500)	(253)	(420)	-	(2,179)
Capitalised loan interest	-	-	-	-	3,941	3,941
Foreign currency differences	(1,258)	(873)	(1,486)	(719)	(677)	(5,013)
Impairment	(13)	-	-	-	-	(13)
Revaluation	69,828	-	-	-	-	69,828
Transfer to intangible assets	-	-	-	-	(4)	(4)
Transfer	13	59,199	38,975	4,069	(102,256)	-
<b>Balance at 31 December 2013</b>	<b>99,881</b>	<b>299,210</b>	<b>176,848</b>	<b>48,344</b>	<b>9,218</b>	<b>633,501</b>
<b>Accumulated depreciation at 1 January 2013</b>	<b>-</b>	<b>77,455</b>	<b>60,934</b>	<b>18,514</b>	<b>(5)</b>	<b>156,898</b>
Depreciation	-	13,444	18,556	2,993	-	34,993
Disposals	-	(102)	(106)	(247)	-	(455)
Transfer	-	28	(71)	43	-	-
Foreign currency differences	-	(129)	(661)	(267)	-	(1,057)
Reversal of impairments	-	(13)	-	112	(46)	53
<b>Accumulated depreciation at 31 December 2013</b>	<b>-</b>	<b>90,683</b>	<b>78,652</b>	<b>21,148</b>	<b>(51)</b>	<b>190,432</b>
<b>Carrying amount at 31 December 2013</b>	<b>99,881</b>	<b>208,527</b>	<b>98,196</b>	<b>27,196</b>	<b>9,269</b>	<b>443,069</b>
<b>Cost or revalued amount at 1 January 2014</b>	<b>99,881</b>	<b>299,210</b>	<b>176,848</b>	<b>48,344</b>	<b>9,218</b>	<b>633,501</b>
Additions	5	4	6,781	3,985	12,169	22,944
Disposals	(50)	(7)	(149)	(823)	-	(1,029)
Reversal of impairments	-	-	-	-	(16)	(16)
Foreign currency differences	(15,736)	(11,687)	(15,714)	(6,718)	(1,201)	(51,056)
Revaluation on disposal	(304)	-	-	-	-	(304)
Transfers	-	2,916	3,228	6,276	(12,420)	-
<b>Balance at 31 December 2014</b>	<b>83,796</b>	<b>290,436</b>	<b>170,994</b>	<b>51,064</b>	<b>7,750</b>	<b>604,040</b>
<b>Accumulated depreciation at 1 January 2014</b>	<b>-</b>	<b>90,683</b>	<b>78,652</b>	<b>21,148</b>	<b>(51)</b>	<b>190,432</b>
Depreciation	-	17,851	14,042	5,666	-	37,559
Transfers	-	(1)	(76)	77	-	-
Disposals	-	(6)	(139)	(820)	-	(965)
Foreign currency differences	-	(1,259)	(6,064)	(2,615)	-	(9,938)
<b>Accumulated depreciation at 31 December 2014</b>	<b>-</b>	<b>107,268</b>	<b>86,415</b>	<b>23,456</b>	<b>(51)</b>	<b>217,088</b>
<b>Carrying amount at 31 December 2014</b>	<b>83,796</b>	<b>183,168</b>	<b>84,579</b>	<b>27,608</b>	<b>7,801</b>	<b>386,952</b>

## **KAZPHOSPHATE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

#### **5. Property, Plant and Equipment (continued)**

Additions of property, plant and equipment during 2014, in the amount of US \$ 22,944 thousand (in 2013: US \$ 48,777 thousand) represent primarily purchases under the group's investment program oriented at production capacity maintenance and equipment replacement, as well as current production modernisation.

As at 31 December 2014 machinery and equipment includes cost of mining assets related to site restoration with the present value of US \$ 1,371 thousand (2013: US \$ 1,628 thousand) upon initial recognition.

As at 31 December 2014 the group had fully depreciated but still used property, plant and equipment with the initial cost of US \$ 26,862 thousand (2013: US \$ 24,788 thousand).

As at 31 December 2014 in accordance with the terms and conditions of the contract with Halyk Bank Kazakhstan JSC (Note 19), assets with a carrying amount of US \$ 125,018 thousand were subject to a registered debenture (2013: US \$ 145,372 thousand).

During 2014 the Company did not capitalise borrowing costs. At 31 December 2013 the cost of construction in progress included capitalised interest on loans in the amount of USD \$3,941 thousand. Capitalisation rate was about 8%.

Depreciation in the amount of US \$27,514 thousand (2013: US \$ 31,485 thousand) was charged to the cost of sales, the amount of US \$75 thousand (2013: US \$ 2,514 thousand) to distribution costs, and US \$ 713 thousand (2013: US \$ 993 thousand) to administrative expenses and also US \$ 9,257 thousand as part of production suspension expenses in administrative expenses.

As at the end of 2013, the group engaged an independent appraiser Baker Tilly Kazakhstan Valuation LLC, holding the state licenses No. 12019872 dated 25 December 2012 issued by the Committee of the Registration Service and Legal Support of the Ministry of Justice of the Republic of Kazakhstan on to perform property valuation activity, with specialisation in the following areas: property valuation (except for the intellectual property items, cost of intangible assets); No.13312029 dated 4 July 2013, issued by the Committee of the Registration Service and Legal support of the Ministry of Justice of the Republic of Kazakhstan, to perform the activity for property valuation with specialisation in the following areas: valuation of cost of items of intellectual property, and cost of intangible assets. The appraisal company valued the group's land as at 1 November 2013. The valuation is carried out in accordance with the valid legislation of the RK, standards on valuation adopted in the territory of RK and International Valuation Standards (IVS). To value the land, there were used the method of normative (cadastral) value and method of comparable sales as a part of market approach. The land revalued amount as at 31 December 2013 was US \$ 99,881 thousand.

The previous land revaluation was made as at 31 December 2011. The fair value of land was determined by the method of comparable sales as a part of the market approach.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**6. Intangible Assets**

**GROUP**

The movements in the cost of intangible assets are presented below:

*In thousands of US dollars*

	Software	Licenses and Other	Mining rights	Rent entitlements	Total
<b>Cost</b>					
Balance at 1 January 2013	521	1,014	74,464	1,701	77,700
Additions	133	2	-	-	135
Transfer	-	4	-	-	4
Foreign currency differences	(12)	(19)	-	-	(31)
<b>Balance at 31 December 2013</b>	<b>642</b>	<b>1,001</b>	<b>74,464</b>	<b>1,701</b>	<b>77,808</b>
<b>Accumulated amortisation at 1 January 2013</b>	<b>378</b>	<b>452</b>	<b>24,783</b>	<b>850</b>	<b>26,463</b>
Amortisation	11	207	4,964	170	5,352
Foreign currency differences	(9)	(7)	-	-	(16)
<b>Accumulated amortisation at 31 December 2013</b>	<b>380</b>	<b>652</b>	<b>29,747</b>	<b>1,020</b>	<b>31,799</b>
<b>Net carrying amount at 31 December 2013</b>	<b>262</b>	<b>349</b>	<b>44,717</b>	<b>681</b>	<b>46,009</b>
<b>Cost at 1 January 2014</b>	<b>642</b>	<b>1,001</b>	<b>74,464</b>	<b>1,701</b>	<b>77,808</b>
Additions	13	28	-	-	41
Foreign currency differences	(102)	(161)	-	-	(263)
<b>Balance at 31 December 2014</b>	<b>553</b>	<b>868</b>	<b>74,464</b>	<b>1,701</b>	<b>77,586</b>
<b>Accumulated amortisation at 1 January 2014</b>	<b>380</b>	<b>652</b>	<b>29,747</b>	<b>1,020</b>	<b>31,799</b>
Amortisation	9	191	4,964	170	5,334
Foreign currency differences	(69)	(94)	-	-	(163)
<b>Accumulated amortisation at 31 December 2014</b>	<b>320</b>	<b>749</b>	<b>34,711</b>	<b>1,190</b>	<b>36,970</b>
<b>Net carrying amount at 31 December 2014</b>	<b>233</b>	<b>119</b>	<b>39,753</b>	<b>511</b>	<b>40,616</b>

Software includes capitalized costs of purchasing the ERP SAP program with the right of use and other goods that are required for Group's operational activities.

Amortisation of US \$5,134 thousand (2013: US \$5,352 thousand) has been charged to general and administrative expenses. As at 31 December 2014 other intangible assets include capitalized costs on social program financing on the amount of US \$nil thousand (2013: US \$347 thousand) according to the phosphoric ore and ground water extraction contracts.

**7. Investments in associate and joint venture**

*In thousands of US dollars*

	Joint venture	Associate	Total
Cost at 1 January 2013	1,851	55	1,906
Additions	-	-	-
Exchanges differences	-	-	-
Share of loss in 2013	(231)	(55)	(286)
<b>Carrying value 31 December 2013</b>	<b>1,620</b>	<b>-</b>	<b>1,620</b>
Cost at 1 January 2014	1,620	-	1,620
Exchanges differences	(255)	-	(255)
Share of loss in 2014	(49)	-	(49)
<b>Carrying value 31 December 2014</b>	<b>1,316</b>	<b>-</b>	<b>1,316</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**7. Investments in associate and joint venture (continued)**

*In thousands of US dollars*

Kazphos LLP is the sole object of a joint venture agreement, to which the group is a party. The enterprise is located in Taraz and produces hexametaphosphate and other phosphoric salts. Kazphos LLP is not a public company; it is a separate structure with a residual interest of the group in its net assets. Accordingly, the group has classified its stake in Kazphos LLP as an interest in joint venture.

The following table presents summarised financial information of Kazphos LLP as it is presented in the enterprise's own financial statements as at 31 December 2014 (2013: there were no operations).

<i>In thousands of US dollars</i>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Revenue</b>	<b>Loss</b>
Kazphos LLP	3,938	1,307	3,743	(99)
<b>Total</b>	<b>3,938</b>	<b>1,307</b>	<b>3,743</b>	<b>(99)</b>

**Associated Companies**

The group has a share in individually insignificant associate NitroPhos LLP. The group's share in the capital is 49%. The summarised financial information of Nitrophos LLP is not presented as it is not significant.

**8. Other Non-current Assets**

<i>In thousands of US dollars</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Prepayments for property, plant and equipment and related services	311	924
Restricted deposits (effective interest rate: 4.1 percent (2013: 4.1 percent))	332	236
<b>Total other non-current assets</b>	<b>643</b>	<b>1,160</b>

**9. Company Investments**

<i>In thousands of US dollars</i>	<b>Shares in subsidiary undertakings</b>
<b>Cost</b>	
1 January 2013	143,504
Additions	-
Balance 31 December 2013	143,504
1 January 2014	143,504
Additions	-
<b>Balance 31 December 2014</b>	<b>143,504</b>
<b>Carrying amount</b>	
<b>At 31 December 2014</b>	<b>143,504</b>
<b>At 31 December 2013</b>	<b>143,504</b>

The carrying value of the Company's investments in its subsidiaries is reviewed annually for impairment by comparing the carrying value to the Company's share of the net assets of its subsidiaries. Since the Company's share of the net assets of its subsidiaries exceeds the carrying value of the investment management has not recognised any provision for impairment.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**9. Company Investments (continued)**

The Company also has an indirect shareholding in the following companies:

Company name	Country of incorporation	Nature of business	Class of shares	Holding %	
				2014	2013
NitroPhos LLC	Kazakhstan	Production of industrial explosives and drilling	Ordinary	49	49
Kazphos LLP	Kazakhstan	Production of hexametaphosphate and other salts of phosphorus	Ordinary	50	50
Kazphosphate LLP	Kazakhstan	Mining and chemical production	Ordinary	100	100

**10. Inventories**

**Group**

<i>In thousands of US dollars</i>	2014	2013
Raw materials	21,796	26,439
Work in progress	20,878	20,290
Finished products	37,301	33,884
Goods for resale	7,836	10,918
Goods in transit	127	486
Less: provisions for obsolete and slow-moving inventory	(1,009)	(1,332)
<b>Total inventories</b>	<b>86,929</b>	<b>90,685</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**11. Trade and Other Receivables**

**GROUP**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<b>Financial assets</b>		
Trade receivables	21,838	22,140
Trade receivable due from related parties	1,746	1,640
Less: provision for impairment loss	(137)	(99)
<b>Total</b>	<b>23,447</b>	<b>23,681</b>
Advances paid for inventory and services	1,600	1,463
Other receivables	120	74
Less: provision for impairment loss	(98)	(30)
<b>Total</b>	<b>1,622</b>	<b>1,507</b>
<b>Total trade and other receivables</b>	<b>25,069</b>	<b>25,188</b>

The ageing analysis of trade receivables classified as financial assets as of 31 December 2014 and 31 December 2013 is as follows:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<b>Current and not impaired</b>	<b>8,790</b>	<b>10,539</b>
<i>Past due but not impaired</i>		
- 30 to 90 days overdue	12,727	8,109
- 90 to 180 days overdue	1,329	3,670
- 180 to 360 days overdue	104	157
- over 360 days overdue	497	1,206
<b>Total past due but not impaired</b>	<b>14,657</b>	<b>13,142</b>
<i>Individually determined to be impaired (gross)</i>		
- over 360 days overdue	137	99
<b>Total individually impaired</b>	<b>137</b>	<b>99</b>
<b>Total trade receivables</b>	<b>23,584</b>	<b>23,780</b>
Less: impairment loss provision	(137)	(99)
<b>Total trade receivables net</b>	<b>23,447</b>	<b>23,681</b>

Past due but not impaired trade receivables represent debtors with good solvency and reputation, and low risk of non-payment, therefore the management believes that the debt over 180 days overdue shall not be impaired

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
US Dollars	18,635	18,514
Tenge	2,998	3,115
Russian Roubles	1,814	2,052
<b>Total trade and other receivables</b>	<b>23,447</b>	<b>23,681</b>

# KAZPHOSPHATE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014

### 11. Trade and Other Receivables (continued)

Changes in the impairment provisions for trade and other receivables are as follows:

<i>In thousands of USD</i>	Financial assets		Other	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Balance at 1 January	99	1,614	30	7
Accrual of allowance	53	165	75	71
Writing off allowance	-	(1,662)	(2)	(48)
Translation allowance	(15)	(18)	(5)	-
<b>Balance at 31 December</b>	<b>137</b>	<b>99</b>	<b>98</b>	<b>30</b>

Information about the group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 33.

### COMPANY

<i>In thousands of US dollars</i>	2014	2013
Other receivables	-	2
VAT	5	15
Called up share capital not paid	58	60
<b>Total trade and other receivables</b>	<b>63</b>	<b>77</b>

### 12. Loans Receivable

Presented below are carrying amounts of loans:

<i>In thousands of US dollars</i>	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Long-term loans issued:-</b>				
Bloomtrade International Limited	41,889	41,889	-	-
Bloomtrade International Limited- (bad debt reverse)	(18,676)	(18,676)	-	-
<b>Total long –term loans issued</b>	<b>23,213</b>	<b>23,213</b>	<b>-</b>	<b>-</b>
<b>Short-term loans issued:-</b>				
Bloomtrade International Limited	-	-	50,000	50,000
Kasphos LLP	4	4	9	9
<b>Total loans receivable</b>	<b>23,217</b>	<b>23,217</b>	<b>50,009</b>	<b>50,009</b>

On 15 October 2012 the Group signed an agreement with Bloomtrade International Limited (related party) for a loan in the amount of USD 50,000 thousand. During 2013 the Group signed a number of addendums to the agreement and as at 31 December 2013 the loan shall be repaid on 30 August 2014. During 2013 the Group signed an addendum, under which the loan should be repaid in tranches until 25 August 2019. The agreement does not specify the interest rate on the loans; however, the total amount of interest payable was agreed for the entire term of the loan use is USD 27,605 thousand that is repayable before 25 August 2019. Information about the Group's exposure to credit and currency risks and impairment losses related to loans issued is disclosed in Note 33.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**13. Taxes Receivable**

**GROUP**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
VAT refund	12,477	15,260
Other	414	692
<b>Total taxes receivable</b>	<b>12,891</b>	<b>15,952</b>

VAT receivable represents the current asset on VAT resulted from recognition of purchase of goods and services in the Republic of Kazakhstan. Since 2009 the Group has been refunded VAT under the simplified scheme, i.e. while filing the quarterly VAT tax accounts the Group submits the VAT refund application in parallel. During 2014 and 2013 the Tax Department of Medeu District for the City of Almaty conducted the tax audits for correctness of VAT assessments and payments. Based on the tax audit, no significant tax amounts have been additionally accrued by the tax authorities. The Group's management believes that VAT will be fully refunded within 2015.

**14. Cash and Cash Equivalents**

**GROUP**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Cash in bank Euro	-	23
Cash in bank US dollars	-	1
Cash in bank, Tenge	259	4,870
Cash in bank, RR	-	-
Cash in bank, GBP	6	7
Cash on hand	21	19
<b>Total cash and cash equivalents</b>	<b>286</b>	<b>4,920</b>

**COMPANY**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Cash in bank, GBP	6	30
<b>Total cash and cash equivalents</b>	<b>6</b>	<b>30</b>

Information about the group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 33.

**15. Company called up share capital**

**Allotted and issued:**

**GROUP**

<i>In thousands of US dollars</i>			<b>2014</b>	<b>2013</b>
<b>Number</b>	<b>Class</b>	<b>Nominal value</b>		
50,000	Ordinary Share	£1	98	98

As at 31 December 2014 the Company was owed US\$ 58 thousand (2013: US\$ 60 thousand) in relation to unpaid share capital, which is included in trade and other receivables. The Group's ultimate controlling parties are the trustees of the Balliana Family Trust by virtue of their majority shareholding in the Company.

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**16. Group deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following, none of which are concerned with the Company, only the other subsidiaries in the Group:

	Asset		Liabilities		Net	
<i>In thousands of US dollars</i>	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	(48,087)	(52,804)	(48,087)	(52,804)
Land revaluation	-	-	(16,756)	(19,973)	(16,756)	(19,973)
Provisions and accruals	2,993	3,571	-	-	2,993	3,571
Employees benefit	143	153	-	-	143	153
Other payables	46	74	-	-	46	74
<b>Net tax assets/(liabilities)</b>	<b>3,182</b>	<b>3,798</b>	<b>(64,843)</b>	<b>(72,777)</b>	<b>(61,661)</b>	<b>(68,979)</b>

<i>In thousands of US dollars</i>	Group 2014	Recognised in income	Translation adjustments	Recognised in equity	Group 2013
Property, plant and equipment	(48,087)	3,693	1,024	-	(52,804)
Land revaluation	(16,756)	-	3,146	71	(19,973)
Provisions and accruals	2,993	(15)	(563)	-	3,571
Employees benefit	143	14	(24)	-	153
Other payables	46	(17)	(11)	-	74
	<b>(61,661)</b>	<b>3,675</b>	<b>3,572</b>	<b>71</b>	<b>(68,979)</b>

<i>In thousands of US dollars</i>	Group 2013	Recognised in income	Translation adjustments	Recognised in equity	Group 2012
Property, plant and equipment	(52,804)	1,762	95	-	(54,661)
Land revaluation	(19,973)	(7,824)	253	(6,142)	(6,260)
Provisions and accruals	3,571	1,339	(55)	-	2,287
Employees benefit	153	(3)	(3)	-	159
Other payables	74	2	(2)	-	74
	<b>(68,979)</b>	<b>(4,724)</b>	<b>288</b>	<b>(6,142)</b>	<b>(58,401)</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**17. Provisions for asset retirement and site restoration obligations**

The obligations related to site restoration at GPK Karatau and GPK Chuluktau are stipulated by the subsurface use contracts between the group and Government of the Republic of Kazakhstan. The group has a legal obligation to restore land disturbed during the operations and decommissioning of its assets after its expected closure of site operation at GPK Karatau and GPK Chuluktau.

In April 2009 the group signed two contracts for groundwater extraction and use in the territory of its branches: NDPP and MFP. The contracts have been signed for 25 years and include a provision for site restoration after the contract expiry date.

During 2008 the group engaged an independent third party to evaluate future site restoration costs as at 31 December 2007 in relation to development of field and infrastructure arranged starting from the effective dates of the licenses. The group is not responsible for site restoration and dismantling of infrastructure existing at the effective dates of the licenses. A number of subsurface and ore extraction contracts expire within the next few years. The group's management believes that the contracts will be renewed. In this case, conclusion of new contracts or renewal will take time. For duration of the current conditions of extraction, the group believes that current cost estimate for site restoration is correct. Future estimated cash outflows for site restoration purposes were inflated at the interest rate of 8% and then discounted at the rate of 14%. Discount write-off is recognised as interest expense in profit or loss and other comprehensive income under "Finance costs" (note 28).

The group is obliged under the subsurface use contracts to make payments to the liquidation fund regulated by the government, determined as 0.1 percent of operational costs. In accordance with the subsurface use contracts, the group transfers cash to the long-term bank deposit to finance assets retirement and site restoration in future. As at 31 December 2014 the total balance in special deposit accounts was USD 332 thousand (2013: USD 236 thousand).

The asset retirement and site restoration obligations at GPK Karatau and GPK Chulaktau should be settled at the end of the useful life of each field varied from 2015 to 2025; obligations on groundwater wells should be settled upon the contract expiry date in 2034.

Movements in provisions for site restoration obligations are as follows:

<i>In thousands of US dollars</i>	Ore fields	Groundwater wells and landfills for waste disposal	Total
<b>Carrying amount at 1 January 2013</b>	<b>4,122</b>	<b>415</b>	<b>4,537</b>
Additions to estimated assets	-	182	182
Currency translation	(83)	(7)	(90)
Unwinding of the present value discount	563	7	570
<b>Carrying amount at 31 December 2013</b>	<b>4,602</b>	<b>597</b>	<b>5,199</b>
Currency translation	(735)	(95)	(830)
Unwinding of the present value discount	580	14	594
<b>Carrying amount at 31 December 2014</b>	<b>4,447</b>	<b>516</b>	<b>4,963</b>

**18. Employee Benefits**

**GROUP**

<i>In thousands of US dollars</i>	2014	2013
Current portion of employee benefits liabilities	119	164
Non current portion of employee benefits liabilities	592	596
<b>Total employee benefits</b>	<b>711</b>	<b>760</b>

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**18. Employee Benefits – (continued)**

Changes in the benefit obligations are as follows:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<b>Present value of defined benefit obligation at the beginning of the year</b>	<b>760</b>	<b>789</b>
Benefits paid	(114)	(126)
Current service expenses	114	4
Actuarial gains	63	(2)
Discount unwinding expense	9	109
Currency translation	(121)	(14)
<b>Present value of defined benefit obligation at end of year</b>	<b>711</b>	<b>760</b>

Amounts recognised in the statement of financial position and profit or loss for the year are as follows:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<b>Present value of defined benefit obligation at end of year</b>	<b>711</b>	<b>760</b>
<b>Net liability</b>	<b>711</b>	<b>760</b>
Interest expense	9	109
Actuarial gains	63	(2)
Current service expenses	114	4
<b>Expense recognised in operating results</b>	<b>186</b>	<b>111</b>

Current service expenses were included in the statement of comprehensive income as part of general and administrative expenses. Actuarial gains were recognised in other comprehensive income.

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<b>Cumulative amount of actuarial losses/ gain recognised in other comprehensive income</b>	<b>651</b>	<b>588</b>

Principal actuarial assumptions at the reporting date are as follows:

<i>In percentage</i>	<b>2014</b>	<b>2013</b>
Discount rate at 31 December	5.65	7.9
Average labour turnover rate at 31 December	7.8	14.5
Future salary increases at 31 December	7.5	7

As at the end of 2014 the group commissioned an independent actuary Khaliyeva, Raushan Makhmutovna (license for actuarial activity in the insurance Market No. 4 issued by the National Bank of the Republic of Kazakhstan on 28 November 2001), who assessed the group's actuarial employee benefits obligations as at 31 December 2014. The group approved the actuary's report and recognised these obligations in its individual financial statements.

Assumption on future benefit increase represents expected increase in monthly calculation index (MCI) which is the basis for determination of amounts payable in accordance with the legislation of the Republic of Kazakhstan.

To calculate the employee benefit obligation, the following criteria are taken into account:

- Personnel turnover rate is calculated in accordance with assumptions of the Group's management;
- The discount rate and the average rate of turnover remained unchanged;
- In the long run MCI is associated with the inflation rate

## **KAZPHOSPHATE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

#### **19. Borrowings**

##### **GROUP**

The carrying amounts of borrowings are as follow:

<i>In thousands of US dollars</i>	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
<b>Non- Current borrowings</b>		
Halyk Bank Kazakhstan	95,740	120,253
<b>Total non - current borrowing</b>	<b>95,740</b>	<b>120,253</b>
<b>Current borrowings</b>		
Kenon Finance Limited	99,449	109,448
Drewes Management SA	9,418	9,418
Halyk Bank Kazakhstan	34,845	49,133
<b>Total current borrowing</b>	<b>143,712</b>	<b>167,999</b>
<b>Total borrowings</b>	<b>239,452</b>	<b>288,252</b>

**Kennon Finance Limited & Drewes Management S.A.**, the amounts owed to these companies by Kazphosphate Limited, represent unsecured loans and have no fixed repayment date. Kennon Finance Limited and Drewes Management Limited are related parties to Kazphosphate Limited by virtue of common ownership.

The Group's borrowings are denominated in the following currencies:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Loans denominated in: - US dollar	239,452	288,252
<b>Total borrowings</b>	<b>239,452</b>	<b>288,252</b>

The group entered into an agreement for a credit line No. KS 02-12-40 / (1584/12-FO) dated 29 August 2012 with Halyk Bank of Kazakhstan JSC. Under the agreement, the group is provided with cash in the amount of USD 108,000 thousand and KZT equivalent of USD 13,020 thousand (KZT 2,000,000 thousand).

In accordance with the terms and conditions of the agreement USD 68,000 thousand are available at the interest rate of 8% per annum for construction of a workshop for production of sulphuric acid, as well as to refinance indebtedness to SB HSBC Bank Kazakhstan JSC and ATF Bank JSC.

The group is provided with USD 36,000 thousand and KZT equivalent of 13,020 thousand (KZT 2,000,000 thousand) for replenishment of working capital, acquisition of movable property for industrial purposes and refinancing of a debt to SB Alfa-Bank JSC and SB HSBC Bank Kazakhstan JSC. The interest rate on these loans varies from 8 to 9% for KZT and from 7 to 8% for USD depending on the loan term.

In addition, USD 4,000 thousand are available to the group for development of subsoil use rights under the contract for production of phosphate, as well as other costs related to subsoil use rights under this contract (mining, construction of production facilities necessary for development of subsoil use rights, etc.). Interest rate on the loan is 8% per annum.

Following agreement with Halyk Bank of Kazakhstan JSC, the debts to SB Alfa-Bank JSC, ATF Bank JSC, SB HSBC Bank Kazakhstan JSC were repaid.

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**19. Borrowings (continued)**

**Company**

The carrying amount and fair value of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount		Fair Value	
	2014	2013	2014	2013
Kennon Finance Limited	99,449	109,448	99,449	109,448
Drewes Management SA	9,418	9,418	9,418	9,418
Kazphosphate LLP	10,039	10,106	10,039	10,106
Energotherm & Intertherm B.V	-	997	-	997
<b>Total borrowings</b>	<b>118,906</b>	<b>129,969</b>	<b>118,906</b>	<b>129,969</b>

The group's borrowings are denominated in the following currencies :

<i>In thousands of US dollars</i>	2014	2013
Loans denominated in:		
- US dollar	118,906	128,041
- Pound sterling	-	1,373
- Euro	-	555
<b>Total borrowings</b>	<b>118,906</b>	<b>129,969</b>

**20. Trade and Other Payables**

**GROUP**

<i>In thousands of US dollars</i>	2014	2013
<i>Financial liabilities</i>		
Trade payables	34,377	45,982
<b>Total</b>	<b>34,377</b>	<b>45,982</b>
Payables to employees	2,222	2,374
Other payables	393	322
Payables to pension funds	261	299
<b>Total</b>	<b>2,876</b>	<b>2,995</b>
<b>Trade and other payables</b>	<b>37,253</b>	<b>48,977</b>

Trade payables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2014	2013
Tenge	24,588	34,782
US Dollars	4,727	4,585
Russian Roubles	832	2,801
Euro	4,230	3,814
<b>Trade payables</b>	<b>34,377</b>	<b>45,982</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**20. Trade and Other Payables – (continued)**

**COMPANY**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Trade payables	-	40
<b>Total trade and other payables</b>	<b>-</b>	<b>40</b>

**21. Other Taxes Payable**

**GROUP**

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Minerals extraction tax	775	731
Environmental emission payments	1,268	1,588
Social tax	164	155
Individual income tax	172	123
Payable to social fund	152	48
Corporate withholding tax	26	581
Non- Resident VAT	-	4
Customs fee	296	174
Excess profit tax	-	5
Obligatory professional pension contributions	47	-
<b>Total other taxes payable</b>	<b>2,900</b>	<b>3,409</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**22. Revenue**

**Group**

<i>In thousands of US Dollars</i>	<b>2014</b>	<b>2013</b>
Yellow phosphorus	239,626	226,895
Sodium tripolyphosphate	36,408	51,539
Ammonia phosphorus	65,498	52,912
Raw phosphorus	3,241	13,802
Thermal phosphoric acid	4,948	5,952
Services	7,300	12,161
Tricalcium phosphate	4,738	5,597
Granulated slag	3,605	3,142
Transportation services	1,049	933
Lease	-	453
Inventory	1,056	1,260
Hexametphosphate	-	1,493
Ferro-phosphorus	1,355	612
Lime	6	316
Oxygen	120	176
Dolomite	-	245
Superphosphate	1,696	777
Ammonium water	17	7
Other	2,994	1,286
Sulphuric acid	17,974	-
<b>Total revenue</b>	<b>391,631</b>	<b>379,558</b>

An analysis of the Group's revenue by geographical market is given below:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
European Union and Switzerland	249,253	224,875
Commonwealth of Independent States (former USSR)	58,982	73,489
Kazakhstan	72,055	65,487
Asia	4,355	2,195
Americas	112	131
Other	6,874	13,381
<b>Total revenue</b>	<b>391,631</b>	<b>379,558</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**23. Cost of Sales**

**Group**

<i>In thousands of US Dollars</i>	<b>2014</b>	<b>2013</b>
Raw materials	132,753	166,035
Electricity	64,605	52,476
Salary and related cost	34,884	37,144
Repair and maintenance	5,375	5,744
Changes in inventories of finished goods and work in progress	4,079	(2,100)
Third party Services	5,459	4,615
Depreciation and amortisation	27,514	31,485
Cost of Inventory sold	830	10,493
Provision for obsolete and slow moving inventory	1,009	(400)
Insurance cost	518	635
Other	(5,535)	1,414
<b>Total cost of sales</b>	<b>271,491</b>	<b>307,541</b>

**24. Other Operating Income**

**Group**

<i>In thousands of US Dollars</i>	<b>2014</b>	<b>2013</b> <b>Restated</b>
Liabilities write off	-	66
Gain on disposal of property plant and equipment	-	2,100
Reversal of impairment of land	-	39,121
Other income	1,348	765
<b>Total other operating income</b>	<b>1,348</b>	<b>42,052</b>

**25. Distribution Costs**

**Group**

<i>In thousands of US Dollars</i>	<b>2014</b>	<b>2013</b>
Transportation services – export	36,979	39,934
Materials and repair	2,256	2,656
Payroll and related expense	1,340	960
Electricity	283	239
Depreciation	75	2,514
Business trips and representative expenses	327	327
Certification	228	318
Insurance	147	216
Communication expenses	47	62
Customs services	93	70
Other	160	164
<b>Total distribution costs</b>	<b>41,935</b>	<b>47,460</b>

**KAZPHOSPHATE LIMITED**  
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**26. General and Administrative Expenses**

<u>Group</u>			
<i>In thousands of US Dollars</i>		<b>2014</b>	<b>2013</b>
Payroll and related expenses		6,428	6,647
Production suspension expenses -depreciation		9,257	-
Production suspension expenses -other		2,353	1,554
Provision for impairment of trade and other receivables and advances given		106	236
Maintenance, repair and materials		1,346	1,018
Communication and IT expenses		320	338
Taxes, other than income tax		1,469	949
Business trips and representative expenses		771	546
Consulting services		277	431
Depreciation and amortisation		6,047	6,345
Bank charges		296	425
Utilities		681	599
Rent		386	465
Tax fines and penalties		-	-
Security services		267	292
Sponsorship and charity		124	372
Legal services		1,428	775
Insurance		287	46
Accountancy		64	154
Parent company auditor remuneration*		74	62
Other		800	899
<b>Total general and administrative expenses</b>		<b>32,781</b>	<b>22,153</b>

\* Remuneration of the auditors' of subsidiaries is included within consulting services

**27. Other Operating Expenses**

<u>Group</u>			
<i>In thousands of US Dollars</i>		<b>2014</b>	<b>2013</b>
Losses on disposal of property, plant and equipment		368	1,704
Other		80	199
<b>Total other operating expenses</b>		<b>448</b>	<b>1,903</b>

**28. Finance Income and Costs**

Group

In February 2014 Kazakhstani tenge was devalued. Tenge exchange rate against US Dollar changed by almost 20%. The group is exposed to currency risk as it exports a major portion of its products and imports certain types of raw materials and equipment. In addition, the group has loans denominated in foreign currency. Therefore, the group foreign exchange difference accrued as a result of 2014 devaluation was rather significant.

Foreign exchange gain on loans received	11,279	2,055
Foreign exchange gain on borrowings	8,483	1,686
Sum difference	135	109
Foreign exchange gain on trade receivable and payables	6,037	2,022
Interest income on bank deposit	12	9
Other foreign exchange gain	227	10
<b>Total finance income</b>	<b>26,173</b>	<b>5,891</b>

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**28. Finance Income and Costs – (continued)**

**Group**

<i>In thousands of USD</i>	<b>2014</b>	<b>2013</b>
<b>Finance costs</b>		
Foreign exchange loss borrowings and interest	(28,141)	(4,064)
Reserve on loans provided	(19,005)	-
Foreign exchange loss Interest expenses on loans	(10,685)	(9,716)
Foreign exchange loss on trade receivables and payables	(4,670)	(1,865)
Foreign exchange loss loans provided	(1,762)	(814)
Provision for asset retirement and site restoration obligations: unwinding of discount	(541)	(570)
Sum difference	(536)	(517)
Regional social development liabilities: unwinding of discount	(26)	(9)
Other foreign exchange loss	(13)	(5)
<b>Total finance costs</b>	<b>(65,379)</b>	<b>(17,560)</b>

**Reclassification of foreign exchange differences for 2013**

During 2014 the group management decided to present the foreign exchange and sum differences in the finance income and finance costs and not in other income or other expenses as it was presented in the individual financial statements for 2013. The appropriate reclassification was made to ensure comparability of the presented 2013 data; all foreign exchange and sum differences that were initially recognised in the 2013 individual financial statements within other operating income and expenses were reclassified to finance income and finance costs in 2014 individual financial statements with regard to comparative data.

<i>In thousands of USD</i>	<b>Before reclassification</b>	<b>As reclassified</b>
<b>Finance income</b>		
Interest income on cash deposits	9	9
Foreign exchange gain on borrowings	1,686	1,689
Foreign exchange gain on loans received	-	2,055
Foreign exchange gain on cash and cash equivalents	12	9
Foreign exchange gain on trade receivables and payables	-	2,022
Other foreign exchange gain	-	4
Sum difference	-	103
<b>Total finance income</b>	<b>1,707</b>	<b>5,891</b>
<b>Finance costs</b>		
Interest expense	(9,718)	(9,716)
Provision for asset retirement and site restoration obligations: unwinding of discount	(570)	(570)
Regional social development liabilities: unwinding of discount	(9)	(9)
Foreign exchange loss on borrowings and interest	(4,064)	(4,064)
Foreign exchange loss on loans received	-	(814)
Foreign exchange loss on cash and cash equivalents	(4)	(5)
Foreign exchange loss on trade receivables and payables	-	(1,865)
Sum difference	-	(517)
<b>Total finance costs</b>	<b>(14,365)</b>	<b>(17,560)</b>
<b>Total finance costs, net</b>	<b>(12,658)</b>	<b>(11,669)</b>

**KAZPHOSPHATE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**28. Finance Income and Costs – (continued)**

**Group**

<i>In thousands of USD</i>	Before reclassification	As reclassified
<i>Other operating income</i>		
Foreign exchange gain	4,184	-
Payables write-off	66	65
Gain on disposal of property, plant and equipment	2,100	2,100
Other income	766	766
<b>Total other operating income</b>	<b>7,116</b>	<b>2,931</b>
<i>Other operating expenses</i>		
Foreign exchange loss	(3,196)	-
Loss on disposal of property, plant and equipment	(1,704)	(1,704)
Other	(198)	(199)
<b>Total other operating expenses</b>	<b>(5,098)</b>	<b>(1,903)</b>

**29. Income Tax**

**Group**

<i>In thousands of US Dollars</i>	Note	2014	2013 Restated
Current income tax expense		(9,736)	(3,876)
Deferred income tax credit	16	3,675	(4,724)
Excess profit tax		-	(4)
<b>Income tax expense</b>		<b>(6,061)</b>	<b>(8,604)</b>

Differences between IFRS and statutory taxation regulations gives rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to the period of assets realisation or liabilities settlement.

<i>In thousands of US dollars</i>	2014		2013 Restated	
<b>Profit / (loss) before income tax</b>	<b>838</b>		<b>30,638</b>	
Income tax benefit at applicable tax rate	167	20%	6,128	20%
Non-deductible/non-taxable items	5,342		595	
Change in temporary differences	-		1,815	
Tax deducted at source	780		-	
Excess profit tax	-		5	
Loss on which no deferred tax asset recognised	(228)		61	
<b>Current tax (charge)/benefit</b>	<b>(6,061)</b>		<b>(8,604)</b>	

The applicable tax rate used is 20%, which is the corporation tax rate in Kazakhstan. As almost all the group's activities taken place in Kazakhstan this is considered to be the rate most applicable to the group.

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**30. Employee Information**

The Group's total staff costs (including directors) were:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Wages and salaries, other bonuses and related expenses	42,652	44,750
<b>Total staff costs</b>	<b>42,652</b>	<b>44,750</b>
The average number of employees for the period was 6,088 (2013: 6,115)		
Production	4,644	4,356
Distribution	32	335
Administration	1,412	1,424
<b>Total</b>	<b>6,088</b>	<b>6,115</b>

**31. Balances and Transactions with Related Parties**

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2014 and 2013 are detailed below.

<i>In thousands of US dollars</i>	<b>Note</b>	<b>Entities under common control 2014</b>	<b>Entities under common control 2013</b>
Borrowings	19	108,867	118,866
Loan receivable	12	23,123	50,000

Of the above balances the total borrowings of US\$118,906 (2013: \$ 129,969) also represent transactions of the Company as a single entity (see note 19).

The income and expense items of the related party transactions for the year ended 31 December 2014 were as follows:

<i>In thousands of USD</i>	<b>Entities under common control</b>	<b>Parent company</b>	<b>Associates and joint ventures</b>
General administrative expenses	-	99	-
Finance income	9,296	1,983	-
Finance costs	20,311	456	-

The income and expense items of the related party transactions for the year ended 31 December 2013 were as follows:

<i>In thousands of USD</i>	<b>Entities under common control</b>	<b>Parent company</b>	<b>Associates and joint ventures</b>
Sale of materials	-	-	110
Sale of finished goods	-	-	1,420
Sale of services	318	-	167
General administrative expenses	-	-	-
Finance income	-	488	-
Finance costs	-	392	-

During the year Steven Landes was appointed as a director. During the year the company paid accountancy fee of \$ 62 thousands to S H Landes LLP as at year end the company owed a balance of \$54 thousand.

The above parties are related due to common directorship.

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**31. Balances and Transactions with Related Parties (continued)**

The key management compensation in 2014 and 2013 was included within general and administrative expenses. The total key management compensation cost for the year was as follows:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
Wages, salaries, other bonuses and related expenses	564	323
Social tax	50	30
Directors remuneration	Nil	Nil
<b>Total key management compensation</b>	<b>614</b>	<b>353</b>

**32. Contingencies, Commitments and Operating Risks**

***Political and economic situation in the Republic of Kazakhstan***

In general, the economy of the country continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

The chemical industry in Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the group's control. The financial condition and future operations of the group may be adversely affected by continued economic difficulties related mainly to the current situation in the global financial markets. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these individual financial statements.

***Tax and transfer pricing legislation***

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax and transfer pricing legislation by tax authorities as applied to the transactions and activities of the group may not coincide with that of management. As a result, tax authorities may challenge transactions and additional taxes, penalties and fines can be accrued to the group. Tax periods remain open to review by the Kazakh tax authorities for five years.

Whilst there is a risk that the Kazakhstani tax authorities may challenge the policies, including those relating to transfer pricing tax legislation, the management believes that they would be successful in defending any such challenge and notes that the amount of potential claim of the tax authorities cannot be reliably estimated. Accordingly, at 31 December 2014, the financial statements do not include any provisions for potential tax liabilities (2013: no provision).

***Transfer pricing***

According to transfer pricing law, the international transactions are subject to the state control. This law prescribes the Kazakhstani companies to support and if necessary to provide the economic rationale and the method for pricing applied in the international transactions, including the availability of documentation supporting the prices and price differentials. Additionally, the price differentials cannot be applied in the international transactions with the companies registered in the offshore countries. In case of deviation of transaction price from the market price, the tax authorities have the right to adjust the taxable items and accrue the additional taxes, penalties and fine.

Some sections of the transfer pricing law do not contain any detailed or clear practical guidance (e.g. form and content of documentation supporting the discounts), and determination of the group's tax liabilities in terms of transfer pricing rules requires the interpretation of transfer pricing law.

The group carries out the transactions subject to the transfer pricing state control. Despite possible risks of challenging the group's policy relating to transfer pricing tax legislation by the tax authorities, the management of the group believes that that they would be successful in defending any such challenge if the group's policy relating to transfer pricing tax legislation is challenged by the tax authorities. Accordingly, the financial statements of the group do not include any additional tax liabilities.

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**32. Contingencies, Commitments and Operating Risks (continued)**

***Social liabilities***

Under subsurface contracts, the group has committed to finance social programs which are beneficial for Zhambyl region of the Republic of Kazakhstan as a whole. The group will not receive any direct benefit from such costs but they are obligatory in accordance with the provisions on acquisition of subsurface use rights. These social costs are recognised as a part of acquisition cost upon the initial recognition, while the respective liabilities are recognised at present value of future social costs during exploration and production stage. Thus, according to the addendums to the contracts for phosphoric ore, the group is required to make annual payment of USD 98 thousand (equivalent of KZT 15,000 thousand) until the contract expiry date for the development of the region. Moreover, similar payments in the amount of USD 10 thousand are provided under the contracts for ground water extraction. At 31 December 2014 the group recognised provisions for regional social development to the total amount of USD 224 thousand (2013: USD 367 thousand).

The group makes payments into obligatory and voluntary social development programs. These costs are expensed in the period in which they are incurred. The group's social assets as well as local programs for social development will bring the benefits not only to the group's employees but also to the community as a whole. For the years ended 31 December 2014 and 31 December 2013, the group incurred expenses in the amount of USD 1,373 thousand and USD 1,497 thousand, respectively, which were recorded in profit and loss. The group transferred a range of social facilities to the local authorities; however, the management believes that the group will continue to finance such programs in the nearest future.

As part of costs for acquisition of subsurface use rights, the group is liable to finance the employee professional training programs which will bring the benefit both to the group and the community in Zhambyl region. The group is obliged to invest at least 0.1% of total operating costs to professional staff training programs. These costs are expensed as incurred.

***Capital expenditure commitments***

At 31 December 2014 the group had contractual capital expenditure commitments on purchase of property, plant and equipment totalling USD 6,925 thousand (2013: USD 1,255 thousand). Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

***Operating lease commitments***

Where the group is a lessee, future minimum lease payments under non-cancellable operating lease, are USD 22 thousand per month till 11 October 2015 (2013: USD 26 thousand per month).

***Insurance policies***

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on group property or relating to property operations. Until the group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the group's operations and financial position.

The Group holds insurance policies in relation to the following risks:

- Insurance of property;
- Insurance of civil liability of employer for causing damage to life and health of employee during their work duties;
- Insurance of civil liability of employer for causing damage to environment;
- Insurance of civil liability of vehicles owners;
- Insurance of civil liability of property owners, operations which can cause damage to third parties

***European antidumping commission investigation.***

At the end of 2011, the EU Anti-Dumping Commission (hereinafter the "Commission") launched an investigation regarding the use by the group of non-market sales prices on the European market of phosphoric products consumers. The Commission's Representatives visited the head office and branches of the group to review the working documents for production of phosphoric products. As at the reporting date, the Commission has completed its investigation and proceedings were closed without charging any penalties.

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**32. Contingencies, Commitments and Operating Risks (continued)**

***Environmental matters.***

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the financial statements. Thus, due to adoption of the Ecology Code of the Republic of Kazakhstan, during 2008 the Group created a liquidation fund to provide for landfill site restoration and environmental monitoring upon closure. In addition to the liquidation fund, representing a special account for accumulation of funds, the Group accrued a provision for landfill site restoration obligations. The amount of the accrued provision for landfill site restoration obligations was based on management's best estimates of future costs which will be incurred by the Group for repayment of its current liabilities. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. Environmental protection management system ISO 14001 and quality management system ISO-9001 are implemented in several branches of the Company (NDPP, MFP, RTC, GPK "Karatau", GPK "Chulaktau"). The Company has introduced health and labour safety management system based on OHSAS 18001:2007, ISO 9001:2008, ISO 14001:2004 and received the certificate on compliance. The validity of these certificates expires in 2016-2017. Group's management also developed and approved a number of policies on quality, environmental protection, health and labour safety, the main purposes of which are strict compliance with the requirements and expectations of consumers and other related parties on product quality, environmental pollution prevention, health and labour safety.

***Provision for asset retirement and restoration obligations.***

Kazakhstan legal environment and practice is continuously evolving, which may result in varying interpretations and changes in the existing legislation, as well as introduction of the new laws and regulations. Management believes that sufficient provisions have been recorded in these consolidated financial statements with respect to asset retirement obligations arising from requirements of existing regulations and the Group's operations. However, the changes in the legislation or its interpretation, as well as changes in management's judgment may require the Group to revise its estimates and recognise additional asset retirement obligations.

**33. Financial Risk Management**

***Financial risk factors.*** The Group's activities expose it to a variety of financial risks: market risk, (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance.

***Credit risk***

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables, loans receivable, cash and cash equivalents and restricted cash.

The Group has developed policies to ensure that sales of products and services are made to customers with an appropriate credit history and good reputation. Clients which do not meet the Group's solvency requirements may have transactions with the Group only on the terms of prepayments. Maximum credit risk exposure represents the current carrying value of trade receivables, loans receivable, cash and cash equivalents and restricted cash. The group's management believes that the credit risk on loans to related parties is acceptable as it is expected that the loans will be repaid within the period stipulated in the loan agreements.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions for receivables impairment already recorded. The carrying amount of trade and other receivables attributable to the 10 most significant customers of the group amounted to USD 17,841 thousand as at 31 December 2014 (2013: USD 15,700 thousand). Major portion of sales is attributed to wholesale buyers.

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**33. Financial Risk Management (continued)**

Cash is placed in financial institutions, which are considered at the time of deposit to have a minimal risk of default. Additionally, the Group analyses the external credit ratings of these financial institutions.

The table below shows the credit ratings as of 31 December 2014 and balances with banks and financial institutions where cash and cash equivalents and term deposits were placed as of 31 December 2014 and 31 December 2013:

<i>In thousands of US dollars</i>	<b>Rating</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<i>Cash and cash equivalents</i>			
Kazkommertsbank JSC	B+(S&P)	122	32
BTA Bank JSC	B-(Fitch)	61	15
Bank CenterCredit	B (Fitch)	3	62
Halyk Bank of Kazakhstan JSC	BB (Fitch)	65	4,752
HSBC Bank plc (UK)	-	6	30
Alfa-Bank SB JSC	BBB (S&P)	8	8
AFT Bank JSC	BBB (Fitch)	-	2
<b>Total cash and cash equivalents</b>		<b>265</b>	<b>4,901</b>
<i>Restricted cash</i>			
Alfa-Bank SB JSC	BBB (S&P)	187	185
Halyk Bank of Kazakhstan JSC	BB (Fitch)	-	51
Eurasian Bank JSC	B+ (S&P)	145	-
<b>Total restricted cash</b>		<b>332</b>	<b>236</b>

The maximum exposure to credit risk for trade receivables and loan receivable at the reporting date by geographic region was as follows:-

<i>In thousands of USD</i>	<b>Carrying value</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
Europe	14,524	12,461
CIS	4,267	8,106
Kazakhstan	3,087	3,213
Asia	1,344	-
Other	362	-
Loan receivable	23,213	50,000
	<b>46,797</b>	<b>73,780</b>

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**33. Financial Risk Management (continued)**

**Interest rate risk.**

At 31 December 2014 the group is not exposed to interest rate risk as it has no financial instruments with floating interest rate.

**Liquidity risk**

Liquidity risk is defined as the risk that the group will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due. The group's approach to liquidity management is to ensure the continuous and sufficient liquidity to meet the group's liabilities as they fall due (both under standard and non-standard situations), preventing unacceptable losses or the group's reputation damage risk.

Below is the information on contractual terms of financial liabilities settlement, including interest payments as at 31 December 2014 and as at 31 December 2013:

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 year	Over 5 years
<b>Liabilities 2014</b>							
Borrowings	239,452	280,801	4,015	22,616	16,752	237,418	-
Trade and other payables	34,377	34,377	-	34,377	-	-	-
Regional social development liabilities	224	224	-	-	92	132	-
<b>Total</b>	<b>274,053</b>	<b>315,402</b>	<b>4,015</b>	<b>56,993</b>	<b>16,844</b>	<b>237,550</b>	<b>-</b>

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
<b>Liabilities 2013</b>							
Borrowings	288,252	342,053	11,597	38,424	-	122,867	169,165
Trade and other payables	45,982	45,982	-	45,982	-	-	-
Provision for social development liabilities	367	367	-	-	116	251	-
<b>Total</b>	<b>334,601</b>	<b>388,402</b>	<b>11,597</b>	<b>84,406</b>	<b>116</b>	<b>123,118</b>	<b>169,165</b>

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**34. Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital under management. Net debt is determined as total amount of borrowings (including current and non-current borrowings recognised in the consolidated statement of financial position) less cash and deposits. Total capital is determined as equity recognised in the consolidated statement of financial position and net debt. Gearing ratio is consistent with the Group's strategy in attracting debt for operating and investment activities.

<i>In thousands of US dollars</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Total loans		239,452	288,252
Less: Cash and cash equivalents	14	(286)	(4,920)
<b>Net debt</b>		<b>239,166</b>	<b>283,332</b>
Total own capital		228,626	260,114
<b>Total capital</b>		<b>467,792</b>	<b>543,446</b>
<b>Financial leverage ratio</b>		<b>51%</b>	<b>52%</b>

The group's management believes that the debt to equity ratio at 31 December 2014 and 31 December 2013 is reasonable.

**35. Financial Instruments by Measurement Category**

The accounting policies for financial instruments have been applied to line items below:

<i>In thousands of US dollars</i>	<b>2014</b>	<b>2013</b>
<i>Loans and receivables</i>		
Restricted cash	332	236
Trade receivables	23,447	23,681
Loans receivable	23,217	50,009
Cash and cash equivalents	286	4,920
<b>Total financial assets</b>	<b>47,282</b>	<b>78,846</b>
<i>Other financial liabilities</i>		
Borrowings	239,452	288,252
Regional social development liabilities	224	367
Trade payables	34,377	45,942
<b>Total financial liabilities</b>	<b>274,053</b>	<b>334,561</b>

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**36. Fair Value of Financial Instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

***Financial assets carried at amortised cost.***

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amount of trade receivable (Note 11), cash and cash equivalents (Note 14), restricted cash deposits (Note 8) and issued loans (Note 12) approximates their fair value.

***Liabilities carried at amortised cost.***

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to short maturities the carrying amount of trade payables to suppliers and contractors approximates their fair values. Fair value of bank loans approximates their carrying amount as disclosed in Note 19.

**37. Events after the Reporting Date**

In early 2015, based on the lending program of Development Bank of Kazakhstan JSC for the second-tier banks to finance large businesses, the Group has opened two credit lines with Halyk Bank of Kazakhstan JSC under the Credit Line Agreement № KS 02-15-03 dated 30 January 2015 for KZT5 billion (USD \$ 3 billion) and KZT 10 billion (USD \$ 6 billion). Credit line has been provided for 7 years. Interest rate, depending on the financing terms, varies from 6% to 12%. The loans are issued to purchase inventories, equipment, property, construction and assembly works and design and estimate documentation related to reconstruction of the workshop for production of wet-process phosphoric acid.

As at year end the Group owed \$99,449 thousands to Kennon Finance Limited and \$9,418 thousands to Drewes Management Limited the company repaid these loans in January 2015. At the same time a new loan of \$108,867 thousand was received from Disport international Limited this company is a related party due to common control.

**38. Profit of Parent Company**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was \$11,070 thousand (2013: loss \$218 thousand).

**39. Nature and purposes of reserves**

**Retained earnings**

The retained earnings reserve represents the accumulated retained profits and losses of the Group.

**Foreign exchange translation reserve**

The foreign exchange translation reserve comprises all currency exchange differences arising from the translation of the financial statements of non-US dollar denominated operations into the presentational currency of the Group.

**Revaluation reserve**

The revaluation reserve is used to record the increase / decrease in the carrying value of the tangible assets where revalued.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**39. Nature and purposes of reserves (continued)**

**Share capital**

Holders of these ordinary shares are entitled to dividends and are also entitled to one vote per share at general meetings of the Company.

**40. Disposal of subsidiary**

During the year the company disposed of two subsidiaries, Energotherm BV and Intertherm BV, both of which were liquidated. As at the date of liquidation both companies had insignificant net liabilities. A loss arose on the disposal, comprised largely of foreign exchange differences recycled from the translation reserve.

*In thousands of US dollars* 2014

Net liabilities disposed of	9
Proceeds	-
Profit on disposal before recycling of foreign exchange	9
Recycling of foreign exchange	(6,256)
<b>Total</b>	<b>(6,247)</b>

**41. Prior period adjustments**

In the financial statements for the year ended 31 December 2013, the group recorded a net surplus arising on revaluation of land of US\$55,862 thousand in the revaluation reserve. In fact US\$31,297 thousand should have been recorded as the reversal of an impairment of land, which had previously been recognised in the income statement for the year ended 31 December 2011. This has been corrected in the financial statements, together with the deferred tax effect, as a prior period adjustment. The 2013 comparatives have therefore been restated to correct this error as follows:

<b>Consolidated Statement of Comprehensive Income</b>	<b>31 December 2013 (as reported)</b>	<b>Effect of restatement</b>	<b>31 December 2013 (as restated)</b>
Other operating income	2,931	39,121	42,052
Operating profit	3,472	39,121	42,593
Profit/(loss) before tax	(8,483)	39,121	30,638
Income tax expense	(780)	(7,824)	(8,604)
Profit/(loss) for the year	(9,263)	31,297	22,034
<b>Other comprehensive income</b>			
Land revaluation	55,862	(31,297)	24,565
Other comprehensive income for the year	52,616	(31,297)	21,319
<b>Consolidated Statement of Financial Position</b>	<b>31 December 2013 (as reported)</b>	<b>Effect of restatement</b>	<b>31 December 2013 (as restated)</b>
<b>Equity</b>			
Retained earnings	234,105	31,297	265,402
Revaluation surplus	56,044	(31,297)	24,747